

ADJUSTED ANNUAL FINANCIAL STATEMENTS

for

INGQUZA HILL LOCAL MUNICIPALITY

For the period ended 30 June 2018

Province:

Eastern Cape

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|--------------|
| Eastern Cape |
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|--|------------------------------------|
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INGQUZA HILL LOCAL MUNICIPALITY
 ADJUSTED ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2018

General information

Municipal demarcation code: EC 153

Members of the Executive Council and Leadership

| | |
|--|-------------------------|
| Mayor | Councillor J P Mdingi |
| Speaker | Councillor N Capa |
| Chief Whip | Councillor M Tenyane |
| MPAC Chair | Councillor S H Mtshazo |
| Members Interest Chair | Councillor P Dutsiwa |
| Public Participation & Petitions Committee Chair | Councillor Z Mhlongo |
| Women's Caucus Chair | Councillor B J Nkani |
| Member of the Executive Committee | Councillor M R Ziphatho |
| Member of the Executive Committee | Councillor V Gwegwe |
| Member of the Executive Committee | Councillor B B Goya |
| Member of the Executive Committee | Councillor T Jotile |
| Member of the Executive Committee | Councillor V Somani |
| Member of the Executive Committee | Councillor B Mvulani |
| Member of the Executive Committee | Councillor M M Mkumtha |
| Member of the Executive Committee | Councillor N A Gagai |
| Member of the Executive Committee | Councillor S B Vatsha |

Municipal Manager

M Fihlani

Acting Chief Financial Officer

Z Sodladla

Grading of Local Authority

Grade 3 : Low Capacity

Auditors

Auditor-General(South Africa)

Bankers

First National Bank

Flagstaff Branch

6224175712 - Primary bank account

Lawyers

FT Tayi Incorporated

Ximbi Ncolo and Associates

INGQUZA HILL LOCAL MUNICIPALITY
 ADJUSTED ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2018

General information (continued)

Registered Office: 135 Main Street, Flagstaff

Physical addresses:

135 Main Street
 FLAGSTAFF
 4810

Lusikisiki Office

66 Main Street
 LUSIKISIKI
 4820

Postal addresses:

PO Box 14
 FLAGSTAFF
 4810

Lusikisiki Office

PO Box 7
 LUSIKISIKI
 4820

Telephone numbers:

039 252 0131
 039 253 1568

Flagstaff
 Lusikisiki

Fax numbers:

039 252 0699
 039 253 1096

Flagstaff
 Lusikisiki

E-mail address:

mthamini@ihlm.gov.za

INGQUZA HILL LOCAL MUNICIPALITY
ADJUSTED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

Foreword

We are pleased to present this Financial Report that reflects our commitment to the principle of good governance and clean administration by Ingquza Hill Local Municipality's Council.

As a responsible local government sphere, we have worked hard during the period under review to execute the mandate given to us by the communities, we serve to advance their basic social needs and reduce the infrastructure development backlog that is faced by the our country. This is our main business as the local sphere of South African Government in terms of Section 216 of the Constitution of the Republic of South Africa and other pieces of legislation governing local government.

As a developing local government institution, we place very high emphasis on total compliance with the legislation governing our administration. We will continue to place great focus on empowering our public representatives to ensure a vigorous oversight and leadership role in the management of public funds.

We wish to thank the Council, its committees and our administration for their hard work in ensuring that Ingquza Hill Local Municipality achieve positive results in respect of financial management.

Thank you

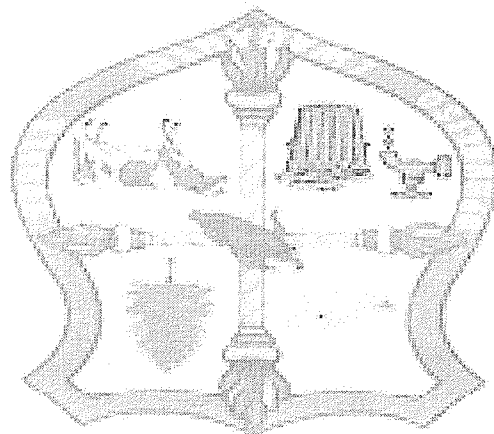
Councillor J P Mdingi
Mayor



Date

27/12/2018

INGQUZA HILL LOCAL MUNICIPALITY



ADJUSTED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

Accounting Officer's Statement

I, Muleki Fihlani, am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 55, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003(MFMA) and which I have signed on behalf of the Municipality.

I also certify that the salaries, allowances and benefits of Councillors as disclosed in notes 19 and 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution Act No 108 of 1996 of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act No 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

M Fihlani
Municipal Manager

07 December 2018

Flagstaff
at (place of signing)
Date

INGOUZA HILL LOCAL MUNICIPALITY
 ADJUSTED ANNUAL FINANCIAL STATEMENTS
 For the year ended 30 June 2018

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INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2018

| | Notes | 2018 | 2017 |
|---|-------|--------------------|--------------------|
| REVENUE | | R | R |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS | | | |
| TAXES | | | |
| Property rates | 13 | 21 541 089 | 21 367 983 |
| TRANSFERS AND FINES | | | |
| Government grants and subsidies | 15 | 286 015 240 | 262 043 361 |
| Fines | | 2 243 200 | 1 314 500 |
| REVENUE FROM EXCHANGE TRANSACTIONS | | | |
| Service charges - refuse | 14 | 1 134 823 | 1 119 231 |
| Rental of facilities | | 11 918 | 11 661 |
| Interest earned - external investments | 43 | 7 815 515 | 7 952 902 |
| Lease rentals | | 847 207 | 769 891 |
| Other income | 16 | 11 207 441 | 3 682 192 |
| Total Revenue | | 330 816 433 | 298 261 722 |
| EXPENDITURE | | | |
| Employee related costs | 18 | 107 166 887 | 91 910 835 |
| Remuneration of Councillors | 19 | 21 635 836 | 18 984 403 |
| Repairs and maintenance | 31 | 4 748 242 | 17 644 111 |
| Impairment of debtors | 35 | - | 5 580 825 |
| Impairment expense | 41 | 61 644 | 4 632 032 |
| Interest paid | 20 | 468 056 | 387 912 |
| Investment property loss on fair value adjustment | | 45 715 070 | - |
| Loss on sale of sites | | 1 710 572 | - |
| General expenses | 23 | 65 123 830 | 73 939 452 |
| Depreciation | 8 | 41 784 674 | 35 932 482 |
| Total Expenditure | | 288 414 810 | 249 012 052 |
| SURPLUS FOR THE YEAR | | 42 401 623 | 49 249 670 |

INGUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

NET ASSETS AND LIABILITIES

| | 2018 | 2017 |
|---|---------------|---------------|
| Notes | | |
| Restated balances | | |
| | R | R |
| Net assets | 1 113 448 261 | 1 071 046 638 |
| Accumulated surplus | 1 113 448 261 | 1 071 046 638 |
| Non-current liabilities | 11 608 248 | 11 443 618 |
| Long term loan - DBSA | 6 825 840 | 6 825 840 |
| Long service awards | 4 782 408 | 4 617 778 |
| Current liabilities | 49 088 835 | 36 662 608 |
| Provisions | 6 556 455 | 8 824 360 |
| Current portion of finance lease liability | - | 195 320 |
| Current portion of long service awards | 1 444 654 | 1 302 694 |
| Trade and other payables from exchange transactions | 34 834 777 | 23 167 072 |
| Unspent conditional grants and receipts | 6 137 950 | 3 647 794 |
| Sundry payables | 114 998 | 114 871 |
| Total Net Assets and Liabilities | 1 173 786 102 | 1 124 809 501 |
| ASSETS | | |
| Non-current assets | 1 003 558 784 | 994 971 669 |
| Property, plant and equipment | 602 471 024 | 548 397 977 |
| Investment property | 394 101 560 | 439 816 630 |
| Investment held as a collateral | 6 474 472 | 5 988 893 |
| Current assets | 165 589 966 | 119 316 174 |
| Consumer receivables from non-exchange transactions | 24 035 162 | 18 370 815 |
| Sundry receivables from exchange transactions | 658 868 | 607 589 |
| VAT receivable | 42 081 844 | 25 689 786 |
| Inventory | 18 891 464 | 23 088 938 |
| Cash and cash equivalents | 79 922 629 | 51 559 046 |
| Total Assets | 1 173 786 185 | 1 124 809 501 |

INGOUZA HILL LOCAL MUNICIPALITY
 STATEMENT OF CHANGES IN NET ASSETS
 For the year ended 30 June 2018

| | 2017 | 2018 | Notes |
|-------------------------|---------------|---------------|-------|
| Balance at 1 July 2016 | 1 021 796 968 | 1 071 046 638 | |
| Surplus for the year | 49 249 670 | 42 401 623 | |
| Balance at 30 June 2017 | 1 071 046 638 | 1 113 448 261 | |
| Balance at 1 July 2017 | 1 071 046 638 | 1 071 046 638 | |
| Surplus for the year | 42 401 623 | 42 401 623 | |
| Balance at 30 June 2018 | 1 113 448 261 | 1 113 448 261 | |
| Accumulated Surplus | R | R | |
| Total | | | |

INGQUZA HILL LOCAL MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2018

Notes

| | 2018 | 2017 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | 330 816 433 | 300 159 468 |
| Receipts | | |
| Property rates | 21 541 089 | 21 367 983 |
| Sales of goods and services | 4 237 148 | 5 113 030 |
| Grants | 286 015 240 | 262 043 961 |
| Interest received | 7 815 516 | 7 952 903 |
| Other receipts | 11 207 441 | 3 682 192 |
| Payments | (209 837 264) | (252 182 053) |
| Employee costs | -128 802 723 | -109 794 175 |
| Suppliers | -80 566 485 | -141 999 966 |
| Interest paid | -468 056 | -397 912 |
| Other payments/movements | | |
| Net cash flows from operating activities | 120 979 170 | 47 977 415 |
| CASH FLOWS FROM INVESTING ACTIVITIES | (95 919 364) | (68 831 378) |
| Purchase of fixed assets (PPE) | (95 919 364) | (68 831 378) |
| Proceeds from sale of PPE | 2 293 721 | |
| Investment held as a collateral | 485 579 | (449 161) |
| Net cash flows from investing activities | (93 140 064) | (69 280 538) |
| CASH FLOWS FROM FINANCING ACTIVITIES | (195 320) | (291 552) |
| Finance lease (payments)/receipts | (195 320) | (291 552) |
| Net cash flows from financing activities | (195 320) | (291 552) |
| Net increase/(decrease) in net cash and cash equivalents | 27 643 786 | (21 594 675) |
| Net cash and cash equivalents at beginning of period | 51 559 046 | 73 153 721 |
| Net cash and cash equivalents at end of period | 79 922 622 | 51 559 046 |

INGOZA HILL LOCAL MUNICIPALITY
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 As at 30 June 2018

| Description | Actual 2018 | Approved Budget 2018 | Adjustments | Final Budget 2018 | Variance | Management comments |
|------------------------------------|-------------|----------------------|---------------|-------------------|----------|---|
| Revenue | 21 541 089 | 29 627 679 | 9 | 29 627 688 | 27% | N/A |
| Rates and taxes | 5 745 741 | 6 631 680 | (2 241 794) | 4 389 986 | -31% | Most of the line items here are demand driven from the clients and the negative of the current market |
| Fees, fines, penalties & licences | 9 809 463 | 29 599 542 | (18 537 330) | 11 062 212 | 11% | Most of the line items here are demand driven from the clients and the negative of the current market |
| Revenue from exchange transactions | 286 015 240 | 283 644 000 | - | 283 644 000 | -1% | N/A |
| Transfers from other governments | 7 704 900 | 29 825 797 | 29 542 941 | 59 368 738 | 15% | Most of the line items here are demand driven from the clients and the negative of the current market |
| Other operating income | 330 816 433 | 379 328 698 | 8 763 826 | 388 092 524 | 15% | |
| Total revenue | 128 602 722 | 147 830 200 | (11 567 536) | 136 262 664 | 5% | Some budgeted benefits are not yet realised by the employees and these are some vacant positions |
| Expenses | 65 123 830 | 76 159 466 | 91 009 | 76 250 466 | 15% | N/A |
| Personnel | 137 240 701 | 144 013 235 | (136 806 990) | 7 206 245 | -1804% | Note 8.2 on additions to PPE expenditure is transferred to assets capitalised, refer to |
| Capital expenditure | 4 748 242 | 11 325 805 | 157 047 340 | 168 373 145 | 97% | Repairs and maintenance per clusters started late because of the rainy season |
| Repairs and maintenance | 468 056 | 15 000 | (15 000) | N/A | 0% | |
| Finance costs | 336 383 551 | 379 343 696 | 8 748 824 | 388 092 520 | 13% | |
| Total expenditure | (5 567 118) | | | | | |
| Un-adjustment surplus for the year | | | | | | |

Depreciation
 Fair value adjustment
 Impairment of debtors
 Impairment expenses
 61 644
 1 710 572
 468 056
 6 556 455

138 698 093

NB: Management comments are in respect of variances that are 10% and above. The adjustments are the movements within the approved budget by the Council.

