

# ANNUAL FINANCIAL STATEMENTS

for

## INGQUZA HILL LOCAL MUNICIPALITY

for the period ended 30 June: 2014

Province:

Eastern Cape

Contact Information:	
<b>Name of Municipal Manager:</b>	M Fihlani
<b>Name of Chief Financial Officer:</b>	T L Madikizela
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2014

**General information**

**Municipal demarcation code: EC 153**

**Members of the Executive Council and Leadership**

Councillor J P Mdingi	Mayor
Councillor D Mjokovana	Speaker
Councillor P Dutshwa	Chief Whip
Councillor P Ntshobo	MPAC Chair
Councillor N F Mtsotso	Members Interest Chair
Councillor T T Besi	Member of the Executive committee
Councillor B B Goya	Member of the Executive committee
Councillor M Tenyane	Member of the Executive committee
Councillor P S Kango	Member of the Executive committee
Councillor (seat vacant)	Member of the Executive committee
Councillor NA Gagai	Member of the Executive committee
Councillor M G Maxhayi	Member of the Executive committee
Councillor S L Ngcingwana	Member of the Executive committee
Councillor N E Tshingana	Member of the Executive committee

**Municipal Manager**

M Fihlani

**Chief Financial Officer**

TL Madikizela

**Grading of Local Authority**

Grade 3 : low capacity

**Auditors**

Auditor-General(SA)

**Bankers**

First National Bank  
Flagstaff Branch  
6224175712 - Primary bank account

**Lawyers**

FT Tayi  
Ximbi and Ncolo attorneys  
Somacala and Linyana associates

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2014

**General information (continued)**

<b>Registered Office:</b>	135 Main Street, Flagstaff
<b>Physical addresses:</b>	
Flagstaff Office	135 Main Street FLAGSTAFF 4810
Lusikisiki Office	66 Main Street LUSIKISIKI 4820
<b>Postal addresses:</b>	
Flagstaff Office	PO Box 14 FLAGSTAFF 4810
Lusikisiki Office	PO Box 7 LUSIKISIKI 4820
<b>Telephone numbers:</b>	
Flagstaff	039 252 0131
Lusikisiki	039 253 1568
<b>Fax numbers:</b>	
Flagstaff	039 252 0699
Lusikisiki	039 253 1096
<b>E-mail address:</b>	<a href="mailto:mfihlani@ihlm.gov.za">mfihlani@ihlm.gov.za</a>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**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 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 we Ingquza Hill Local Municipality achieves positive results in respect of its financial management.

Thank you

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Councillor J P Mdingi  
Mayor

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Date

**INGQUZA HILL LOCAL MUNICIPALITY**



**ANNUAL FINANCIAL STATEMENTS**

**for the period ended**

**30 June 2014**

**Accounting Officer's Statement**

I, Mluleki Fihlani, am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 57, 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 of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
M Fihlani  
Municipal Manager

\_\_\_\_\_  
Date at (place of signing)

**INGQUZA HILL LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2014**

<b>INDEX</b>	<b><u>Page</u></b>
Statement of Financial Performance	6
Statement of Financial Position	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Budget and Actual Amounts	10
Accounting Policies	11 - 24
Notes to the Annual Financial Statements	25 - 58

**INGQUZA HILL LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the year ended 30 June 2014

	Notes	2014 R '1	2013 R '1
<b>REVENUE</b>			
Property rates	13	6,081,938	6,267,910
Service charges - refuse	14	411,301	926,679
Rental of facilities		24,267	20,604
Interest earned - external investments		3,362,158	3,458,080
Interest earned - outstanding receivables		572,955	147,691
Fines		949,586	772,420
Lease rentals		727,462	152,191
Government grants and subsidies	15	186,373,616	164,667,186
Other income	16	12,987,328	3,169,352
<b>Total Revenue</b>		<b>211,490,611</b>	<b>179,582,114</b>
<b>EXPENDITURE</b>			
Employee related costs	18	66,633,497	58,478,152
Remuneration of Councillors	19	15,707,607	14,606,696
Repairs and maintenance	31	20,610,944	7,966,850
(Reversal of impairment)/Impairment of debtors		(1,648,614)	1,601,732
Interest paid	20	479,903	529,006
General expenses	23	59,221,013	46,937,327
Depreciation		24,497,807	27,168,978
<b>Total Expenditure</b>		<b>185,502,157</b>	<b>157,288,742</b>
Profit / (loss) on fair value adjustment	21	13,114,496	153,173,004
<b>SURPLUS FOR THE YEAR</b>		<b>39,102,950</b>	<b>175,466,375</b>

**INGQUZA HILL LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2014**

	Notes	2014 R '1	2013 R '1
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>864,473,913</b>	<b>816,937,571</b>
Accumulated surplus	1	864,473,913	816,937,571
<b>Non-current liabilities</b>		<b>10,094,765</b>	<b>10,144,129</b>
Long term loan - DBSA	2	6,825,840	6,825,840
Finance lease liability	39	65,851	169,224
Long service awards	9	3,203,074	3,149,065
<b>Current liabilities</b>		<b>36,987,000</b>	<b>25,412,230</b>
Current provisions	3/41	3,819,706	2,699,308
Current portion of finance lease liability	39	103,373	165,061
Current portion of long service award	9	774,522	443,840
Trade and other payables from exchange transactions	4	19,125,855	16,980,218
Unspent conditional grants and receipts	5	12,467,162	3,275,502
Trade and other payables from non exchange transactions	17	581,513	1,720,079
Sundry payables	4	114,870	128,222
<b>Total Net Assets and Liabilities</b>		<b>911,555,678</b>	<b>852,493,930.74</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>841,970,409</b>	<b>779,902,658</b>
Property, plant and equipment	8	377,803,109	329,222,720
Intangible assets	0	87,250	69,800
Investment property	10	459,341,100	446,226,604
Investment held as a colateral	6	4,738,950	4,383,533
<b>Current assets</b>		<b>69,585,270</b>	<b>72,591,273</b>
Consumer receivables from non-exchange transactions	11	2,704,147	2,161,210
Sundry receivables from exchange transactions	11	12,069,912	2,620,815
VAT receivable	12	11,444,219	4,673,109
Inventory	26	13,588,160	13,251,805
Cash and cash equivalents	7	29,778,831	49,884,334
<b>Total Assets</b>		<b>911,555,678</b>	<b>852,493,931</b>



**INGQUZA HILL LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
As at 30 June 2014

		Revaluation Surplus	Accumulated Surplus	Total: Net Assets
	Notes		R '1	R '1
<b>Balance at 30 June 2012</b>		-	620,645,792	620,645,792
Changes in accounting policy		-	(1,295,316)	(1,295,316)
Correction of prior period error		-	(4,180,980)	(4,180,980)
<b>Restated balance as at 30 June 2012</b>		-	<b>615,169,496</b>	<b>615,169,496</b>
Revaluation increase	8.2	26,301,700	-	26,301,700
Surplus for the period		-	175,466,375	175,466,375
<b>Balance at 30 June 2013</b>		<b>26,301,700</b>	<b>790,635,871</b>	<b>816,937,571</b>
Prior year adjustment	32	0	1,295,316	1,295,316
<b>Restated balance</b>		<b>26,301,700</b>	<b>791,931,188</b>	<b>818,232,888</b>
Retained income movements		-	(323,398)	(323,398)
Revaluation increase	8.2	5,600,000		5,600,000
Retained income movements		-	1,861,473	1,861,473
Surplus for the period		-	39,102,950	39,102,950
<b>Balance at 30 June 2014</b>		<b>31,901,700</b>	<b>832,572,213</b>	<b>864,473,913</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
For the year ended 30 June 2014