NB: all the movements between the approved budget and the final budget are a consequence of relocations within the budget

Surplus for the year 42 401 623

INGOUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
 For the year ended 30 June 2018

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The Municipality has also made use of the approved but not yet effective standards to compile these accounting policies which are also a part of this list. The standards are summarised as follows:

| | |
|----------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statement |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing costs |
| GRAP 6 | Consolidated and separate financial statements |
| GRAP 7 | Investments in Associates |
| GRAP 8 | Interests in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial reporting in hyperinflationary economies |
| GRAP 11 | Construction contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 15 | Investment property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 18 | Segment reporting |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Asset |
| GRAP 21 | Impairment of non cash generating assets |
| GRAP 23 | Revenue from non exchange transactions |
| GRAP 24 | Presentation of budget information in financial statements |
| GRAP 25 | Employee benefits |
| GRAP 26 | Impairment of cash generating assets |
| GRAP 27 | Agriculture |
| GRAP 31 | Intangible assets |
| GRAP 100 | Discontinued operations |
| GRAP 103 | Heritage assets |
| GRAP 104 | Financial instruments |
| GRAP 105 | Transfer of functions between entities under common control |
| GRAP 106 | Transfer of functions between entities not under common control |
| GRAP 107 | Mergers |
| GRAP 20 | Related party disclosures |
| GRAP 32 | Service concession arrangements Grantor |
| GRAP 34 | Separate Financial Statements |
| GRAP 35 | Consolidated Financial Statements |
| GRAP 36 | Investments in associates and joint ventures |
| GRAP 37 | Joint arrangements |
| GRAP 38 | Service concession arrangements Grantor |
| GRAP 38 | Disclosure of interest in other entities |
| GRAP 108 | Statutory receivables |
| GRAP 109 | Accounting by principals and agents |
| GRAP 110 | Living and non-living resources |

The following are the standards that are approved but not yet effective, no effective date has been determined

GRAP 20 Related party disclosures

GRAP 32 Service concession arrangements Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in associates and joint ventures

GRAP 37 Joint arrangements

GRAP 38 Service concession arrangements Grantor

GRAP 38 Disclosure of interest in other entities

GRAP 108 Statutory receivables

GRAP 109 Accounting by principals and agents

GRAP 110 Living and non-living resources

The effective date for the below standard is 1 April 2019

GRAP 18 Recognition and declassification of land

The impact of the above standards, the Municipality already has the accounting policy for the above standards and is already complying with the requirements of these accounting standards

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note following as they apply to the Municipality.

| | |
|---|--|
| <p>INGUZA HILL LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2018 1. BASIS OF ACCOUNTING(continued)</p> | |
| 1.2 | <p>Presentation currency</p> <p>These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality. All figures have been rounded off to the nearest one Rand.</p> |
| 1.3 | <p>Going concern assumption</p> <p>These annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.</p> |
| 1.4 | <p>Comparative information</p> <p>Budget information prepared in accordance with GRAP 1 and GRAP 24 has been provided to these financial statements and forms part of the Annual Financial Statements. The budget information is prepared on the same basis as the Annual Financial Statements for the year ended 30 June 2017.</p> <p>When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparative are restated accordingly. Where there has been a change in accounting policy or adoption of accounting standard in the current year, the adjustment is made retrospectively as far practicable and the prior year comparatives are restated accordingly.</p> |
| 1.5 | <p>Accounting policies, changes in accounting estimates and errors</p> <p>The Municipality is fully complying with all the relevant GRAP standards.</p> |

2. RESERVES

2.1 Government Grants Reserve

When an item of property, plant and equipment is transferred to the accumulated surplus or deficit, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus or deficit.

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus or deficit.

When an item of property, plant and equipment is transferred from this reserve to the accumulated surplus or deficit, ensuring that the future depreciation expenses that will be incurred over the useful lives of the asset are covered by the Government Grant Reserve. The purpose of this policy is to promote community equity by made from the Government Grant to the accumulated surplus or deficit. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury.

2.2 Revaluation Reserve

The surpluses arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are derecognised, through a transfer from the revaluation reserve to the accumulated surplus or deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus or deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

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

Where an asset is acquired by the Municipality for no cost or nominal consideration (i.e. a non-exchange transaction), its cost is its fair value as at the 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, its deemed cost is the carrying amount of the asset(s) given up.

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

The work in progress for infrastructure is initially measured at cost, and capitalised to an asset once the asset is completed.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.2 Subsequent measurement - cost model (Property, Plant & Equipment)

Subsequent to initial recognition, land and buildings are carried at carrying value, being their cost less any subsequent accumulated depreciation and impairment losses.

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

3.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The assets are depreciated as follows:

| | |
|---------------------|----------------|
| Infrastructure | 20 years |
| Access roads | 7-24 years |
| Street Lights | 7-24 years |
| High Masts | 7-24 years |
| Community assets | 10 - 50 years |
| Graveyard | 7-10 years |
| Fences | 10 - 180 years |
| Sport fields | 10 years |
| Other | 10 years |
| Landfill site | 7 - 10 years |
| Furniture | 10 - 15 years |
| Mobile office | 10 years |
| Fire arms | 5 - 15 years |
| Plant and equipment | 3 - 5 years |
| Motor vehicles | 5 - 7 years |
| Tools | 3 - 5 years |
| Computer equipment | 3 - 10 years |
| Buildings | 50 years |

The residual value, the useful life of an asset and the depreciation method are reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 Derecognition

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 and/or when it is transferred to other organ of state (under). The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial recognition

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

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

Where an investment property 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 the provisional amount.

4.2 Subsequent measurement - fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value which is determined annually with any changes to the fair value recognised in surplus or deficit.

4. INVESTMENT PROPERTY (Cont.)

4.3 Derecognition

Items of investment property 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 on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets at amortised cost and are initially recognised at fair value, plus transaction costs and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Amortised cost refers to the initial carrying amount plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired (expected future cash flows to their present value using the effective interest rate at initial recognition). Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6. TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, net transaction costs and subsequently measured at amortised cost using the effective interest rate method which is the initial carrying amount, less repayment, plus interest.

7. CASH AND CASH EQUIVALENTS

7.1 Cash and cash equivalents

Cash includes 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 with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets at amortised cost and are initially recognised at the fair value, plus transaction costs and subsequently carried at amortised cost using the effective interest rate method.

Bank overdrafts are recorded based on the facility used. Finance charges on the bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities at amortised cost, are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

7.2 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

8.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constituted or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

8.2 Subsequent measurement

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

9. FINANCIAL INSTRUMENTS (continued)

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial

9.1 Financial Assets - Classification and Measurement

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

- a) Investment in fixed deposits (Banking institutions, etc)
- b) Investment held as a collateral
- c) Consumer receivables from non-exchange transactions
- d) Sundry receivables from exchange transactions
- e) Cash and cash equivalents

9. FINANCIAL INSTRUMENTS (continued)

9.1 Financial assets - classification and measurement at amortised cost (continued)

Classification in terms of GRAP 104

| | |
|---|-----------------------------------|
| Short term investment deposits - call | Financial asset at amortised cost |
| Cash and cash equivalents | Financial asset at amortised cost |
| Long term receivables | Financial asset at amortised cost |
| Receivables from non exchange transactions | Financial asset at amortised cost |
| Sundry receivables from exchange transactions | Financial asset at amortised cost |
| Investment held as a collateral | Financial asset at amortised cost |

Financial assets at fair value are financial assets that meet either of the following conditions:

- They are classified as held for trading, or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the Municipality has the positive intent and ability to hold the investment maturity.

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition, financial assets are subject to impairment. Financial assets at amortised cost are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost, less provision for impairment.

9.2 Financial Liabilities - Classification and Measurement

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

- a) Long term liabilities
 - b) Trade and payables from exchange and non-exchange transactions
 - c) Bank overdraft
 - d) Short term loans
 - e) Current portion of long term liabilities
 - f) Finance lease liability
- There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be
- (i) At fair value or
 - (ii) Financial liabilities at amortised costs

9. FINANCIAL INSTRUMENTS

9.2. Financial liabilities - Classification and measurement (continued)

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profit-seeking or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as financial liabilities at amortised cost and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

9.3. Initial and Subsequent Measurement

9.3.1 Financial Assets
 Held-to-maturity investments and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial assets at fair value and available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the surplus or deficit being recognised in the Statement of Financial Performance.

9.3.2 Financial liabilities

Financial liabilities at fair value are subsequently measured at fair value and other financial liabilities are measured at amortised cost using the effective interest rates method.

9.3.3 Impairment of Financial Assets

Financial assets at amortised cost other than those at fair value are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence, the recoverable amount is estimated and an impairment loss is recognised. Initially trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debts 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.

A provision 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. The amount of the provision is the difference between the financial assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9. FINANCIAL INSTRUMENTS (continued)

9.3 Impairment of Financial Assets (continued)

With the exception of financial assets at cost, 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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of financial assets at cost, impairment losses previously recognised through surplus or deficit are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in net assets.

Consumer and sundry receivables are stated at cost less a provision for impairment. The provision is made in accordance with IFRS 144 whereby the recoverability of consumer and sundry receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided because such accounts are regarded as

9.4 Derecognition of Financial Assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when the 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 the 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.

9.5 Derecognition of Financial Liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

10. RISK MANAGEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

10.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

10.2 Liquidity Risk

- Liquidity risk is managed by ensuring that all financial assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statements.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (this for example applies in the case of obligations for the rehabilitation of the landfill site). The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is highly probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating deficits. The present obligation under an onerous contract is recognised and measured as a provision.

12. LEASES

12.1 Municipally as lessee

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

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

Operating leases are those leases that do not fall within the scope of the definition of finance leases. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this is on the basis of the cash flows in the lease agreement.

12.2 Municipally as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any outstanding amount is recognised as an asset in the Statement of Financial Position.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue 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.

14. REVENUE

14.1 Revenue from exchange transactions

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

Interest revenue is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

14.2 Revenue from non-exchange transactions

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons are recognised when they are legally due to the Municipality, revenue is impaired when the probability of collecting is remote and/or when a fine is reduced or written off by the Magistrate.

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

14.2 Revenue from non-exchange transactions(continued)

Revenue from public contributions and donations is recognised when all the 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 qualify for recognition and first become available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

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

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 and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15. GRANTS, TRANSFERS AND DONATIONS

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

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act no. 32 of 2005, the Municipal Systems Act of 2000, the Public Office Bearers Act (20 of 1988) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

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

19. RELATED PARTIES

Individuals as well as their close family members, and/or municipality 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. Management is regarded as the related party and comprises the councillors and audit committee members.

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

20 BORROWING COSTS
Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities that are necessary to prepare the asset for its intended use or sale are complete. If it is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

21 EMPLOYEE BENEFITS

21.1 Post Employment Benefits

The Municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the Municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

21.2 Short Term Employee Benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences, bonuses and short term portion of Long Service Award.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

21.3 Long term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

the present value of the defined 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.

The municipality recognises the net total of the following amounts as expense or revenue, 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 right recognised as an asset,

actuarial gains and losses, which is recognised immediately,

past service cost, which is recognised immediately, and

22 EVENTS AFTER THE REPORTING DATE

The Municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2017) and the date on which the audit of the financial statements is completed (30 November 2017) are considered for inclusion in the annual financial statements.

23 IMPAIRMENT OF ASSETS

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

23.1 Impairment of cash generating assets

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

23.2 Impairment of non cash generating assets

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to use its dependent on the nature of the identified impairment. Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Reversal of an impairment loss of an asset carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

24 INTANGIBLE ASSETS

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset and use or sell it;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Further development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below.

Intangible asset useful lives:

-Software 3

-Website 5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, where items or intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2018

| | 2018 R | 2017 R | Restated balances |
|-----------------------|-----------------------------|-----------------------------|-------------------|
| 1 ACCUMULATED SURPLUS | | | |
| Opening balance | 1 071 046 638 | 1 021 796 968 | |
| Movements : | 42 401 623 | 49 249 670 | |
| Closing balance | <u><u>1 113 448 261</u></u> | <u><u>1 071 046 638</u></u> | |

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

Restated Balance

2017 R
2018 R

2 LONG TERM LIABILITY

Loan - Development Bank of Southern Africa (DBSA)
Interest accrued - DBSA- included in sundry creditors (note 4)
Total amount owed to DBSA as at 30 June 2018

| | |
|-------------------|-------------------|
| 6 825 840 | 6 825 840 |
| 114 870 | 114 998 |
| 6 940 710 | 6 940 838 |
| 4 617 778 | 4 782 408 |
| <u>11 558 488</u> | <u>11 723 246</u> |

The DBSA external loan is repayable in 2019. The fixed interest rate is 6.75% per annum. One bullet payment at the end of term from proceedings of zero coupon bonds. The payment shall commence on the last day of half year during which the first disbursement was advanced to the Municipality. The loan is secured by the investment held with FNB-RMB (Rand Merchant Bank) which was ceded to the DBSA which is an investment on zero coupon bond and has the following details:

- Account number - 128331
- Type of account - RMB
- Value - R 6 474 472

The loan was used to acquire property, plant and equipment.

3

3.1 Bonus provision

Opening balance
Addition to unpaid bonuses

| | |
|------------------|------------------|
| 1 652 703 | 8 459 918 |
| 336 672 | (2 330 032) |
| <u>1 989 376</u> | <u>6 129 886</u> |

This is a provision for service bonus payable to employees as at 30 June 2018. The uncertainty is the timing of the bonus payments. The accrual calculation is based on the thirteen cheque payable that falls due within the current year. The municipality has an obligation to pay a service bonus in terms of its condition of employment.

3.2 Performance bonus

Opening balance
Addition to unpaid performance bonuses

| | |
|------------------|-------------|
| 4 817 313 | 8 459 918 |
| 1 653 230 | (8 459 918) |
| <u>6 470 543</u> | <u>-</u> |

This is a provision for performance bonuses due to all Section 57 managers. Its based on 14% of annual all inclusive salary as at 30 June 2017. The uncertainty is on the assessment by Evaluation Committee and approval by Council.

3.3 Landfill sites

Opening balance

| | |
|----------------|----------------|
| 353 053 | 364 442 |
| 11 389 | 62 127 |
| <u>364 442</u> | <u>426 569</u> |

Addition of Flagstaff site to the provision and expenditure increase
Provision for the restoration of the landfill site. The Municipality received an approval by the Office of The Environmental Affairs. The municipality has a landfill site where it will need to rehabilitate the land at the end of its useful life. The estimated cost at this time is per above.

Total current provisions (Notes 3.1 + 3.2 + 3.3)

| | |
|-----------|--------------|
| 8 824 360 | 6 556 454.85 |
|-----------|--------------|

4 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Retentions with-held from contractors | 16 504 142 | 11 276 413 |
| Trade payables | 7 253 116 | 2 895 106 |
| Accrual for leave pay | 7 907 499 | 7 383 786 |
| Net salaries clearance | (766 247) | - |
| Credit card | - | 55 |
| Prepaid income | 3 935 267 | 890 007 |
| Other accruals | 1 000 | 721 705 |
| Balance at the end of the year | <u>34 834 777</u> | <u>23 167 072</u> |
| Sundry payables | 114 998 | 114 870 |
| Interest on DBSA Loan (refer to note 2) | 114 998 | 114 870 |
| Petrol card | - | 114 870 |
| | <u>114 998</u> | <u>114 870</u> |

The management of the Municipality is of the opinion that the carrying value of trade payables approximate their fair values.

The fair value of trade payables was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

| | | |
|--|------------------|------------------|
| Department of Energy (DCE) - Electrification | 2 958 535 | 468 378 |
| Local Economic Development (LED) | 3 179 416 | 3 179 415 |
| | <u>6 137 950</u> | <u>3 647 793</u> |

See note 15 for reconciliation of grants from other spheres of government. These unspent conditional grants at year end are directly cash backed as required by the MFFMA. At year end there were designated investment bank accounts supporting these unspent grants. However, all unspent conditional grants are classified as current liabilities, to be settled within next 12 months

| | 2018 | 2017 |
|-----|--|------------|
| 6 | INVESTMENT HELD AS A COLATERAL - FNB: RMB | |
| | Investment held as a collateral - FNB: RMB | |
| | 6 474 472 | 5 988 893 |
| | R | R |
| | 2018 | 2017 |
| 7 | CASH AND CASH EQUIVALENTS | |
| | The Municipality has the following bank accounts: | |
| 7.1 | First National Bank - 6224175712 - Type of account: Current Account (Primary Bank Account) | |
| | Bank statement balance at the beginning of the year | 3 241 721 |
| | Bank statement balance at the end of the year | 7 354 570 |
| 7.2 | Current and call accounts | |
| | FNB - primary account | 3 241 721 |
| | FNB - 62003235307 - call account | 19 476 981 |
| | FNB - 62219877836 - call account | 198 673 |
| | FNB - 74233699310 - call account | 22 826 100 |
| | FNB - 62231474537 - call account | 129 049 |
| | FNB - 62231473761 - call account | 5 686 487 |
| | Bank balances at the end of the year | 51 559 011 |
| | Bank statement balance at the end of the year | 79 922 593 |
| 7.3 | Petty cash balance | 35 |
| | Bank and cash balance (7.2 + 7.3) | 51 559 046 |
| | Cash and cash equivalents | 79 922 629 |

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

8.2

Analysis of property plant and equipment as at

| 30 June 2018 | Cost | | | | | Accumulated Depreciation / Impairment | | | | | Disposals / Adjustments | Closing Balance | Carrying Value | |
|-----------------------------------|-----------------|-------------|------------|-----------------------|-------------|---------------------------------------|-----------------|--------------|-------------------------|---------------|-------------------------|-----------------|----------------|---|
| | Opening Balance | Additions | Impairment | Transfer to Completed | Adjustments | Closing Balance | Opening Balance | Depreciation | Impairment / Impairment | Adjustments / | | | | |
| Land and Buildings | R | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and buildings | 52 947 455 | - | - | - | - | 52 947 454 | 1 451 469 | 557 391 | - | - | 2 008 860 | 50 938 594 | | |
| Infrastructure | 52 947 455 | - | - | - | - | 52 947 454 | 1 451 469 | 557 391 | - | - | 2 008 860 | 50 938 594 | | |
| Infrastructure - Work in Progress | 77 865 204 | 94 534 681 | - | (38 819 223) | 512 000 | 134 093 826 | 221 212 | 105 750 | - | - | 326 962 | 134 093 826 | | |
| Street lights | 632 031 | - | - | - | - | 632 031 | 245 078 | 802 882 | - | - | 1 047 960 | 305 069 | | |
| High Mass | 8 637 761 | 0 | - | - | 185 259 | 8 637 761 | 169 835 603 | 33 157 984 | - | - | 202 963 538 | 7 589 801 | | |
| Access Roads | 470 166 947 | 29 632 215 | - | (38 819 223) | 697 259 | 500 004 321 | 170 301 933 | 34 106 616 | - | -70 049 | 204 338 460 | 297 040 783 | | |
| | 557 321 842 | 124 166 896 | - | (38 819 223) | 697 259 | 643 367 939 | 170 301 933 | 34 106 616 | - | -70 049 | 204 338 460 | 439 029 477 | | |
| Community assets | | | | | | | | | | | | | | |
| Graveyard | 62 049 | - | - | - | - | 62 049 | 43 446 | 9 070 | - | - | 52 516 | 9 533 | | |
| Sport field | 12 973 113 | - | - | - | - | 12 973 112 | 1 533 108 | 1 296 493 | - | - | 2 829 601 | 10 143 511 | | |
| Community Halls | 39 185 341 | 3 663 203 | - | - | - | 42 848 544 | 4 085 185 | 1 788 810 | - | - | 5 873 994 | 36 974 550 | | |
| Fencing | 542 039 | 1 284 975 | - | - | - | 1 827 014 | 25 544 | 38 499 | - | - | 64 043 | 1 762 971 | | |
| Wetlands Viewing Deck | 308 222 | - | - | - | - | 308 222 | 38 657 | 172 557 | - | - | 211 214 | 97 008 | | |
| Drivers Licence testing center | 33 226 370 | - | - | - | - | 33 226 370 | 84 991 | 1 347 867 | - | - | 1 432 858 | 31 793 513 | | |
| | 86 297 134 | 4 948 178 | - | - | - | 91 245 312 | 5 810 930 | 4 653 296 | - | - | 10 464 226 | 80 781 086 | | |
| Leased assets | | | | | | | | | | | | | | |
| Printing Machine | 1 161 943 | - | - | - | - | 1 161 943 | 926 773 | 185 423 | - | - | 1 111 196 | 50 747 | | |
| Other assets | | | | | | | | | | | | | | |
| Landfill site | 336 212 | - | - | - | - | 336 212 | 281 471 | 39 976 | - | - | 321 447 | 14 766 | | |
| Fire arms | 102 905 | - | - | - | - | 102 905 | 27 327 | 18 625 | - | - | 45 952 | 56 953 | | |
| Furniture and fittings | 2 757 910 | 152 258 | - | - | - | 2 910 168 | 1 295 080 | 369 332 | 1 699 | - | 1 662 713 | 1 247 454 | | |
| Plant and equipment | 28 033 158 | 3 735 203 | (195 488) | - | - | 31 768 371 | 5 273 877 | 3 447 810 | - | -129 369 | 8 721 687 | 23 046 684 | | |
| Motor vehicles | 5 590 058 | 2 776 423 | (195 488) | - | - | 8 170 992 | 3 872 666 | 966 055 | - | - | 4 609 352 | 3 561 640 | | |
| Mobile office | 453 000 | - | - | - | - | 453 000 | 152 920 | 30 174 | - | - | 183 094 | 269 906 | | |
| Tools, arms & mobile office | 2 479 557 | 549 006 | (19 700) | - | - | 3 028 563 | 767 033 | 369 167 | - | - | 1 136 200 | 1 892 363 | | |
| Computer equipment | 2 225 318 | 912 737 | (19 700) | - | - | 3 118 355 | 1 148 087 | 332 052 | 59 346 | (2 537) | 1 537 002 | 1 581 354 | | |
| | 41 978 129 | 8 125 627 | (215 188) | - | - | 49 888 567 | 12 818 461 | 5 473 192 | 61 643 | (131 906) | 18 217 448 | 31 671 119 | | |
| | 739 706 503 | 137 240 701 | (215 188) | (38 819 223) | 697 259 | 838 611 214 | 191 308 527 | 44 975 917 | 61 643 | (201 955) | 236 140 190 | 602 471 024 | | |