	Note	2014 R '1	2013 R '1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		194,391,118	320,120,100
Taxation		6,081,938.03	6,267,910.36
Sales of goods and services		(14,413,922)	(18,902,928)
Grants		186,373,616	164,667,186
Interest received		3,362,158	3,458,080
Other receipts		12,987,328	164,629,851
Payments		173,873,378	118,587,147
Employee costs		82,341,104	73,084,849
Suppliers		92,700,986	(11,532,617)
Interest paid		479,903	529,006
Other payments		(1,648,614)	56,505,909
<b>Net cash flows from operating activities</b>	29	<b>20,517,740</b>	<b>201,532,953</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	8.2	(42,980,388)	(216,684,240)
Intangible assets		(17,450)	0
Adjustments to equity		2,833,391	22,286,568
<b>Net cash flows from investing activities</b>		<b>(40,164,447)</b>	<b>(194,397,672)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease	39	(103,373)	13,974
Investment held as a collateral	6	(355,417)	(328,761)
<b>Net cash flows from financing activities</b>		<b>(458,790)</b>	<b>(314,787)</b>
<b>Net increase in net cash and cash equivalents</b>		<b>(20,105,497)</b>	<b>6,820,494</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>49,884,327</b>	<b>43,063,833</b>
<b>Net cash and cash equivalents at end of period</b>	7	<b>29,778,831</b>	<b>49,884,327</b>

INGQUZA HILL LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
For the year ended 30 June 2014

Actual 2013 R'1	Description	Actual 2014 R'1	Approved Budget 2014 R'1	Adjustments R'1	Final Budget 2014 R'1	Difference R'1	Management reasons
	<b>Revenue</b>						
6,267,910	Rates and taxes	6,081,938	8,000,000	-	8,000,000	1,918,062	General Valuation and supplementary valuation figures which did not show an increase as previously anticipated
772,420	Fees, fines, penalties & licences	949,586	800,000	-	800,000	(149,586)	N/A overachievement
4,705,245	Revenue from exchange transactions	14,263,395	47,494,123	-	47,494,123	33,230,728	Lack of demand for services from customers, these are the services that are sold to the customers
164,667,186	Transfers from other governments	186,373,616	195,811,000	-	195,811,000	9,437,384	N/A, the variance is emanating from the opening balances
-	External loans	-	3,000,000	-	3,000,000	3,000,000	Loan not yet taken by the Municipality
3,169,352	Other operating income	61,936,573	48,168,835	-	48,168,835	(13,767,738)	N/A overachievement
<b>179,582,114</b>	<b>Total revenue</b>	<b>269,605,107</b>	<b>303,273,958</b>	<b>-</b>	<b>303,273,958</b>	<b>33,668,851</b>	
	<b>Expenses</b>						
73,084,849	Personnel	82,341,104	97,375,249	-	97,375,249	15,034,146	Savings from the personnel budget
74,505,560	General expenditure	58,052,302	67,800,460	-	57,258,158	(794,144)	N/A, less than 10%
53,560,568	Capital expenditure	67,416,045	87,731,000	-	119,218,650	51,802,605	Projects are still continuing to 2015 financial year, some other capital projects are put on hold because of technical reasons
7,966,850	Repairs and maintenance	20,610,944	48,978,300	-	29,401,900	8,790,956	Projects are still continuing to 2015 financial year, last cluster
494,108	Finance costs	19,102	20,000	-	20,000	898	N/A
<b>209,611,934</b>	<b>Total expenditure</b>	<b>228,439,498</b>	<b>301,905,010</b>	<b>-</b>	<b>303,273,958</b>	<b>74,834,460</b>	
<b>389,194,048</b>	<b>Surplus/(Deficit) for the year</b>	<b>41,165,610</b>			<b>-</b>	<b>(108,503,311)</b>	
0	Attributable to: Net asset holder of the controlling entity	-			0	0	
0	Minority interest	-			0	0	

NB: variances given are those that are 10% and above

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2014**

**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 16	Investment property
GRAP 17	Property, Plant and Equipment
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	Non-current assets held for sale and discontinued operations
GRAP 103	Heritage assets
GRAP 104	Financial instruments

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 18	Segment reporting
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 108	Statutory receivables

Where there is no equivalent standard of GRAP or International Public Sector Accounting Standards (IPSAS) an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards detailed below:

IAS 12	Income Taxes
IAS 14	Segment reporting
IAS 19	Employee benefits
IAS 20	Accounting for government grants and disclosure of government assistance
IAS 24	Related party disclosures
IAS 26	Accounting and rereporting by retirement benefit plans
IAS 29	Financial reporting in hyperinflationary economies
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 32	Financial instruments: Disclosure and presentation
IAS 33	Earnings per share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of assets
IAS 39	Financial instruments: Recognition and measurement
IPSAS 20	Related party transactions
IFRS 2	Share-based payment
IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IFRS 7	Financial Instruments: Disclosures

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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2014**

**1. BASIS OF ACCOUNTING(continued)**

**1.2 Presentation currency**

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

**1.3 Going concern assumption**

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.

**1.4 Comparative information**

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.

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 comparatives 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.

**1.5 Accounting policies, changes in accounting estimates and errors**

The Municipality is fully complying with all the relevant GRAP standards.

**1.6 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were discontinued from 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Council(MEC) responsible for housing.

**2. RESERVES**

**2.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus or deficit to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus or deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan(IDP).

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2014**

**2.2 Government Grants Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus or deficit to the Government Grants 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 to the accumulated surplus or deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of Government Grant funded items of property, plant and equipment are offset by transfers from this reserve 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.

**2.3 Revaluation Reserve**

The surplus/deficit arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, 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 bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Municipality for no 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**3. PROPERTY, PLANT AND EQUIPMENT (Cont.)**

**3.2 Subsequent measurement - revaluation model (Land and Buildings)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses an accumulated decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

**3.4 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**

Access roads	20 years
Electricity	20 years

**Community assets**

Graveyard	50 years
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**Other**

Landfill site	10 years
Furniture	7 - 10 years
Plant and equipment	5 - 15 years
Motor vehicles	5 - 7 years
Tools	3 - 5 years
Computer equipment	3 - 5 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.

**3.5 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 (funder). 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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 item 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 Performance.

**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 recognition, 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 asset given up

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 utilised. 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.



**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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, constructed 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 consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down 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**

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

**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 thereof:

- a) Investment in fixed deposits (Banking Institutions, etc)
- b) Long-term receivables
- c) Consumer debtors
- d) Other debtors
- e) Bank, cash and cash equivalents

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2014**

**9. FINANCIAL INSTRUMENTS (continued)**

**9.1 Financial assets - classification and measurement (continued)**

<b>Type of financial assets</b>	<b>Classification in terms of GRAP 104</b>
Short term investment deposits - call	Cash and cash equivalents
Bank, cash and cash equivalents	Cash and cash equivalents
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank, cash and cash equivalents	Held to maturity

Financial assets at fair value through surplus or deficit 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.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables
- Held to maturity investments; or
- Financial asset at 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.