NB: Details for the revaluation amounts are stated in note 10, there are no items of property, plant and equipment that are pledged as security

| 30 June 2017 | Cost | | Revaluation | | Transfer / Completed | Prior year Correction | Closing Balance | Opening Balance | Accumulated Depreciation | | | Closing Balance | Carrying Value |
|-----------------------------------|-----------------|---------------|-------------|--------------|----------------------|-----------------------|-----------------|-----------------|--------------------------|-----------|------------|-----------------|----------------|
| | Opening Balance | Additions / | | | | | | | Additions | Disposals | Correction | | |
| Land and Buildings | R | R | R | R | R | R | R | R | R | R | R | R | R |
| | 68 073 190 | 2 258 820 | | (17 384 525) | (17 384 525) | - | 52 947 455 | 1 008 380 | 443 088 | - | - | 1 451 468 | 51 495 987 |
| | 68 073 180 | 2 258 820 | | - | (17 384 525) | - | 52 947 455 | 1 008 380 | 443 088 | - | - | 1 451 468 | 51 495 987 |
| Infrastructure - Work in Progress | | | | | (11 334 021) | | | | | | | | |
| Street lights | 89 199 225 | - | | | | | 77 865 204 | 115 134 | 166 078 | - | - | 221 212 | 77 865 204 |
| High Masts | 632 031 | - | | | | | 632 031 | 239 825 | 5 253 | - | - | 410 819 | 410 819 |
| Access Roads | 425 208 | 8 212 553 | | | | | 8 637 761 | 140 271 842 | 29 563 961 | - | - | 245 078 | 8 392 683 |
| | 434 952 648 | 35 234 199 | | | | | 470 186 847 | 140 271 842 | 29 563 961 | - | - | 189 835 803 | 300 351 244 |
| | 525 209 111 | 43 446 752 | | | (11 334 021) | | 557 321 842 | 140 626 601 | 29 675 292 | - | - | 170 301 893 | 387 019 949 |
| Community assets | | | | | | | | | | | | | |
| Graveyard | 62 049 | 5 681 713 | | | | | 62 049 | 39 750 | 3 686 | - | - | 43 446 | 18 603 |
| Sport field | 7 311 400 | 1 849 801 | | | | | 12 973 113 | 800 417 | 732 691 | - | - | 1 533 108 | 11 440 005 |
| Community Halls | 37 335 540 | 542 039 | | | | | 39 165 341 | 2 501 652 | 1 583 532 | - | - | 4 085 184 | 35 100 157 |
| Pound fencing | | 308 222 | | | | | 542 039 | 38 657 | 25 544 | - | - | 38 657 | 503 382 |
| Wellands Viewing Deck | | 33 226 370 | | | | | 308 222 | 84 991 | 84 991 | - | - | 25 544 | 282 678 |
| Drivers Licence leasing center | 44 708 989 | 41 588 145 | | | | | 33 226 370 | 3 341 829 | 2 469 101 | - | - | 84 991 | 33 141 379 |
| | | | | | | | 86 297 134 | 3 341 829 | 2 469 101 | - | - | 5 810 930 | 80 486 204 |
| Leased assets | | | | | | | | | | | | | |
| Printing Machine | 1 161 943 | - | | | | | 1 161 943 | 617 279 | 308 494 | - | - | 925 773 | 236 170 |
| Other assets | | | | | | | | | | | | | |
| Landfill site | 336 212 | | | | | | 336 212 | 241 292 | 40 179 | - | - | 281 471 | 54 741 |
| Fire arms | 102 905 | | | | | | 102 905 | 9 312 | 18 015 | - | - | 27 327 | 75 578 |
| Furniture and fittings | 2 103 774 | 654 136 | | | | | 2 757 910 | 993 937 | 301 143 | - | - | 1 285 080 | 1 462 830 |
| Plant and equipment | 17 006 870 | 11 026 288 00 | | | | | 28 033 168 | 3 576 401 | 1 687 476 | - | - | 5 273 877 | 22 759 291 |
| Motor vehicles | 5 590 058 | | | | | | 5 590 058 | 3 246 499 | 626 167 | - | - | 3 872 666 | 1 717 392 |
| Mobile office | 453 000 | | | | | | 453 000 | 122 720 | 30 200 | - | - | 152 920 | 300 080 |
| Tools, arms & mobile office | 1 993 636 | 485 921 | | | | | 2 479 557 | 539 962 | 227 071 | - | - | 767 033 | 1 712 524 |
| Computer equipment | 2 004 875 | 227 966 | | | | | 2 225 318 | 1 056 773 | 96 256 | (4 942) | | 1 148 087 | 1 077 232 |
| | 29 591 330 | 12 394 321 | | | | | 41 978 129 | 9 786 856 | 3 036 507 | (4 942) | | 12 818 461 | 29 159 668 |
| | 668 744 534 | 99 688 038 | | | | | 739 706 503 | 155 380 965 | 35 932 482 | (4 942) | | 191 308 525 | 548 397 978 |

INGOUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

8 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2018

8.1 Reconciliation of Carrying Value

| Description | Land and Buildings | Infrastructure | Community Assets | Capitalised Leased Assets - Machinery | Furniture and Fittings | Plant and Equipment | Motor Vehicles | Computer Equipment | Other Assets | Total |
|---|--------------------|----------------|------------------|---------------------------------------|------------------------|---------------------|----------------|--------------------|--------------|---------------|
| Carrying values at 1 July 2017 | R | R | R | R | R | R | R | R | R | R |
| Cost | 51 496 530 | 387 787 199 | 80 486 204 | 236 176 | 1 462 830 | 22 759 945 | 1 717 391 | 1 077 457 | 2 142 923 | 549 166 649 |
| Disposals | 52 947 455 | 557 321 842 | 86 297 134 | 1 161 943 | 2 757 910 | 28 033 188 | 5 590 057 | 2 226 318 | 3 371 674 | 739 706 502 |
| Prior year adjustments | - | 697 259 | - | - | - | - | - | - | - | 697 259 |
| Accumulated depreciation and impairment | (1 450 925) | (170 231 502) | (5 810 930) | (925 773) | (1 295 080) | (5 273 223) | (3 872 666) | (1 147 861) | (1 228 751) | (191 297 111) |
| - Cost | (1 450 925) | (170 301 951) | (5 810 930) | (925 773) | (1 295 080) | (5 273 223) | (3 872 666) | (1 147 861) | (1 228 751) | (191 307 160) |
| - Correction of error | - | 70 049 | - | - | - | - | - | - | - | 70 049 |
| - Revaluation | - | - | - | - | - | - | - | - | - | - |
| Acquisitions | - | 124 166 895 | 4 948 178 | - | 152 258 | 3 735 203 | 2 776 423 | 912 737 | 549 006 | 137 240 701 |
| Transfers | (17 384 525) | - | - | - | - | - | - | - | - | (17 384 525) |
| Net movement | - | (39 819 223) | - | - | - | - | 195 488 | 19 700 | - | (38 604 035) |
| Depreciation | (557 391) | (34 106 518) | (4 533 256) | (185 423) | (367 633) | (3 447 810) | (866 055) | (332 052) | (457 942) | (44 974 218) |
| - based on cost | (557 391) | (34 106 516) | (4 533 256) | (185 423) | (367 633) | (3 447 810) | (866 055) | (332 052) | (457 942) | (44 974 218) |
| - based on impairment | - | - | - | - | - | - | - | - | - | - |
| Carrying value of disposals | - | - | - | - | - | - | - | - | - | - |
| Cost/revaluation | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - |
| Impairment loss | - | - | - | - | - | - | - | - | - | - |
| Carrying values at 30 June 2018 | 50 938 594 | 439 029 479 | 80 781 086 | 50 747 | 1 247 455 | 23 046 684 | 3 561 640 | 1 581 907 | 2 233 432 | 602 471 024 |
| Cost | 52 947 454 | 643 367 939 | 91 245 312 | 1 161 943 | 2 910 168 | 31 768 371 | 8 170 992 | 3 118 855 | 3 920 125 | 838 611 159 |
| Transfer to completed | - | - | - | - | - | - | - | - | - | - |
| Transfer | (2 008 860) | (204 338 460) | (10 464 226) | (1 111 166) | (1 662 713) | (8 721 687) | (4 608 352) | (1 536 948) | (1 686 693) | (236 140 135) |
| Accumulated depreciation | (357 391) | (34 106 516) | (4 653 256) | (185 423) | (367 633) | (3 447 810) | (866 055) | (332 052) | (457 942) | (44 974 218) |
| - Current | (357 391) | (34 106 516) | (4 653 256) | (185 423) | (367 633) | (3 447 810) | (866 055) | (332 052) | (457 942) | (44 974 218) |
| - Disposal / Adjustments | - | 70 049 | - | - | - | - | 129 369 | (56 809) | - | 142 609 |
| - Opening | (1 451 469) | (170 301 893) | (5 810 930) | (925 773) | (1 295 080) | (5 273 877) | (3 872 666) | (1 148 087) | (1 228 751) | (191 308 527) |

NB: Asset Register is available for inspection at the registered address of the Municipality in terms of Section 63 of MFMA

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT, CONTINUED

As at 30 June 2017

8.1 Reconciliation of Carrying Value

| Description | Land and Buildings | Infrastructure | Community Assets | Capitalised Leased assets - Printers | Furniture and fittings | Plant and Equipment | Motor Vehicles | Computer Equipment | Other Assets | Total |
|-------------------------------------|--------------------|----------------|------------------|--------------------------------------|------------------------|---------------------|----------------|--------------------|--------------|---------------|
| Carrying values at 1 July 2016 | R | R | R | R | R | R | R | R | R | R |
| Cost | 38 009 149 | 384 582 510 | 41 367 160 | 544 664 | 1 109 837 | 13 430 469 | 2 343 559 | 1 043 351 | 1 972 467 | 501 787 691 |
| Correction of error | 56 402 054 | 525 209 111 | 44 706 989 | 1 161 943 | 2 103 774 | 17 006 670 | 5 550 038 | 1 861 070 | 2 885 733 | 656 529 623 |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | (16 392 905) | (140 626 501) | (3 341 829) | (617 279) | (993 937) | (3 576 401) | (3 246 499) | (817 719) | (913 286) | (155 141 931) |
| - Cost | (1 608 380) | (140 526 501) | (3 341 829) | (617 279) | (993 937) | (3 576 401) | (3 246 499) | (817 719) | (913 286) | (155 141 931) |
| - Transfers | (17 384 525) | - | - | - | - | - | - | - | - | - |
| - Revaluation | - | - | - | - | - | - | - | - | - | - |
| Acquisitions | 11 671 105 | 43 446 752 | 41 588 145 | - | 654 136 | 11 026 298 | - | 308 755 | 485 921 | 109 181 112 |
| Revaluations | - | (11 334 021) | - | - | - | - | - | (164 951) | (67 698) | (11 334 021) |
| Disposals | - | - | - | - | - | - | - | (238 797) | (380 692) | (35 662 119) |
| Depreciation based on cost disposed | (441 540) | (30 126 294) | (2 469 101) | (308 494) | (301 143) | (759 981) | (626 167) | (391 536) | (380 692) | (35 662 258) |
| - disposal | (441 540) | (30 126 294) | (2 469 101) | (308 494) | (301 143) | (759 981) | (626 167) | (391 536) | (380 692) | (35 662 258) |
| - disposal | - | - | - | - | - | - | - | 153 139 | - | 153 139 |
| Carrying values at 30 June 2017 | 51 496 529 | 387 019 891 | 80 486 204 | 236 170 | 1 462 830 | 22 759 945 | 1 717 392 | 1 077 457 | 2 142 923 | 548 389 340 |
| Cost | 52 947 454 | 557 321 842 | 86 297 134 | 1 161 943 | 2 757 910 | 28 033 169 | 5 550 056 | 2 225 318 | 3 371 674 | 729 706 502 |
| Prior year correction | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | (1 450 925) | (170 301 951) | (5 810 930) | (925 773) | (1 295 080) | (5 273 223) | (3 832 666) | (1 147 861) | (1 228 751) | (191 307 160) |
| - Cost | (442 546) | (29 675 359) | (2 469 101) | (308 494) | (301 143) | (1 696 822) | (626 167) | (91 135) | (315 465) | (35 926 222) |
| - Opening balance | (1 008 380) | (140 626 601) | (3 341 829) | (617 279) | (993 937) | (3 576 401) | (3 246 499) | (1 056 726) | (913 286) | (155 380 938) |