Loans and receivables 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) Creditors
- c) Bank overdraft
- d) Short term loans
- e) Current portion of long term liabilities

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured :

- (i) At fair value through surplus or deficit; or
- (ii) Not at fair value through surplus or deficit (other financial liabilities)

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2014**

**9. FINANCIAL INSTRUMENTS**

**9.2 Financial liabilities - Classification and measurement (continued)**

Financial liabilities that are measured at fair value through surplus or deficit 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 profiteering or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities at amortised cost that are not measured at fair value through surplus or deficit 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 transactions costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the 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.

**9.4 Impairment of Financial Assets**

Financial assets at amortised cost other than those at fair value through surplus or deficit, 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 asset's 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2014**

**9. FINANCIAL INSTRUMENTS (continued)**

**9.4 Impairment of Financial Assets (continued)**

With the exception of available for sale equity instruments, 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 available for sale equity securities, 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 debtors are stated at cost less a provision for impairment. The provision is made in accordance with IAS 36.64 whereby the recoverability of consumer debtors 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 receivable.

Loans and receivable are non-derivative financial assets with fixed or determinable payments. 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 measured at amortised cost, using the effective interest rate method less a provision for impairment.

**9.5 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.

**9.6 Derecognition of Financial Liabilities**

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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2014**

**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**

- A maturity analysis for financial assets and liabilities shows the remaining contractual maturities.
- 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 timeous 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 remote. A contingent asset is disclosed where an inflow of 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**12. LEASES**

**12.1 Municipality as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets 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 impairment 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 Municipality 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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. 56 of 2003, the Municipal Systems Act of 2000, the Public Office Bearers Act (20 of 1998) 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.



**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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 to prepare the asset for its intended use or sale are complete. 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.

**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 2014) and the date on which the audit of the financial statements is completed (30 November 2014) 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 the approach to use is 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.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
<b>1. ACCUMMULATED SURPLUS</b>		
Opening balance	816,937,571	620,850,044
Movements :	27,711,609	176,703,751
Council	15,707,607	14,606,696
Municipal Manager	17,696,065	14,605,979
Budget and Treasury Office	(124,504,747)	(102,793,262)
Administration	26,194,370	18,768,217
Community and Social Services	19,014,398	14,093,622
Infrastructure	13,854,205	624,617
Planning and Development	4,326,493	(136,609,620)
Adjustment opening balance	<u>19,824,732</u>	<u>(19,383,777)</u>
Closing balance	<u><b>864,473,913</b></u>	<u><b>816,937,571</b></u>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2014**

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
<b>2 LONG TERM LIABILITY</b>		
Loan - DBSA	6,825,840	6,825,840
Interest accrued - DBSA- included in sundry creditors (note 4)	<u>114,870</u>	<u>117,571</u>
Total amount owed to DBSA as at 30 June 2014	<u>6,940,711</u>	<u>6,943,411</u>
Long service awards (LSA)	<u>3,203,074</u>	<u>3,149,065</u>
	<b><u>10,143,785</u></b>	<b><u>10,092,476</u></b>

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

- Account number - 128331
- Type of account – RMB
- Value – R 4 383 533

**3 CURRENT PROVISIONS**

**3.1 Bonus provision**

Opening balance	1,229,270	954,359
Current increase	158,559	274,911
	<u>1,387,829</u>	<u>1,229,270</u>

This is a provision for service bonus payable to employees as at 30 June 2014. The uncertainty is the timing of the bonus payments.

**3.2 Performance bonus**

Opening balance	1,470,039	1,203,977
Current increase	820,104	266,061
	<u>2,290,142</u>	<u>1,470,039</u>

This is a provision for performance bonuses due to s57 managers as at 30 June 2014. The uncertainty is on the assessment of the MPAC and approval by Council.

Total current provisions(Notes 3.1 + 3.2)	<u>3,677,971</u>	<u>2,699,308</u>
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
<b>4 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Retentions	8,695,948	6,812,235
Trade payables	3,257,623	3,423,479
Accrual for Leave Pay	5,564,923	4,328,031
Prepaid income	330,778	134,303
Other accruals	1,257,191	2,282,170
Payroll creditors	19,392	-
<b>Balance at the end of the year</b>	<b><u>19,125,855</u></b>	<b><u>16,980,218</u></b>
<b>Sundry payables</b>		
Interest on DBSA Loan (refer to note 2)	114,870	117,571
Net clearing account	-	10,651
	<b><u>114,870</u></b>	<b><u>128,222</u></b>

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

The fair value of Creditors 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 Minerals and Energy (DOE) - Electrification	11,387,417	1,420,554
Municipal Infrastructure Grant (MIG) Grant	850,470	1,854,948
Local Economic Development (LED)	229,275	-
	<b><u>12,467,162</u></b>	<b><u>3,275,502</u></b>

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 MFMA no 56 of 2003 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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

	2014 R '1	2013 R '1
<b>6 INVESTMENT HELD AS A COLATERAL</b>		
Investment held as a colateral - FNB: RMB	<u>4,738,950</u>	<u>4,383,533</u>
<p>The investment is with Rand Merchant Bank and is pledged as security for loan with DBSA and the Municipality has no access to the investment until the loan is repaid in 2019. This investment is on zero coupon bond and has the following details at 7.95% pm</p> <p>Account number - 128331  Type of account – RMB(INVESTMENT)  Initial value – R3 287 467</p> <p><b>NB:</b> this is a financial asset - (see Note 2)</p>		
<b>7 CASH AND CASH EQUIVALENTS</b>		
The Municipality has the following bank accounts:		
<b>7.1 Current Account (Primary Bank Account)</b>		
Bank statement Balance as at 01 July 2013	2,075,495	6,923,267
Bank statement balance as at 30 June 2014	<u>659,683</u>	<u>2,075,495</u>
<b>7.2 Current and call accounts</b>		
FNB - 6224175712 - primary account	659,683	2,075,495
FNB - 62003235307 - call account	2,045,351	16,339,033
FNB - 62219877836 - call account	180,645	177,068
FNB - 74233699310 - call account	16,517,132	1,442,311
FNB - 62231474537 - call account	4,879,107	6,833,780
FNB - 62231473761 - call account	5,496,000	22,920,108
<b>Cash book balance at the end of the year</b>	<u>29,777,919</u>	<u>49,787,795</u>
<b>Bank statement balance at the end of the year</b>	<u>29,777,919</u>	<u>49,787,795</u>
<b>7.3 Credit cards</b>		
Credit card A	-	43,550
Credit card B	-	52,972
	<u>-</u>	<u>96,521</u>
<b>7.4 Petty cash balance</b>	<u>913</u>	<u>17</u>
<b>Bank and cash balance(7.2 + 7.3 +7.4)</b>	<u>29,778,831</u>	<u>49,884,334</u>
<b>Cash and cash equivalents</b>	<u>29,778,831</u>	<u>49,884,334</u>

INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

8 PROPERTY, PLANT AND EQUIPMENT

At 30 June 2013

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
	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1	R '1
<b>Carrying values at 1 July 2013</b>	<b>29,176,754</b>	<b>283,206,911</b>	<b>4,930,288</b>	<b>451,051</b>	<b>923,617</b>	<b>7,372,961</b>	<b>1,445,129</b>	<b>872,907</b>	<b>843,102</b>	<b>329,222,720</b>
Cost	29,364,554	350,295,374	5,120,660	496,499	1,280,795	7,492,220	4,203,981	1,264,692	1,091,247	400,610,022
Correction of error	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	(187,800)	(67,088,463)	(190,372)	(45,448)	(357,178)	(119,259)	(2,758,852)	(391,785)	(248,144)	(71,387,303)
- Cost	(187,800)	(67,088,463)	(190,372)	(45,448)	(357,178)	(119,259)	(2,758,852)	(391,785)	(248,144)	(71,387,303)
- Correction of error	-	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	56,884,061	6,613,453	-	27,651	(0)	3,033,151	842,524	15,206	67,416,045
Capital asset transferred	-	-	-	-	-	-	-	-	-	-
Depreciation:	(62,500)	(21,761,108)	(156,146)	-	(256,342)	(678,021)	(1,017,049)	(442,510)	(124,031)	(24,497,707)
- based on cost	(62,500)	(21,761,108)	(156,146)	-	(256,342)	(678,021)	(1,017,049)	(442,510)	(124,031)	(24,497,707)
- based on revaluation	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
<b>Other movements</b>	-	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2014</b>	<b>34,714,254</b>	<b>318,329,864</b>	<b>11,449,644</b>	<b>451,051</b>	<b>694,926</b>	<b>6,694,940</b>	<b>3,461,231</b>	<b>1,272,921</b>	<b>734,277</b>	<b>377,803,107</b>
Cost	29,364,554	407,179,435	11,796,162	496,499	1,308,446	7,492,220	7,237,132	2,107,216	1,106,453	468,088,117
Revaluation	5,600,000	-	-	-	-	-	-	-	-	5,600,000
Accumulated depreciation:	(250,300)	(88,849,571)	(346,518)	(45,448)	(613,520)	(797,280)	(3,775,901)	(834,295)	(372,176)	(95,885,010)
- Current	(62,500)	(21,761,108)	(156,146)	-	(256,342)	(678,021)	(1,017,049)	(442,510)	(124,031)	(24,497,707)
- Opening	(187,800)	(67,088,463)	(190,372)	(45,448)	(357,178)	(119,259)	(2,758,852)	(391,785)	(248,144)	(71,387,303)

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

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Motor vehicles	Furniture and Fittings	Plant and Equipment	Motor Vehicles	Computer Equipment	Other assets	Total
<b>Carrying values at 1 July 2012</b>	<b>R '1</b> <b>29,364,554</b>	<b>R '1</b> <b>263,165,459</b>	<b>R '1</b> <b>4,987,088</b>	<b>R '1</b> <b>265,542</b>	<b>R '1</b> <b>740,207</b>	<b>R '1</b> <b>6,961,813</b>	<b>R '1</b> <b>4,214,768</b>	<b>R '1</b> <b>521,908</b>	<b>R '1</b> <b>872,198</b>	<b>R '1</b> <b>338,960,249</b>
Cost	12,173,200	306,949,469	5,060,790	310,990	792,987	7,250,420	4,538,073	873,821	1,010,499	338,960,249
Correction of error	-	-	-	-	-	-	-	-	-	-
Revaluation	26,301,800	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	(9,110,446)	(43,784,010)	(73,702)	(45,448)	(52,781)	(288,607)	(323,305)	(351,913)	(138,300)	-
- Cost	-	-	-	-	-	-	-	-	-	-
- Transfers	(9,110,446)	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	50,586,590	59,870	185,509	541,564	1,566,800	-	473,651	146,585	53,560,569
Capital under construction	-	(7,240,685)	-	-	-	-	-	-	-	(7,240,685)
Disposals	-	-	-	-	(53,756)	(1,325,000)	(334,092)	(82,780)	(65,837)	(1,861,464)
Depreciation:	187,800	(23,304,453)	(116,670)	-	(347,378)	(377,240)	(3,144,093)	(401,661)	(117,731)	(27,621,425)
- based on cost	187,800	(23,304,453)	(116,670)	-	(325,888)	(103,946)	(2,789,820)	(351,913)	(113,788)	(26,918,677)
- disposal	-	-	-	-	(21,490)	(273,294)	(354,273)	(49,748)	(3,943)	(702,748)
Carrying value of disposals:	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
<b>Other movements</b>	-	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 20130</b>	<b>29,176,754</b>	<b>283,206,911</b>	<b>4,930,288</b>	<b>451,051</b>	<b>923,617</b>	<b>7,372,961</b>	<b>1,445,129</b>	<b>872,907</b>	<b>843,102</b>	<b>329,222,720</b>
Cost	12,173,200	350,295,374	5,120,660	496,499	1,280,795	7,492,220	4,203,981	1,264,692	1,091,247	383,418,668
Revaluation	17,191,354	-	-	-	-	-	-	-	-	17,191,354
Accumulated depreciation:	(187,800)	(67,088,463)	(190,372)	(45,448)	(357,178)	(119,259)	(2,758,852)	(391,785)	(248,144)	(71,387,303)
- Cost	(187,800)	(23,304,453)	(116,670)	-	(304,397)	169,348	(2,435,547)	(302,165)	(109,844)	(26,591,529)
- Opening balance	-	(43,784,010)	(73,702)	(45,448)	(52,781)	(288,607)	(323,305)	(89,620)	(138,300)	(44,795,773)

INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

8.2 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014								Carrying Value	
	Cost				Accumulated Depreciation					
	Opening Balance	Additions	Revaluation	Correction Balance	Closing Balance	Opening Balance	Additions	Correction		Closing Balance
<b>Land and Buildings</b>										
Land and buildings	29,364,554	-	5,600,000	0.00-	34,964,554	187,800	62,500		250,300	34,714,254
	<b>29,364,554</b>	<b>-</b>	<b>5,600,000</b>	<b>0.00-</b>	<b>34,964,554</b>	<b>187,800</b>	<b>62,500</b>		<b>250,300</b>	<b>34,714,254</b>
<b>Infrastructure</b>										
Infrastructure - Work in Prog	55,441,885	25,606,736		0.00-	81,048,621	-				81,048,621
Access Roads	294,853,489	31,277,325		0.00-	326,130,814	67,088,463	21,761,108		88,849,571	237,281,243
	<b>350,295,374</b>	<b>56,884,061</b>	<b>-</b>	<b>0.00-</b>	<b>407,179,435</b>	<b>67,088,463</b>	<b>21,761,108</b>		<b>88,849,571</b>	<b>318,329,864</b>
<b>Community assets</b>										
Graveyard	62,049				62,049	30,386	2,753		33,139	28,910
Community Halls	5,058,611	6,613,453			11,734,113	159,986	153,393		313,379	11,420,734
	<b>5,120,660</b>	<b>6,613,453</b>	<b>-</b>	<b>-</b>	<b>11,796,162</b>	<b>190,372</b>	<b>156,146</b>		<b>346,518</b>	<b>11,449,644</b>
<b>Leased assets</b>										
Pinting Machine	496,499	-		-	496,499	45,448	-		45,448	451,051
<b>Other assets</b>										
Landfill site	401,107				401,107	171,429	48,249		219,678	181,429
Fire arms	93,790	-0			93,790	-3,943	5,130		1,187	92,602
Furniture and fittings	1,280,795	27,651		-	1,308,446	357,178	256,342		613,520	694,926
Plant and equipment	7,492,220	-0			7,492,220	119,259	678,021		797,280	6,694,940
Motor vehicles	4,203,981	3,033,151			7,237,132	2,758,852	1,017,049		3,775,901	3,461,231
Mobile office	453,500	-			453,500	32,019	30,183		62,203	391,297
Tools, arms & mobile office	142,850	15,207			158,056	48,639	40,469		89,108	68,949
Computer equipment	1,264,692	842,524			2,107,216	391,785	442,510		834,295	1,272,921
	<b>15,332,935</b>	<b>3,918,532</b>	<b>-</b>	<b>-</b>	<b>19,251,467</b>	<b>3,875,219</b>	<b>2,517,953</b>		<b>6,393,172</b>	<b>12,858,295</b>
	<b>400,610,022</b>	<b>67,416,045</b>	<b>5,600,000</b>	<b>-</b>	<b>473,688,116</b>	<b>71,387,303</b>	<b>24,497,707</b>		<b>95,885,010</b>	<b>377,803,109</b>