INGQUZA HILL LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

| | | | |
|-----|--|------------------|------------------|
| 9 | LONG SERVICE AWARDS | | |
| 9.1 | Current portion of long service award | 2018 R | 2017 R |
| | Short term portion | <u>1 444 654</u> | <u>1 302 694</u> |
| | | | |
| | | <u>1 444 654</u> | <u>1 302 694</u> |
| | | | |
| | | 1 444 654 | 1 302 694 |
| | | 4 782 408 | 4 617 778 |
| | | <u>6 227 062</u> | <u>5 920 472</u> |
| 9.2 | Reconciliation of long service award | | |
| | Opening balance | 5 920 472 | 5 517 682 |
| | Total annual expense | (7 430) | 773 799 |
| | Actuarial (gain) / loss | 314 020 | (371 009) |
| | Unfunded liability | <u>6 227 062</u> | <u>5 920 472</u> |
| 9.3 | Assumptions used at the reporting date | | |
| | Discount rates used | 8.57% | 8.39% |
| | Number of eligible employees | 308 | 295 |
| | Expected remaining working lifetime | 22.0 years | 22.0 years |
| | Average retirement age | 65 | 65 |
| | Salary weighted annual average | 7.6% | 7.4% |
| | General salary inflation | 6.18 | 6.21 |

NB: The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

NB: Qualifications and methodology attached in the file. This valuation is effective from the 01 July 2017 and the next valuation will be done on 30 June 2018.

10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

| 10.1 | Reconciliation of fair value | 2018 | 2017 |
|------|---|--------------------|--------------------|
| | as at 1 July 2017 | 439 816 630 | 439 816 630 |
| | Fair value adjustments | (45 715 070) | (45 715 070) |
| | as at 30 June 2018 | <u>394 101 560</u> | <u>394 101 560</u> |
| | as at 1 July 2016 | 439 966 630 | 439 966 630 |
| | Transferred to PPE | (150 000) | (150 000) |
| | Transferred to inventory | | |
| | as at 30 June 2017 | <u>439 816 630</u> | <u>439 816 630</u> |
| 10.2 | Investment property pledged as security | | |
| | None and no contractual obligations | | |
| 10.3 | Details of investment property | | |
| | Land held for an undetermined use | 439 816 630 | 423 880 530 |
| | Land under operating lease | (45 715 070) | 16 086 100 |
| | Transfer to community hall | | (150 000) |
| | | <u>394 101 560</u> | <u>439 816 630</u> |
| 10.4 | Details of valuation | | |
| | The effective date of the fair value adjustment was 1 July 2015. Revaluations were performed by an independent valuer, Mr Clyde, of Geospatial Geospatial is not connected to the Municipality and have recent experience in location and category of the investment property being valued. | | |
| | Methods used are detailed in the attached Valuers methodology | | |
| | The valuation was based on open market value for existing use. | | |
| 10.5 | Amounts recognised in surplus or deficit for the year. | | |
| | Fair value adjustments | (45 715 070) | |
| | NB: These are the fair value adjustment figures as determined by the Municipal valuer. These valuations were done on 30 June 2018 | | |
| | Total | R | R |
| | | 439 816 630 | 439 816 630 |
| | | (45 715 070) | (45 715 070) |
| | | <u>394 101 560</u> | <u>394 101 560</u> |

| | 2018 | 2017 |
|--|--------------------|--------------------|
| 13 PROPERTY RATES | | |
| Actual | | |
| Rates assessment | 21 541 089 | 22 584 176 00 |
| Finance charges | - | (1 216 193) |
| Total property rates | 21 541 089 | 21 367 983 |
| Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2015. A factor of 0.02 for government and businesses and 0.015 for residential is applied to property valuations to determine the assessment rates. Rates are levied on an annual basis on property owners. There is an annual maintenance which is done when need arises. | | |
| 14 SERVICE CHARGES | | |
| Refuse charges | 1 134 823 | 1 119 231 |
| 15 GOVERNMENT GRANTS AND SUBSIDIES | | |
| National Transfers | | |
| Equitable share | 210 127 000 | 195 945 000 |
| Department of Energy (DOE) - Electrification | 12 009 843 | 9 807 180 |
| Municipal Finance Management Grant | 1 700 000 | 1 625 000 |
| Municipal Infrastructure Grant | 55 437 000 | 52 025 000 |
| Expanded Public Works Programme Grant | 1 880 000 | 1 266 000 |
| Provincial Transfers | | |
| Library services | 774 000 | 774 000 |
| Local Economic Development Projects (Wetlands) | - | - |
| Local Economic Development Projects (Informal Trading) | 3 516 401 | 221 445 |
| LG SETA | 570 996 | 379 736 |
| Total government grants and subsidies | 286 015 240 | 262 043 361 |
| NB: There are no transfers/grants that are made out by the Ingquza Hill Local Municipality to other organs of state | | |

| 15 | GOVERNMENT GRANTS AND SUBSIDIES (Continued) | 2018 | 2017 |
|------|---|--|--|
| 15.1 | Equitable share In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom. | 210 127 000 | 195 945 000 |
| 15.2 | Department of Energy (DOE) - Electrification Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Transferred to liability since creditors have been paid after year end This is an electrification support grant. Conditions have been met for conditional grant; however the creditors have been paid after year end. This amount also includes retention which have not yet been released. This expenditure is only for wards electrification. | 468 379 14 500 000 (12 009 843) 2 958 536 | 3 243 559 7 032 000 (9 807 180) 468 379 |
| 15.3 | Municipal Finance Management Grant Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This grant is spent on capacity building on BTO officials and S57 managers and internship. | 1 700 000 1 700 000 (1 700 000) | 1 625 000 1 625 000 (1 625 000) |
| 15.4 | Municipal Infrastructure Grant Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This is an infrastructure support grant. Conditions yet to be met are that the municipality must still utilise this funding for Capital expenditure purposes, this grant is only spent on road construction and community halls. | 55 437 000 55 437 000 (55 437 000) | 52 025 000 52 025 000 (52 025 000) |
| 15.5 | Library Services Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability This was spent on libraries and running of the libraries in this period. | 774 000 774 000 (774 000) | 774 000 774 000 (774 000) |
| 15.6 | Local Economic Development Projects Balance unspent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions not met - transferred to liability Conditions to be met by building hawkers stalls. | 3 179 415 3 179 415 (221 445) | 3 400 861 3 400 861 (221 445) |
| 15.7 | Expanded Public Works Programme Grant Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue The amount recognised as revenue is limited to the funding as per DoRA R. 1 880 000 and not the whole expenditure incurred. | 1 880 000 1 880 000 (1 880 000) | 1 266 000 1 266 000 (1 266 000) |
| 15.8 | Independent Electoral Commission Grant Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue This was spent on August 2016 Local Government Elections. | - - - | 1 000 000 1 000 000 - |
| 15.9 | LG SETA Subsidy Balance spent at the beginning of the year Current year receipts Conditions met - transferred to revenue Conditions met - transferred to revenue This was spent for Trainees. | 570 996 570 996 (570 996) | 379 736 379 736 (379 736) |

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

| 16 | OTHER INCOME | 2018 | 2017 |
|----|---------------------------|-------------------|------------------|
| | Advertising fees rental | 201 250 | 161 090 |
| | Agency fees | 3 376 445 | 2 969 241 |
| | Building fines | 21 659 | - |
| | Commission | - | 34 079 |
| | Discount | 61 466 | - |
| | Donation | 102 747 | - |
| | Funeral fees | 26 230 | 19 331 |
| | Insurance refund | 6 600 | 124 918 |
| | Plan fees | 33 556 | 106 742 |
| | Found fees | 44 651 | 27 917 |
| | Rezoning and sub-division | 19 641 | 20 623 |
| | Sale of sites | - | - |
| | Surcharges and taxes | 6 526 203 | - |
| | Tender document | 186 993 | 176 413 |
| | National heritage | - | - |
| | Auction income | - | 41 838 |
| | Vuna award | 600 000 | - |
| | | <u>11 207 441</u> | <u>3 682 192</u> |

NB: These are all revenues from non exchange transactions that were earned, measured and recognised by the Municipality, none of these revenues are pledged as a security to other party.

17 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

| | 2018 | 2017 |
|----------------------------------|------|------|
| Workers's Compensation Fund | - | - |
| 18 EMPLOYEE RELATED COSTS | | |

| | | |
|--|--------------------|-------------------|
| Salaries and wages | 79 699 411 | 62 526 463 |
| Contributions for UIF, provident, medical aid, etc | 14 784 739 | 14 403 150 |
| Travel, motor car, accommodation, subsistence | 4 183 122 | 3 969 498 |
| Overtime payments | 6 058 359 | 5 100 871 |
| Housing benefits and allowances | 1 558 149 | 5 366 584 |
| Employee provisions | 883 106 | 544 268 |
| Total employee related costs | 107 166 887 | 91 910 835 |

| | | |
|---|-----------|-----------|
| Remuneration of the Municipal Manager | 1 081 977 | 1 126 073 |
| Annual remuneration | 146 604 | 197 752 |
| Car allowance | 270 406 | 26 367 |
| Contribution to UIF and other payments | 1 498 986 | 1 350 192 |
| Remuneration of the Chief Finance Officer | 793 755 | 934 100 |
| Annual remuneration | - | 116 715 |
| Car allowance | - | 8 337 |
| Contribution to UIF and other payments | 793 755 | 1 059 152 |

| | | |
|---|-----------|-----------|
| Remuneration of the Corporate Services Director | 805 647 | - |
| Annual remuneration | 805 647 | - |
| Car allowance | - | - |
| Contribution to UIF and other payments | - | - |
| Corporate Services Director resigned and has not been replaced. | 805 647 | - |
| Remuneration of the Technical Services Director | 961 894 | 1 049 069 |
| Annual remuneration | 194 836 | 150 062 |
| Car allowance | 75 769 | 58 357 |
| Contribution to UIF and other payments | 1 232 498 | 1 257 488 |
| Remuneration of the Community Services Director | 689 100 | 210 918 |
| Annual remuneration | 212 144 | 17 010 |
| Car allowance | 97 305 | 7 802 |
| Contribution to UIF and other payments | 998 549 | 235 729 |

| | | |
|--|-----------|-----------|
| Remuneration of the Strategic Planning Director | 915 336 | 890 220 |
| Annual remuneration | - | 168 089 |
| Car allowance | - | 89 354 |
| Contribution to UIF and other payments | 915 336 | 1 147 663 |
| Remuneration of the Acting Chief Finance Officer | 925 104 | 867 834 |
| Annual remuneration | 164 621 | 150 717 |
| Car allowance | - | - |
| Contribution to UIF and other payments | 1 089 725 | 1 018 551 |

| | |
|-----------|-----------|
| 1 018 551 | 1 018 551 |
|-----------|-----------|

| | 2018 | 2017 |
|----|---|-------------------|
| 19 | REMUNERATION OF COUNCILLORS | |
| | Mayor | |
| | Annual remuneration | 493 510 |
| | Allowances, contribution to UIF and related items | 279 935 |
| | 836 712 | 773 445 |
| | Speaker | |
| | Annual remuneration | 420 768 |
| | Allowances, contribution to UIF and related items | 161 084 |
| | 677 531 | 581 852 |
| | Chief Whip | |
| | Annual remuneration | 402 157 |
| | Allowances, contribution to UIF and related items | 155 193 |
| | 637 735 | 557 350 |
| | Exco members | |
| | Annual remuneration | 3 001 956 |
| | Allowances, contribution to UIF and related items | 1 247 207 |
| | 5 346 150 | 4 249 163 |
| | Other Councillors | |
| | Annual remuneration | 8 657 810 |
| | Allowances, contribution to UIF and related items | 3 740 719 |
| | 13 667 308 | 12 398 529 |
| | Traditional leaders | |
| | | 424 065 |
| | 21 635 836 | 18 984 403 |
| | NB: Turnover related party transactions as per GRAP standard is disclosed on Note 36. The remuneration of councillors and political office-bearers are within the upper limits of the framework envisaged in section 219 of the Constitution. | |
| 20 | INTEREST PAID | |
| | Long term liabilities - DBSA | 319 943 |
| | Finance lease | 67 969 |
| | Total interest on external borrowings | 387 912 |
| 21 | REVALUATION AND FAIR VALUE SURPLUS | |
| | Fair value adjustment on investment | - |
| | 45 715 070 | 45 715 070 |
| 22 | COUNCILLORS WITH ACCOUNTS IN ARREARS | |
| | 1. C.N Yako | 202 105 |
| | 2. K Mviko | 54 444 |
| | 3. J.P Mdingi | - |
| | 4. S Ndarane | - |
| | 3 232 | 3 865 |
| | 7 097 | 256 549 |
| | NB: These are the Councillors with accounts in arrears for more than 90 days. | |