NB: details for the revaluation amounts are stated in note 10



30-Jun-13										Carrying Value
		Opening Balance	Cost Additions /	Revaluation	Transfer / Completed	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Corection	
<b>Land and Buildings</b>										
	Investment property	-	-		-	-	-		-	-
	Land and buildings	12,173,200	-	26,301,800	(9,110,446)	29,364,554	125,200	62,600	187,800	29,176,754
		<b>12,173,200</b>	<b>-</b>	<b>26,301,800</b>	<b>(9,110,446)</b>	<b>29,364,554</b>	<b>125,200</b>	<b>62,600</b>	<b>187,800</b>	<b>29,176,754</b>
<b>Infrastructure</b>										
	Street Lights					-	-	-	-	-
	Infrastructure - Work in Prog	16,321,735	46,360,835		(7,240,685)	55,441,885	-	-	-	55,441,885
	Access Roads	290,627,734	4,225,755		-	294,853,489	43,784,010	23,304,453	67,088,463	227,765,026
		<b>306,949,469</b>	<b>50,586,590</b>		<b>(7,240,685)</b>	<b>350,295,374</b>	<b>43,784,010</b>	<b>23,304,453</b>	<b>67,088,463</b>	<b>283,206,911</b>
<b>Community assets</b>										
	Graveyard	62,049	-			62,049	25,899	4,487	30,386	31,663
	Recreation grounds					-	-	-	-	-
	Community Halls	4,998,741	59,870			5,058,611	47,803	112,183	159,986	4,898,625
		<b>5,060,790</b>	<b>59,870</b>		<b>-</b>	<b>5,120,660</b>	<b>73,702</b>	<b>116,670</b>	<b>190,372</b>	<b>4,930,288</b>
<b>Leased assets</b>										
	Motor vehicles	310,990	185,509			496,499	45,448	-	45,448	451,051
<b>Other assets</b>										
	Landfill site	401,107				401,107	118,336	53,094	171,429	229,678
	Fire arms	60,500	33,290			93,790	-	(3,943)	-3,943	97,733
	Furniture and fittings	792,987	541,564.00		(53,756)	1,280,795	52,781	325,888	(21,490)	923,617
	Plant and equipment	7,250,420	1,566,800		(1,325,000)	7,492,220	288,607	103,946	(273,294)	7,372,961
	Motor vehicles	4,538,073	-		(334,092)	4,203,981	323,305	2,789,820	(354,273)	2,758,852
	Mobile office	453,500	-			453,500	1,836	30,183		32,019
	Tools and equipment	95,392	113,295		(65,837)	142,850	18,128	30,511		48,639
	Computer equipment	873,821	473,651		(82,780)	1,264,692	89,620	351,913	(49,748)	391,785
		<b>14,465,800</b>	<b>2,728,600</b>		<b>(1,861,464)</b>	<b>15,332,935</b>	<b>892,613</b>	<b>3,685,354</b>	<b>(702,748)</b>	<b>3,875,219</b>
		<b>338,960,249</b>	<b>53,560,569</b>	<b>26,301,800</b>	<b>(18,212,596)</b>	<b>400,610,022</b>	<b>44,920,973</b>	<b>27,169,077</b>	<b>(702,748)</b>	<b>71,387,303</b>
										<b>329,222,720</b>

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

For the year ended 30 June 2014

**9 LONG SERVICE AWARDS**

**9.1 Current portion of long service award**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>
Short term portion		<u><u>774,522</u></u>	<u><u>443,840</u></u>

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.

**9.2 Reconciliation of long service award**

**Reconciliation of Long Service Awards**

Opening balance	3,977,596	3,592,905	2,966,517
Total annual expense	774,522	443,840	312,848
Actuarial gain/(loss)	-	(59,149)	313,540
Closing balance	<u><u>3,203,074</u></u>	<u><u>3,977,596</u></u>	<u><u>3,592,905</u></u>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

10.1 Reconciliation of fair value	Investment property R'1	Investment property R'1	Total R'1
as at 01 July 2013	446,226,604	-	446,226,604
Profit / (loss) on fair value adjustment	13,114,496	-	13,114,496
<b>as at 30 June 2014</b>	<b>459,341,100</b>	<b>-</b>	<b>459,341,100</b>
<b>2013</b>			
as at 01 July 2012	293,053,600	-	293,053,600
Profit / (loss) on fair value adjustment	153,173,004	-	153,173,004
<b>as at 30 June 2013</b>	<b>446,226,604</b>	<b>-</b>	<b>446,226,604</b>
<b>10.2 Investment property pledged as security</b>	<b>-</b>	<b>-</b>	<b>-</b>
None			
<b>10.3 Details of investment property</b>	<b>2014 R '1</b>		<b>2013 R '1</b>
Land held for an undetermined use	443,500,000		434,215,504
Land under operating lease	15,841,100		12,011,100
	<u>459,341,100</u>		<u>446,226,604</u>

**10.4 Valuation**

The properties listed as "Investment properties" were valued on 30 June 2014 by a professional accredited valuer.

**10.5 Details of valuation**

The effective date of the fair value adjustment was 01 July 2014. Revaluations were performed by an independent valuer, Mr Clyde, of Kula Valuations. Kula Valuations 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.

**10.6 Amounts recognised in surplus or deficit for the year.**

	2014 R 1	2013 R 1
Fair value adjustments	<u>13,114,496</u>	<u>153,173,004</u>

NB: these are the fair value adjustment figures as determined by the Municipal valuer. These valuations were done on the 30 June 2014

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**11 RECEIVABLES**

**11.1 Consumer receivables from non-exchange transactions**

	<u>Gross balance</u> R '1	<u>Provision for bad debts</u> R '1	<u>Net balances</u> R '1
<b>As at 30 June 2014</b>			
Business	19,044,632	(18,663,740)	380,893
Domestic	14,076,281	(13,794,756)	281,526
Government	6,327,824	-	6,327,824
	<u><b>39,448,738</b></u>	<u><b>(32,458,495)</b></u>	<u><b>6,990,243</b></u>

		<b>Refuse</b>	<b>Rates</b>
<b>Discounting effect</b>			
Consumer receivables	39,448,738		
Finance income	(474,582)		
Unearned finance charges	(3,732,234)		
Provision for bad debts	(31,983,913)		
<b>Receivables at fair value</b>	<u><b>3,258,008</b></u>	<u><b>553,861</b></u>	<u><b>2,704,147</b></u>

**As at 30 June 2013**

Receivables	40,484,371	(34,492,946)	5,991,425
	<u><b>40,484,371</b></u>	<u><b>(34,492,946)</b></u>	<u><b>5,991,425</b></u>
Un-earned interest 2013			(3,830,215)
<b>Adjusted balance</b>			<u><b>2,161,210</b></u>

	<b>2014 R '1</b>	<b>2013 R '1</b>
<b><u>Refuse and Rates: Ageing</u></b>		
0 - 30 days (current)	40,177	126,317
31 - 60 days	149,625	101,417
61 - 90 days	66,777	84,923
91 -120 days	94,544	97,595
121 - 150days	98,419	97,698
151 - 180 days	88,135	97,974
181 - 210 days	89,947	82,872
211 - 240 days	87,587	96,104
241 - 270 days	71,614	5,950,056
271 - 300 days	88,333	93,125
301 - 330 days	82,452	93,173
331 - 360 days	5,342,945	98,643
+361 days	33,148,183	33,464,473
<b>Total</b>	<u><b>39,448,738</b></u>	<u><b>40,484,371</b></u>

**Summary of Receivables by Customer Classification**

In terms of the financial instruments classification (Note 33), management has classified consumer receivables as financial assets at amortised cost for the purposes of assessing credit risk and liquidity (Notes 11.1 and 11.2). The concentration of credit risk has been on residential consumers. Provision for impairment of consumer receivables has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for 98% of outstanding debt bases on collection. In management's professional judgement, no further credit provision is required in excess of the provision for impairment. Consumer receivables comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Consumer receivables are presented net of provision for impairment.

**11.2 Receivables from exchange transactions**

Refuse	553,861	442,658
Sundry receivables from exchange transactions	916,635	2,178,157
Payments made in advance	10,599,415	-
	<u><b>12,069,912</b></u>	<u><b>2,620,815</b></u>

<b>12 Value Added Tax</b>	<u><b>11,444,219</b></u>	<u><b>4,673,109</b></u>
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INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

	Note	2014 R '1	2013 R '1
<b>13 PROPERTY RATES</b>			
<b><u>Actual</u></b>			
Rates		6,081,938	6,267,910
Finance charges		430,677	361,796
<b>Total assessment rates</b>		<b><u>6,512,615</u></b>	<b><u>6,629,706</u></b>
<b><u>Property valuations</u></b>			
Rates		1,083,960,448	1,083,960,448
<b>Total property valuations</b>		<b><u>1,083,960,448</u></b>	<b><u>1,083,960,448</u></b>
<p>Valuations on land and buildings are performed every four years.                      The last valuation came into effect on 01 July 2009. 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.</p>			
<b>14 SERVICE CHARGES</b>			
Refuse charges		411,301	926,679
Finance charges		(43,678)	(50,670)
		<b><u>367,624</u></b>	<b><u>876,009</u></b>
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>			
<b>National Transfers</b>			
Equitable share	15.1	126,581,000	107,948,000
Department of Minerals and Energy	15.2	10,033,137	10,612,359
Municipal Finance Management Grant	15.4	1,550,000	1,500,000
MIG Grant	15.5	45,595,479	40,365,827
<b>Provincial Transfers</b>			
MSIG Grant	15.3	890,000	800,000
Library services	15.6	724,000	724,000
LED grant	15.7	-	-
EPWP GRANT	15.8	1,000,000	2,717,000
<b>Total government grants and subsidies</b>		<b><u>186,373,616</u></b>	<b><u>164,667,186.32</u></b>

**NB:** There are no transfers(grants) that are made out by the Ingquza Hill Local Municipality to other organs of state. The equitable share gazetted amount differs with the received amount due to funds that were withheld by National Treasury to the amount of R 399 000.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

	2014 R '1	2013 R '1
<b>15 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>15.1 Equitable share</b>		
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.	<u>126,581,000</u>	<u>107,948,000</u>
<b>15.2 Department of Minerals and Energy</b>		
Balance unspent at the beginning of the year	1,420,554	2,032,913
Current year receipts	20,000,000	10,000,000
Conditions met - transferred to revenue	<u>(10,033,137)</u>	<u>(10,612,359)</u>
<b>Conditions not met - transferred to liability</b>	<u>11,387,417</u>	<u>1,420,554</u>
This is an electrification support grant. Conditions yet to be met are that the municipality must still utilise this funding for electrification expenditure purposes. This expenditure is only for wards electrification		
<b>15.3 MSIG Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	890,000	800,000
Conditions met - transferred to revenue	<u>(890,000)</u>	<u>(800,000)</u>
<b>Conditions not met - transferred to liability</b>	<u>-</u>	<u>-</u>
This grant is meant to help with the improvement and upgrading of municipal systems and is only spent on that		
<b>15.4 Municipal Finance Management Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	<u>(1,550,000)</u>	<u>(1,500,000)</u>
<b>Conditions not met - transferred to liability</b>	<u>-</u>	<u>-</u>
This grant is spent on capacity building on BTO officials and S57 managers and Internship		
<b>15.5 MIG Grant</b>		
Balance unspent at the beginning of the year	1,854,948	775,846
Current year receipts	44,591,000	37,735,033
Conditions met - transferred to revenue	<u>(45,595,479)</u>	<u>(40,365,827)</u>
<b>Conditions not met - transferred to liability</b>	<u>850,470</u>	<u>(1,854,948)</u>
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		
<b>15.6 Library Services</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	724,000	724,000
Conditions met - transferred to revenue	<u>(724,000)</u>	<u>(724,000)</u>
<b>Conditions not met - transferred to liability</b>	<u>-</u>	<u>-</u>
This was spent on roads repairs and maintenance during the IEC period		
<b>15.7 LED Projects</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	229,275	0
Conditions met - transferred to revenue	<u>-</u>	<u>-</u>
<b>Conditions not met - transferred to liability</b>	<u>229,275</u>	<u>-</u>
Conditions to be met by building hawker stalls		
<b>15.8 EPWP Grant</b>		
Balance spent at the beginning of the year	398,739	-
Current year receipts	1,000,000	2,717,000
Conditions met - transferred to revenue	<u>(1,398,739)</u>	<u>(2,318,261)</u>
<b>Conditions met - transferred to revenue</b>	<u>-</u>	<u>398,739</u>
The amount recognised as revenue is limited to the funding as per DoRA R 1 000 000 and not the whole expenditure incurred		