Note

2018

2017

INGUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

| 23 | GENERAL EXPENDITURE | 2018 | 2017 |
|----|--|-------------------|-------------------|
| | Accounting and audit fees | 5 902 224 | 6 174 823 |
| | Advertising fees | 486 482 | 714 246 |
| | Allowance ward admin | 5 760 631 | 3 866 530 |
| | Arts and culture | 83 970 | 74 200 |
| | Auction expense | - | - |
| | Audit committee costs | 314 288 | 366 436 |
| | Bank charges | 85 911 | 84 049 |
| | Buildings | - | - |
| | Buildings- meetings | 42 305 | 304 395 |
| | Cleaning and greening | 54 985 | 48 335 |
| | Cleaning material | 251 764 | 140 124 |
| | Communication strategy | 165 347 | 301 078 |
| | Community halls | - | 18 020 |
| | Computer hardware | - | 160 732 |
| | Consultation & professional fees | 27 243 | 141 977 |
| | Corporate development | 56 864 | 1 000 000 |
| | Council functions | 2 678 319 | 5 026 862 |
| | Crime prevention | 20 231 | 172 850 |
| | Data files | 22 105 | 22 105 |
| | Disaster management | 1 419 152 | 466 446 |
| | Early childhood development | 104 611 | 92 850 |
| | Electricity and water purchase | 2 110 610 | 720 182 |
| | Electricity infrastructure | 5 524 696 | 8 930 316 |
| | Employee assistance programme | 63 571 | 107 080 |
| | Environmental management | 648 601 | 18 700 |
| | Equitable share | 3 453 398 | 4 110 075 |
| | Expanded Public Works Programme | 1 828 682 | 2 673 279 |
| | Expendial trainees | 137 700 | 237 531 |
| | Farmer's production | 1 059 314 | 607 489 |
| | Finance management grant expenditure - Capacity building | 534 432 | 1 319 341 |
| | Garden services | - | 794 |
| | Hall Hire refund | - | 2 018 106 |
| | Hawker stalls | - | 79 413 |
| | Health services | 102 219 | 615 540 |
| | HIV & Aids | 100 229 | - |
| | Hotel accommodation | 1 558 220 | 613 951 |
| | IDP development | 1 381 126 | 1 133 848 |
| | Insurance external | 1 664 781 | 32 412 |
| | Inter-governmental relations | - | 731 194 |
| | Internal audit | 661 580 | 6 792 |
| | Labour relations | - | 20 530 |
| | Land summit | - | 11 390 |
| | Landfill sites | 62 127 | 2 764 197 |
| | Legal fees | 4 515 329 | 76 105 |
| | Library services | 68 333 | 171 743 |
| | Licence fees | 137 930 | 5 040 421 |
| | Local economic development | 2 504 812 | 1 156 303 |
| | Munroff and payroll | 3 067 072 | 50 080 |
| | Parks, pound and cemeteries | - | (258 327) |
| | Postage | 900 | 719 |
| | Printing and stationery | 667 334 | 544 975 |
| | Property valuation | 183 880 | 359 117 |
| | Protective clothing | 107 167 | 1 014 790 |
| | Public participation | 1 013 164 | 458 226 |
| | Ra-allocation costs | 31 321 | 18 041 |
| | Recruitment | 185 515 | 112 360 |
| | Refuse bags | 368 962 | 853 424 |
| | Registering authority | 185 650 | 222 380 |
| | Rent- office equipment | 304 774 | 221 577 |
| | Road construction | - | 1 484 825 |
| | SMM&E Capacity | 12 125 | 3 600 |
| | SMM&E production | - | 184 565 |
| | Spatial development | 513 873 | 209 542 |
| | Special programmes | 604 818 | 2 911 612 |
| | Summa awareness | 50 537 | 148 469 |
| | Sport and recreation | 18 000 | 15 050 |
| | Subsistence and travelling | 1 311 416 | 1 351 957 |
| | Support to traditional leaders | 57 097 | 99 807 |
| | Survey and planning | - | 137 521 |
| | Team building | 279 618 | 377 267 |
| | Telephone | 4 380 612 | 3 601 972 |
| | Tourism | 453 600 | 852 934 |
| | Towing services | 10 530 | 44 800 |
| | Traffic law enforcement | 4 613 | 67 251 |
| | Training | 1 495 450 | 1 271 225 |
| | Training- accommodation | 903 673 | 989 330 |
| | Vehicle hire | 715 252 | 2 121 905 |
| | Vehicle- fuel & oil | 1 919 377 | 1 840 234 |
| | Vodacom | - | 25 534 |
| | Waste management | 29 795 | 65 448 |
| | Whippery expense | - | - |
| | R | 65 123 830 | 73 939 452 |

| | 2018 | 2017 |
|--|--|---------------------------------|
| <p>24 CASH AND CASH EQUIVALENTS</p> <p>Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:</p> | <p>Bank balances and cash</p> <p>79 922 629</p> | <p>51 559 046</p> |
| | <u>79 922 629</u> | <u>51 559 046</u> |
| | 7.3 | |
| | <u>4 052 018</u> | <u>863 861</u> |
| <p>25 DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS</p> | | |
| <p>NB: The Municipality did not have any overdraft or any accounts that were overdrawn as at 30 June 2018. Only the petrol card and is disclosed under payables in note 4.</p> | | |
| <p>Regulation 36 of the MFA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.</p> <p>Regulation 36 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and report them to the next meeting of the Council and includes a note to the audited separate annual financial statements.</p> <p>During the financial year under review goods/services totalling (R4 052 018 (2017: R863 861) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.</p> <p style="text-align: center;">Nature of deviation</p> | <p>5</p> <p style="text-align: center;">No of Contracts</p> | <p>4 052 018</p> <p>863 861</p> |
| <p>NB: The deviations were for court cases as well as Electricity faults</p> | | |

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL

25 EXPENDITURE (Continued)

25.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|---|---------|---|
| Fruitless and wasteful expenditure current year | 190 139 | - |
| Condoned or written off by Council | - | - |
| Transfer to receivables for recovery | - | - |
| Fruitless and wasteful expenditure awaiting condonement | 190 139 | - |

NB: The management has considered all the expenditure that has been incurred during the year and the management believes that there were no instances or transactions that maybe classified as fruitless and wasteful expenditure

26 INVENTORY

Stationery and land held for sale

| | | |
|------------------------------|-------------|------------|
| Inventory | 18 891 464 | 18 891 464 |
| Closing balance | 18 891 464 | 18 891 464 |
| Land held for sale | 22 699 035 | 22 699 035 |
| Movements | (4 004 256) | 7 630 923 |
| Closing balance | 18 694 779 | 22 699 035 |
| Opening balance - stationery | 389 903 | 388 227 |
| Purchases during the year | 667 334 | 429 646 |
| Consumed during the year | (660 552) | (427 970) |
| Closing balance | 196 685 | 389 903 |

NB: The Municipality's inventory consists of consumables, stationery and land held for sale

| | 2018 | 2017 |
|--|--------------|--------------|
| 27 | | |
| ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 27.1 | | |
| Audit fees | | |
| Current year audit fee | 3 827 509 | 3 610 119 |
| Amount paid - current year | (3 827 509) | (3 610 119) |
| Balance unpaid (included in payables) | - | - |
| 27.2 | | |
| PAYE, UIF & SDL | | |
| Current year taxes | 17 042 727 | 16 979 883 |
| Amount paid - current year | (17 042 727) | (16 979 883) |
| Balance unpaid (included in payables) | - | - |
| 27.3 | | |
| Medical aid | | |
| Current year taxes | 4 921 516 | 8 325 180 |
| Amount paid - current year | (4 921 516) | (8 325 180) |
| Balance unpaid (included in payables) | - | - |
| 27.4 | | |
| Provident and pension funds | | |
| Current year taxes | 8 698 862 | 9 915 035 |
| Amount paid - current year | (8 698 862) | (9 915 035) |
| Balance unpaid (included in payables) | - | - |
| 28 | | |
| CONTINGENT LIABILITIES | | |
| Litigations that are still pending | 1 898 442 | 2 007 049 |
| All cases against the Municipality | 6 747 000 | 6 404 006 |
| (a) These are employees with cases that are still pending and / or under arbitration process from which the outcome may favour any of the two parties involved. These employees are still on suspension pending their cases. | 8 645 442 | 8 411 055 |
| (b) Cases against the Municipality, by the people that are suing the Municipality for issues relating to land invasion | - | - |

| | 2018 | 2017 |
|--|--------------------|-------------------|
| 29 CASH GENERATED BY OPERATIONS | | |
| Un-adjusted surplus for the year | 41 409 259 | 18 274 614 |
| Adjustment for: | | |
| -Depreciation | 41 784 674 | 36 068 306 |
| -Impairments | 61 644 | 10 212 857 |
| -Interest earned | (7 815 515) | (7 952 902) |
| -Loss on fair value adjustment | 45 715 070 | - |
| -Loss on sale of sites | 1 710 572 | - |
| -Interest paid | 468 056 | 387 912 |
| Surplus per Statement of Financial Performance | 123 333 759 | 56 990 787 |
| Correction of errors | (2 388 607) | 427 518 |
| Inventories | 4 197 474 | (7 632 599) |
| Sundry receivables from exchange transactions | (496 511) | (4 244 077) |
| Provisions | (2 267 905) | 2 001 291 |
| Trade and other payables from exchange transactions | 11 667 705 | (2 759 379) |
| Long service awards | 127 | 402 790 |
| Increase in sundry payables | (16 392 058) | (18 356 227) |
| VAT receivables | 2 490 156 | (2 996 626) |
| Unspent conditional grants and receipts | 2 490 156 | (2 996 626) |
| Cash generated by operations | 120 144 141 | 21 134 058 |
| 30 ASSUMPTIONS | | |
| 30.1 Going concern | | |
| <p>The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.</p> <p>1. The ability of the Municipality to continue as a going concern is dependant on a number of factors.</p> <p>Liquidity - in terms of section 214 of the Constitution of Republic of South Africa (Act 108 of 1996) the parliament is instructed to provide for an Act (Division of Revenue Act) that will enable the National Government to raise and collect revenue from all sources and distribute it equitable to both Provincial and Local Government (Municipalities). Allocation for 2016/17 is R 195 945 000 and R 210 127 000 for 2017/18</p> <p>2. Debtors collection - to fully comply with the credit control and debt collection policy the Municipality procured the services of the skilled debt collector to collect the outstanding debts from business and residents. The Municipality is embarking on a revenue enhancement programme.</p> <p>3. Statutory payments - The Municipality has settled all the major debts that were long outstanding including AGSA and SARS. The most significant of these is that the Accounting Officer continues to procure funding for the on-going operations of the Municipality. However the Municipality is positively recovering from severe financial constraints. This is evident by the fact that none of the Municipality's creditors has been outstanding for a period over than 30 days, and the fact that there has been no overdraft in the current financial year. The sitting of Council meetings has improved in the current year, the Council meetings that took place were more than</p> | | |
| 30.2 Events after reporting date | | |
| <p>Full details of all known events, if any, after the reporting date will be disclose.</p> | | |
| 31 REPAIRS AND MAINTENANCE | | |
| Repairs and maintenance - Property, plant and equipment | 4 616 387 | 17 187 790 |
| Repairs and maintenance - Computer installation | 131 856 | 456 321 |
| | <u>4 748 242</u> | <u>17 644 111</u> |
| | R | R |