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

16 OTHER INCOME	2014 R'1	2013 R'1
Advertising fees rental	235,065	195,477
Funeral fees	14,198	20,088
Plant hire	9,281,295	-
LG SETA	48,600	32,247
Insurance fund	92,842	-
Plan fees	245,568	123,174
Pound fees	92,838	7,053
Rezoning and sub-division	8,290	4,062
Sale of wood	-	13,394
Payment salaries	-	152,597
Natis agency fees	2,418,712	2,381,340
Sundry income	9,794	26,437
Tender document	223,625	113,143
Vuna award	210,000	45,000
Commission	-	50,222
Informal trading	-	5,120
National heritage	106,500	-
	<b>12,987,328</b>	<b>3,169,352</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
<b>17 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS</b>		
Workmen's Compensation Fund	581,513	1,720,079
	<u><b>581,513</b></u>	<u><b>1,720,079</b></u>
<b>18 EMPLOYEE RELATED COSTS</b>		
Salaries and wages	44,909,677	39,555,052
Contributions for UIF, provident, m/aid, etc	10,775,396	9,141,496
Travel, motor car, accommodation, subsistence	4,771,441	3,894,256
Overtime payments	3,051,523	2,916,687
Housing benefits and allowances	1,345,317	1,316,792
Provisions	1,780,143	1,653,870
<b>Total employee related costs</b>	<u><b>66,633,497</b></u>	<u><b>58,478,152</b></u>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	926,103	861,072
Car allowance	167,368	152,409
Contribution to UIF and other payments	22,316	132,628
	<u><b>1,115,787</b></u>	<u><b>1,146,108</b></u>
<b>Remuneration of the Chief Finance Officer</b>		
Annual remuneration	806,156	754,277
Car allowance	132,779	120,701
Contribution to UIF and other payments	45,104	8,443
	<u><b>984,039</b></u>	<u><b>883,421</b></u>
<b>Remuneration of the Corporate Services Director</b>		
Annual remuneration	787,188	715,887
Car allowance	161,231	150,545
Contribution to UIF and other payments		104,013
	<u><b>948,419</b></u>	<u><b>970,445</b></u>
<b>Remuneration of the Technical Services Director</b>		
Annual remuneration	711,313	682,825
Car allowance	170,715	153,976
Contribution to UIF and other payments	66,389	51,636
	<u><b>948,417</b></u>	<u><b>888,437</b></u>
<b>Remuneration of the Community Services Director</b>		
Annual remuneration	796,672	709,617
Car allowance	142,263	127,864
Contribution to UIF and other payments	9,484	75,026
	<u><b>948,419</b></u>	<u><b>912,507</b></u>
<b>Remuneration of the Strategic Planning Director</b>		
Annual remuneration	730,459	671,885
Car allowance	142,263	129,134
Contribution to UIF and other payments	75,703	69,999
	<u><b>948,425</b></u>	<u><b>871,018</b></u>
<b>Former Directors</b>		
Former Strategic Planning Director- Performance bonus	-	104,013
Former CFO - Performance bonus	-	104,013



INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

	2014 R '1	2013 R '1
<b>19 REMUNERATION OF COUNCILLORS</b>		
<b>Mayor</b>		
Annual remuneration	513,658	484,162
Allowances, contribution to UIF and related items	185,036	181,259
	<b>698,694</b>	<b>665,421</b>
<b>Speaker</b>		
Annual remuneration	533,102	345,300
Allowances, contribution to UIF and related items	152,087	123,442
	<b>685,189</b>	<b>468,742</b>
<b>Chief Whip</b>		
Annual remuneration	367,509	231,036
Allowances, contribution to UIF and related items	132,074	89,408
	<b>499,583</b>	<b>320,444</b>
<b>Exco members</b>		
Annual remuneration	1,850,323	2,006,975
Allowances, contribution to UIF and related items	715,632	793,952
	<b>2,565,955</b>	<b>2,800,927</b>
<b>Other Councillors</b>		
Annual remuneration	8,022,507	7,224,981
Allowances, contribution to UIF and related items	3,091,680	3,013,182
	<b>11,114,186</b>	<b>10,238,163</b>
<b>Traditional leaders</b>	<b>144,000</b>	<b>113,000</b>
<b>Total remuneration for councillors</b>	<b>15,707,607</b>	<b>14,606,696</b>
<b>NB:</b> full list of related party transactions as per GRAP standard is disclosed on <b>Note 36</b>		
<b>20 INTEREST PAID</b>		
Long term liabilities - DBSA	460,800	494,108
Finance lease	19,102	34,898
<b>Total interest on external borrowings</b>	<b>479,903</b>	<b>529,006</b>
<b>21 REVALUATION AND FAIR VALUE SURPLUS</b>		
Fair value adjustment on investment	13,114,496	153,173,004
Revaluation on land	5,600,000	-
	<b>18,714,496</b>	<b>153,173,004</b>
<b>22 COUNCILLORS WITH ACCOUNTS IN ARREARS</b>		
1. C N Yako	142,071	114,370
2. K Mviko	60,969	60,700
3. D Mjokovana (Speaker)	-	122,078
<b>TOTAL</b>	<b>203,040</b>	<b>297,148</b>

**NB:** These are the Councillors with accounts in arrears for more than 90 days and Speaker (D Mjokovana) owing for advance payments in 2013.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

23 GENERAL EXPENDITURE	2,014 R'1	2,013 R'1
Accounting and audit fees	4,278,634	2,973,008
Advertising fees	358,064	255,109
Data lines	24,046	59,779
Bank charges	148,125	110,213
Catering- meetings	203,969	343,473
Cleaning material	53,225	20,072
Towing services	19,467	5,565
Public participation	125,540	28,500
Consultation & professional fees	1,068,550	1,203
Spatila development	-	30,226
Expanded Public Works Programme	2,381,814	2,318,261
Early childhood development	-	63,973
Equitable share	436,600	312,659
Electricity and water purchase	475,336	275,776
Communication strategy	235,620	329,774
Property valuation	764,352	359,615
Internal audit	672,630	334,725
IDP development	941,936	688,722
Insurance: external	679,371	597,455
Finance management grant expenditure	922,687	992,343
Legal fees	1,870,895	2,429,775
Licence fees	73,822	114,393
Crime prevention	129,180	37,490
Tourism	474,718	300,624
Postage	5,121	1,414
Printing and stationery	209,613	450,043
Disaster management	10,819	-
Protective clothing	98,444	6,291
Registering authority	167,277	23,500
Library services	68,705	36,040
Rent- office equipment	156,710	223,187
Subsistence and travelling	1,491,508	1,211,809
Survey and planning	1,409,934	603,257
Special programmes	2,142,533	1,420,591
Sport and recreation	60,726	105,810
Telephone	3,031,078	2,151,065
Parks, Pound and cemeteries	1,895	138,256
Training- officials	985,530	1,055,351
Training-councillors	387,726	121,354
Training- accomodation	654,914	460,875
Hire of toilets	6,650	26,280
Re-allocation costs	13,660	2,445
Vodacom	128,169	122,239
Beach management	118,050	142,751
Plant unit	9,228,229	4,603,673
Arts and culture	55,216	14,031
Munsoft and payday	796,416	876,411
Support to traditional leaders	49,090	65,123
Inter-governmental relations	10,402	11,750
Hotel accomodation	742,443	1,199,740
Refuse bags	630,428	231,054
Council functions	1,976,020	851,428
Vehicle- fuel & oil	2,907,997	3,115,267
Traffic law enforcement	160,078	168,676
Vehicle hire	1,330,912	733,290
Cleaning and greening	107,208	82,354
Audit committee costs	202,998	168,966
Allownace ward admin	2,880,621	2,889,683
Computer hardware	776,658	441,740
Whippery expense	88,712	114,708
Experiential trainees	110,000	55,200
HIV & Aids	54,950	62,750
Furniture	10,636	195,950
Team buiding	149,204	186,170
Motor vehicles	-	625,167
Electricity infrastructure	-	79,818
Landfill sites	141,734	69,002
Local economic development	8,332,421	8,508,265
Road construction	509,049	-1,513,801
Specialised equipment	1	1,435,202
Social facilities	-	355,919
Mobile office	-	24,500
Community halls	226,051	
EAP	225,301	
Health servicws	30,598	
Buildings	-	
	<b>59,221,013</b>	<b>46,937,327</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**2014**  
**R '1**