NB: Repairs and maintenance programme started very late last year due to other delays that couldn't be avoided by the Municipality. These repairs are mainly gravel road repairs and a little bit of buildings, vehicles and computers - they are all not enhancing the capacity of the respective assets and as such are expensed.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

| 32 | CORRECTION OF PRIOR PERIOD ERROR | 2017 | 2016 |
|------|----------------------------------|------|--------|
| 32.1 | Correction of errors | R | R |
| | Sub-notes | | Period |

The following restatements have been effected to prior period accounts balances and classes of transactions due to prior year errors/omissions which have been identified

| 32.1 | Correction of errors | 2017 | 2016 |
|------|---|--------------|--------------|
| | Prior year correction | (6 050 556) | (6 410 931) |
| | Trade payables from exchange transactions - Creditors | (57 358) | 690 810 |
| | Creditors | - | (330 435) |
| | Restated balance | (6 107 914) | (6 050 556) |
| | Trade payables from exchange transactions - Accruals | - | (2 820 260) |
| | Accruals | - | 693 884 |
| | Accruals | - | 537 470 |
| | Restated balance | - | 391 952 |
| | Property, plant and equipment - Firearms | - | (1 196 954) |
| | Firearms | - | 25 231 |
| | Restated balance | - | 77 674 |
| | Property, plant and equipment - WIP | 77 865 204 | 89 027 259 |
| | Welland - WIP | - | 112 373 |
| | Electrification - WIP | - | 540 330 |
| | Other income | - | (3 114 534) |
| | Other income | - | 3 299 793 |
| | Material on Site Adjustment | - | - |
| | Restated balance | 77 865 204 | 89 865 221 |
| | Sundry receivables from exchange transactions | - | 12 915 390 |
| | Debtors | - | (2 236 500) |
| | Restated balance | - | (50 040) |
| | Revenue from exchange transaction | (11 509 246) | (11 509 246) |
| | Other income | (11 509 246) | 3 114 534 |
| | Income received in advanced | (2 561 330) | 3 879 324 |
| | Access road | - | (4 515 388) |
| | Restated balance | (14 070 576) | (4 515 388) |
| | Property, plant and equipment - Access road | 470 185 847 | 434 952 647 |
| | Other income - plant | 185 259 | (3 879 324) |
| | Other income - plant | - | 3 213 328 |
| | Restated balance | 470 372 106 | 434 286 651 |
| | Total expenditure | - | 213 417 646 |
| | Plant expense | - | (4 657 356) |
| | Employee cost | - | (1 171 754) |
| | Depreciation | - | (684 011) |
| | Long term liabilities | 6 825 840 | 114 871 |
| | Interest | - | - |
| | 2016/17 | 6 825 840 | 114 871 |
| | Property, plant and equipment - Accumulated Dep | 159 835 603 | - |
| | Other income - plant | - | - |
| | Other income - plant | - | (70 049) |
| | Restated balance | 159 835 603 | 169 765 554 |
| | 32.2 Effect of change and details of the changes | (2 388 607) | 427 519 |
| | Creditors not raised in the prior year | - | - |
| | a) Creditors accrued and cancelled and they were never paid | - | - |
| | b) Depreciation of the completed project | - | - |
| | c) Welland project expenditure not on WIP | - | - |
| | d) Incorrectly raised in accruals | - | - |
| | e) Electrification expenditure raised in accruals but not on WIP | - | - |
| | f) Income from sale of site recorded as income received in advanced | - | - |
| | g) Interest on DBSA loan not recognised in the prior year | - | - |
| | h) Electrification - Retention | - | - |
| | i) Professional fees - Access road | - | - |
| | j) Sundry receivable from exchange transactions - Sale of sites | - | - |

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

FINANCIAL INSTRUMENTS

33.1

Financial assets

| | 30 June 2018 | 30 June 2017 |
|--|--------------|--------------|
| Opening balance | 18 978 404 | 58 950 609 |
| Net gains or losses recognised directly in net assets | - | - |
| Interest income | - | 449 161 |
| Impairments | - | - |
| Net other movements | 5 056 758 | (39 972 205) |
| Closing balance | 24 035 162 | 18 978 404 |
| Maximum credit exposure | 24 035 162 | 18 978 404 |
| Interest income includes: | | |
| Interest on financial assets that are not at fair value through surplus or deficit | (8 129 548) | (2 117 387) |
| Interest on financial assets that are carried at amortised cost | 9 551 921 | 9 551 921 |
| Subsequent interest on impaired financial assets | - | - |
| Interest income include: | | |
| On financial assets/liabilities carried at amortised cost | - | - |
| Trust and/or other fiduciary activities | - | - |
| Other fee income | - | - |
| Disclosed in the Statement of Financial Performance | 112 513 504 | 86 685 852 |
| Disclosed in the Statement of Financial Position | 24 035 162 | 18 978 404 |
| Consumer receivables from non-exchange transactions | 1 422 373 | 9 551 921 |
| Sundry receivables from exchange transactions | 658 668 | 607 589 |
| Consumer receivables from exchange transactions | 658 668 | 607 589 |
| Investment held as a collateral | 6 474 472 | 5 988 893 |
| Cash and cash equivalents | 79 922 629 | 51 559 046 |
| | 24 035 162 | 18 978 404 |
| | 112 513 504 | 86 685 852 |
| | 24 035 162 | 18 978 404 |
| | 1 422 373 | 9 551 921 |
| | 658 668 | 607 589 |
| | 658 668 | 607 589 |
| | 6 474 472 | 5 988 893 |
| | 79 922 629 | 51 559 046 |

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33.2 Financial liabilities

| | 30 June 2018 | 30 June 2017 | Interest expense include | |
|--------------------------|--------------|--------------|---|--|
| Finance lease at | 195 319 | 486 871 | Interest on financial liabilities that are not at fair value through surplus or deficit | Interest on financial liabilities that are carried at amortised cost |
| Financial instruments | 3 647 794 | 6 644 420 | | |
| Financial instruments | 25 671 044 | 28 265 817 | | |
| Financial liabilities at | 6 825 841 | 7 055 581 | | |
| Total | 36 339 988 | 42 452 689 | | |
| Opening balance | 114 998 | 114 998 | | |
| Net other movements | (195 319) | 2 490 157 | | |
| Closing balance | 11 458 571 | 47 913 566 | | |

| | 2018 | 2017 | Disclosed in the Statement of Financial Performance | |
|---|------------|------------|---|---|
| Fee expenses | 468 056 | 319 943 | On financial assets/liabilities carried at amortised cost | On financial assets/liabilities carried at amortised cost |
| Trust and/or other fiduciary activities | - | - | Other fee expenses | Other fee expenses |
| Disclosed in the Statement of Financial Position | 468 056 | 319 943 | Categories of financial liabilities | Categories of financial liabilities |
| Unspent conditional grants and receipts | 6 137 950 | 3 647 794 | Finance lease liability | Finance lease liability |
| Trade and other payables from exchange transactions | 34 834 777 | 25 671 044 | Long term loan - DBSA | Long term loan - DBSA |
| 47 798 568 | 6 825 840 | 6 825 840 | | |
| 36 339 998 | 6 825 840 | 6 825 840 | | |

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

33.3

Qualitative disclosure

Key assumptions

Credit risk

Ingquza Hill Local Municipality has a very serious credit risk exposure because of the debtors that are not paying for rates, taxes and services. The Municipality has since engaged the use of a Debt Collector to collect monies owed by the debtors and the Council has also resolved to write off the opening balances of the debtors. For ageing refer to Note 11. The maximum exposure to credit risk is the 100% of the carrying amounts of the financial assets as indicated above even for the consumer receivables where the maximum exposure is estimated to be at 100% of the carrying amount of the debtors.

Liquidity risk

Ingquza Hill Local Municipality does not foresee any threat with regards to servicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the Municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdraws to finance its operations. Cash flow forecasts are prepared and adequate borrowing facilities are monitored.

The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position as at 30 June 2018 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | 2018 | 2017 |
|---|--------------------|------------------|
| Loan - DBSA | - | 231 003 |
| Finance lease liability | - | 102 470 |
| Trade and other payables from | 6 487 869 | - |
| Sundry payables | 114 998 | - |
| Not later than one month | R 6 602 867 | R 231 003 |
| and not later than three months | 114 998 | 102 470 |
| Later than one month and not later than three months | 231 003 | 102 470 |

Market risk

Interest rate risk

Not applicable to the Municipality. The loan with DBSA has a fixed interest rate of 6.75% per annum payable 6 monthly twice a year. Maturity is detailed in Note 2.

Foreign currency risk

Not applicable to the Municipality because the Municipality does not deal with foreign currency, and only banks with the approved financial institutions in the country.

Price risk

Not applicable to the Municipality.

34 RELATED PARTY TRANSACTIONS

34.1 Interest of related parties

Councillors and/or managers of the Municipality that have relationships with businesses as indicated below:

| Name | Designation | Description of Related Party Relationship |
|------|-------------|---|
| None | None | None |

34.2 Services rendered to related parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

34.3 Loans granted to related parties

In terms of the Municipal Finance Management Act, the municipality may not grant loans to its Councillors, management, staff and public with effect from 1 July 2004. No bans have been granted to anyone that can be considered as a related party.

34.4 Purchases from related parties

The Municipality did not buy goods from any companies which can be considered to be related parties.

34.5 Remuneration

NB: Please refer to Notes 19 and 36 for Councillors remunerations and Note 18 for the remuneration of management

34.6 Audit committee fees

| | 2018 | 2017 |
|-----------------------------|----------------|----------------|
| PM Mankotswa Chairperson | 70 324 | 61 496 |
| VM Songelwa Member | 19 500 | 19 500 |
| NB Kekana Member | 13 000 | 13 000 |
| EBD Makhosi Member | 58 500 | 72 244 |
| | <u>161 324</u> | <u>166 239</u> |
| | R | R |

This is an independent advisory body which advises the Ingquza Hill Local Municipality Council, the political Office Bearers, the Accounting Officer and the Management on matters relating to performance and financial management. This body is appointed in terms of s156(4) of the Municipal Finance Management Act Number 56 of 2003.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

| | 2018 R | 2017 R |
|---------------------------------|--------------------|--------------------|
| 35 PROVISION FOR IMPAIRMENT | | |
| Reconciliation of the provision | | |
| Consumer debtor account | 65 544 111 | 59 864 327 |
| Provision balance @ 98% | 46 729 535 | 44 772 178 |
| | 44 772 178 | 39 224 603 |
| | 1 957 357 | 5 547 575 |
| | Opening balance | |
| | Current increase | |
| CALCULATIONS @ 98% | | |
| Business | 27 834 790 | 27 387 559 |
| Domestic | 18 894 745 | 17 384 619 |
| TOTAL | 46 729 535 | 44 772 178 |
| Provision | (1 957 357) | (5 547 575) |
| Traffic fines impaired | (38 700) | (33 250) |
| Total impairment | (1 996 057) | (5 580 825) |

36 RELATED PARTY LISTING

| EMPLOYEE NAME | 2017 | 2018 |
|---------------------|---------|------------|
| MADING JP | 773 445 | 836 713 |
| CPA YN | 581 852 | 677 531 |
| TEVANE M | 557 350 | 637 736 |
| ZPHATHE MR | 299 170 | 373 818 |
| GWEQWE V | 328 480 | 373 818 |
| JOTLE T | 327 209 | 373 818 |
| GOTAB B | 366 925 | 637 735 |
| SOMANI V | 327 209 | 373 818 |
| MVLANI B | 334 629 | 373 818 |
| KRUMBA CM | 327 209 | 373 818 |
| GAGANA | 327 209 | 373 818 |
| VATHSA SB | 335 730 | 373 818 |
| GABHU T | 335 730 | 373 818 |
| MISHAZO SH | 338 632 | 582 841 |
| MHLONGO Z | 290 638 | 364 042 |
| MKANI B | 290 989 | 364 042 |
| DUTSHWA P | 355 680 | 364 042 |
| MJOBU NE | 38 426 | - |
| BESI TT | 38 426 | - |
| MAKHAYI M | 38 426 | - |
| KANGO PS | 38 426 | - |
| MISO M F | 37 410 | - |
| JIMI N | 37 410 | - |
| NOXAMLE PN | 260 430 | 292 677 |
| MISHOBO P | 37 410 | - |
| MJOYANA D | 301 229 | 292 677 |
| JOYI B | 29 989 | - |
| JIBA Z | 260 420 | 292 677 |
| QWESHA M | 260 420 | 292 677 |
| MOWILI NH | 260 420 | 292 677 |
| MKONGWEI NCB | 260 420 | 292 677 |
| NIZUMO T | 260 420 | 292 677 |
| THIMLE L | 260 420 | 292 677 |
| MKATITSHANA N | 29 989 | - |
| TAMBODALA ZM | 29 989 | - |
| ZATHI N | 29 989 | - |
| DANISO N | 260 420 | 292 677 |
| THWATSHUKA D | 260 420 | 292 677 |
| DALWE NA | 29 989 | - |
| KIKUJU M | 260 420 | 292 677 |
| SIKOSHAMA MN | 29 989 | - |
| MAGAYI FA | 29 989 | - |
| RULEMS | 29 989 | - |
| MKIZWANE AM | 29 989 | - |
| MFAISE VD | 29 989 | - |
| ILSOOASHI | 29 989 | - |
| KEWANI D | 29 989 | - |
| MKHO K | 29 989 | - |
| GOGO M | 29 989 | - |
| MOTHSI ZH | 29 989 | - |
| YAKO N | 29 989 | - |
| MHLAKUVANA N | 260 420 | 292 677 |
| MKANI N | 260 420 | 292 677 |
| NONKUBA N | 260 420 | 292 677 |
| GUMISA-CHIGO FJ | 29 989 | - |
| QWECWE N | 260 420 | 292 677 |
| NOTYESH N | 260 420 | 292 677 |
| MWAKHWA S | 29 989 | - |
| SIGCAU NE | 29 989 | - |
| SIBUNGE T | 260 420 | 292 677 |
| DUMISA T | 260 420 | 292 677 |
| DINGI X | 29 989 | - |
| MHLANGA ZE | 29 989 | - |
| CELE KO | 260 420 | 292 677 |
| WF RANAI | 260 420 | 292 677 |
| MATINDAVUZO | 232 331 | 292 677 |
| TP MGDUDU | 232 331 | 292 677 |
| B SVELA | 232 331 | 292 677 |
| MV PHANDELA | 232 331 | 292 677 |
| Z JABVU | 232 331 | 292 677 |
| S N MABOLOBA | 232 331 | 292 677 |
| B NININGO | 232 331 | 292 677 |
| U NDIZA | 232 331 | 292 677 |
| S NDARANE | 232 331 | 292 677 |
| ST HLONGWANE | 232 331 | 292 677 |
| ZP BAMBUSBA | 232 331 | 292 677 |
| MP DELANGA | 232 331 | 292 677 |
| N MZOTIHWA | 232 331 | 292 677 |
| N MBANGATHA | 232 331 | 292 677 |
| ONA NOMCHANE | 232 331 | 292 677 |
| SN MABASA | 232 331 | 292 677 |
| NP JAMJAM | 232 331 | 292 677 |
| MC ODIZA | 232 331 | 292 677 |
| F NOMGCA | 232 331 | 292 677 |
| MB NDABANKULU | 225 274 | 292 677 |
| Z NONCOKUMANA | 222 331 | 292 677 |
| MA GULENI | 222 331 | 292 677 |
| B MABHEDEUMANA | 222 331 | 292 677 |
| N GANDELA | 222 331 | 292 677 |
| M NONGCHI | 222 331 | 292 677 |
| K VAVA | 21 772 | 292 677 |
| ORDINARY COUNCILLOR | 470 400 | 292 677 |
| TRADITIONAL LEADERS | 424 085 | 19 984 403 |

INGOUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

37 SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

| EXTERNAL LOAN: Loan Redeemable Number | Balance at 01/07/2017 | Paid during the year | Interest for the year | Balance at 30/06/2018 | Carrying Value of Property, Plant and Equipment | Other costs in accordance with the M-FMA |
|--|--------------------------|----------------------------|-----------------------------|--------------------------|---|---|
| | | | | | | |
| Loan - Development Bank of Southern Africa(DBSA) | 6 825 840 | (468 056) | 468 056 | 6 825 840 | 23 046 684 | - |
| | 6 825 840 | -468 056 | 468 056 | 6 825 840 | 23 046 684 | - |

NB: This is a financial liability

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

38 Actual expenditure in excess of approved budget votes

| | | | |
|---|--|------|------|
| Opening balance | | 2018 | 2017 |
| Non cash items | | R | R |
| Condoned by council | | - | - |
| Total deviations made in the current year | | - | - |

Incident

This is the actual expenditure for certain budget votes exceeded the approved adjustments budget due to non-cash flow items, included in the actual expenditure which could not reasonably have been budgeted for.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

39 LEASES
 39.1 Finance lease liability

30 June 2018

Amounts payable under finance leases

Within one year
 Within two to five years

Less: Amount due for settlement within 12 months (current portion)

| Minimum lease payment R | Future finance charges R | Present value of minimum lease payments R |
|-------------------------------|--------------------------------|--|
|-------------------------------|--------------------------------|--|

| | | |
|---|---|---|
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

30 June 2017

Amounts payable under finance leases

Within one year
 Within two to five years

Less: Amount due for settlement within 12 months (current portion)

| Minimum lease payment R | Future finance charges R | Present value of minimum lease payments R |
|-------------------------------|--------------------------------|--|
|-------------------------------|--------------------------------|--|

| | | |
|---------|---|-----------|
| 195 320 | - | 195 320 |
| - | - | - |
| - | - | - |
| 195 320 | - | 195 320 |
| - | - | (195 320) |
| - | - | - |

The average lease term is 3 years and the average effective borrowing rate is 18%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2018

39 LEASES (CONTINUED)
 39.2 Operating lease

| | Minimum lease receipts R | Future finance charges R | Present value of minimum lease receipts R |
|--|-----------------------------|-----------------------------|--|
| 30 June 2018 | | | |
| Amounts receivable under operating leases | | | |
| Within one year | 61 933 | - | 61 933 |
| Within two to five years | | | |
| | <u>1 360 440</u> | <u>-</u> | <u>1 360 440</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | <u>61 933</u> |
| | | | <u>1 298 508</u> |

These are the lease contracts given to people at a fixed monthly instalments, one of the contracts will expire in 2026. Details per each lease are attached

| | Minimum lease receipts R | Future finance charges R | Present value of minimum lease receipts R |
|--|-----------------------------|-----------------------------|--|
| 30 June 2017 | | | |
| Amounts receivable under operating leases | | | |
| Within one year | 124 | - | 195 320 |
| Within two to five years | | | |
| | <u>124</u> | <u>-</u> | <u>195 320</u> |
| Less: Amount due for settlement within 12 months (current portion) | | | <u>(195 320)</u> |
| | | | <u>-</u> |

These are the lease contracts given to people at a fixed monthly instalments

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

40 WORK IN PROGRESS

| | 2018 | 2017 |
|---|--------------------|-------------------|
| Access Roads | 34 776 634 | 18 395 327 |
| Electrification | 29 165 003 | 21 628 629 |
| Municipal Offices | 51 826 956 | 28 151 286 |
| Community Halls | 12 613 565 | 7 867 852 |
| Street Lights | 72 963 | 72 963 |
| Landfill sites | 1 970 274 | 319 298 |
| Facelifts (Town) | 3 109 680 | 1 439 847 |
| High Mast Lights | 559 751 | |
| 134 093 825 | 134 093 825 | 77 865 202 |
| RECONCILIATION | | |
| Opening Balances | 77 865 202 | 89 027 259 |
| Adjustments | 512 000 | 652 722 |
| Restated Opening Balance | 78 377 202 | 89 679 981 |
| Less: Completed Projects transferred FAR | (33 294 527) | (87 323 253) |
| Less: Completed Projects transferred to Expenditure | (5 524 696) | (8 930 316) |
| Plus: Additional Expenditure | 94 535 844 | 84 438 790 |
| Closing Balance | 134 093 823 | 77 865 202 |

These are the capital projects that are being constructed by the Municipality utilising a mix of grants and own revenue, all these projects are in the IDP of the Municipality and the progress, delays and stopages per each project is reported in the APR which is a document submitted together with these

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

44 CAPITAL COMMITMENTS

Comments in respect of assets still under construction

Approved and contracted for

| | 2018 | 2017 |
|----------------------|-------------------|-------------------|
| Infrastructure | 9 399 259 | 29 122 977 |
| Community | - | 9 253 082 |
| Offices | 3 390 766 | 20 646 498 |
| Plant | - | 3 145 203 |
| Computer equipment | 1 032 388 | 527 014 |
| Office Furniture | - | 93 791 |
| Bins | 747 194 | 331 582 |
| Truck | - | 590 000 |
| Surfacing (Newtown) | 21 820 035 | - |
| Landfill sites | 1 538 498 | - |
| Wetlands | 915 093 | - |
| Sportfields | 1 133 180 | - |
| 39 976 363 | 39 976 363 | 63 710 107 |
| Grants and subsidies | 9 399 259 | 59 022 537 |
| Own revenue | 30 577 104 | 4 687 570 |

These assets will be funded from

NB: these commitments represent the remainder of the contracts signed by the Municipality for the development of some projects that look longer than expected to complete as a result at year end they were still pending.

The completed portions of these project are reported as work in progress

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

43 INTEREST EARNED ON EXTERNAL INVESTMENTS

| | 2018 | 2017 |
|-----------------------|------------------|------------------|
| FNB - primary account | 6224175712 | 975 583 |
| FNB - call account | 62003235307 | 564 954 |
| FNB - call account | 62219877836 | 7 416 |
| FNB - call account | 74238698310 | 1 493 956 |
| FNB - call account | 62231474537 | 440 982 |
| FNB - call account | 62231473761 | 4 020 870 |
| FNB account | - | 449 161 |
| 7 815 515 | 7 815 515 | 7 952 902 |

INGOUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2018

41 IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

| | 2018 | 2017 |
|-----------------------------|------------------|------------------|
| Furniture and fittings | 1 700 | - |
| Tools, arms & mobile office | 598 | - |
| Computer equipment | 59 346 | - |
| Sale of Sites | - | 2 500 |
| 61 644 | 61 644 | 4 629 452 |
| 1 710 572 | 1 710 572 | 4 632 032 |

Loss on disposal of assets

These assets were impaired during the year because of their bad conditions which are beyond repairable and some were stolen or lost

Sale of site

Sales sold lower than the market value with the motive of developing the land.