**2013**  
**R '1**

**24 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	29,778,831	49,884,334
Bank overdraft	-	-
<b>Total cash and cash equivalents</b>	<b>29,778,831</b>	<b>49,884,334</b>

**25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**25.1 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	-	73,927,758
Irregular expenditure current year - adverts not in the notice board	-	-
Irregular expenditure current year	-	-
Approved by Council or condoned	-	(73,927,758)
Transfer to receivables for recovery	-	-
<b>Total irregular expenditure for the year</b>	<b>-</b>	<b>-</b>

Incident	Disciplinary steps / criminal proceedings
<p>This is the procurement of goods and services above R 30 000 (incl. VAT) without advertising them on the municipal notice board and website for at least seven days and adverts for less than 14 days before closing date. This is as a result of the ambiguity in the Treasury SCM regulation. Three quotations were obtained</p>	<p>-</p> <p>None (relates to prior year)</p>

Expenditure procured through a competitive bidding process where the specification prepared by the specifications committee were approved by the chairperson of the bid adjudication committee and not the accounting officer. 37,541,789

The issue is that the deligation framework is not specifically deligating the approval of the specifications to the CFO who is the chairperson of the bid adjudication committee. -

Expenditure relating to instances where there were no performance contracts - relating to the purchase of vehicles. Only vehicle dealer purchase agreements were signed and not the standard General Conditions of Contract per national treasury. 1,011,818

Expenditure relating to the instances where three quotations were not obtained for the following reasons:  
- Servicing of vehicles at manufacture approved service centre  
- Purchase of spare parts for the plant at manufacturer approved dealer 1,392,265

- Accommodation from suppliers on municipal database treated on rotational basis  
- Placing of adverts with local media  
- Travel expenses booked through the travel agents on municipal database on a rotational basis -

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**2014**  
R '1                      **2013**  
R '1

**25 FRUITLESS AND WASTEFUL EXPENDITURE**

**25.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	338,986
Fruitless and wasteful expenditure current year	780	-
Condoned or written off by Council	-	(338,986)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	780	-

Incident	Disciplinary steps / criminal proceedings
PAYE, UIF and SDL penalty and interest for non payment of these statutory deduction resulted in expenditure Included in the reported amount there is interest paid to Department of Labour for compensation commissioner	NA                      NA

Incident	Disciplinary steps / criminal proceedings
Not applicable	Not applicable.

**26 INVENTORY**

Opening balance	13,251,805	5,607,280
Increase in stationery	336,355	-
Land held for sale	-	7,644,525
Closing balance	13,588,160	13,251,805
Purchases during the year - stationery	442,225	511,194
Expensed during the year - stationery	(105,870)	(470,115)
Closing balance - stationery	336,355	41,079

The Municipality's inventory consists of consumables, stationery and land held for sale
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

		2014 R '1	2013 R '1
<b>27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>27.1 Audit fees</b>			
Current year audit fee		2,414,195	2,063,365
Amount paid - current year		<u>(2,083,248)</u>	<u>(2,063,365)</u>
<b>Balance unpaid (included in payables)</b>		<b><u>330,947</u></b>	<b><u>-</u></b>
<b>27.2 PAYE, UIF &amp; SDL</b>			
Current year taxes		12,879,429	11,784,786
Amount paid - current year		<u>(12,879,429)</u>	<u>(11,784,786)</u>
<b>Balance unpaid (included in payables)</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>27.3 MEDICAL AID</b>			
Current year taxes		4,769,529	4,032,053
Amount paid - current year		<u>(4,769,529)</u>	<u>(4,032,053)</u>
<b>Balance unpaid (included in payables)</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>27.4 PROVIDENT AND PENSION</b>			
Current year taxes		7,275,260	6,383,491
Amount paid - current year		<u>(7,275,260)</u>	<u>(6,383,491)</u>
<b>Balance unpaid (included in payables)</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>28 CONTINGENT LIABILITIES</b>			
	<b><u>Sub Note</u></b>	<b><u>Amount claimed</u></b>	<b><u>Amount claimed</u></b>
Litigations that are still pending	(a)	2,387,332	3,956,175
Landfill site	(b)	121,404	231,955
Nokulunga Madolo	(c)	1,089,195	1,089,195
ELB Equipment	(d)	<u>41,343</u>	<u>-</u>
		<b><u>3,639,274</u></b>	<b><u>5,277,325</u></b>

(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.

(b) This is a provision for the closing of the current dumping sites

(c) Nokulunga Madolo is claiming an amount of R 1 089 195 from the Municipality for the structure that was demolished by the Municipality because it was illegally constructed on municipal land.

(d) This is the claim by ELB Equipment for an amount that was paid by the Municipality in 2008.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
<b>29 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	39,102,950	178,890,846
Adjustment for:	-	-
-Depreciation	24,497,807	27,168,978
-Impairments	(1,648,614)	-
-Prior year adjustment	(3,362,158)	(3,458,080)
-Interest paid	479,903	529,006
<b>Operating surplus or deficit before working capital changes:</b>	<b>59,069,888</b>	<b>203,130,750</b>
Increase in inventories	(336,355)	(8,944,525)
Decrease in consumer debtors	(542,937)	(630,938)
(Increase)/decrease in other debtors	(9,449,097)	(225,500)
Increase in creditors	2,383,110	10,570,477
LSA	54,009	
Increase in VAT receivables	(6,771,110)	(2,833,909)
Decrease in unspent conditional grants and receipts	9,191,660	466,744
<b>Cash generated by operations</b>	<b>53,599,168</b>	<b>201,533,099</b>

**30 ASSUMPTIONS**

**30.1 GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to the 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.

The ability of the Municipality to continue as a going concern is dependant on a number of factors.

- 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 equitably to both Provincial and Local Government (Municipalities). Allocation for 2014/15 is R 188.8 m and R 190.6m for 2015/16
- Debtors collection - to fully comply with the credit control and debt collection policy the Municipality is procuring 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.
- 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 four to discuss strategic documents.

**30.2 EVENTS AFTER THE REPORTING DATE**

The Municipality did consider all the incidents and events that took place after year end but before reporting date in the management meetings, these events occurred:

a) National Treasury approval of roll over - non adjusting - R 10 800 000

**31 REPAIRS AND MAINTENANCE**

	<b>2014</b>	<b>2013</b>
	<b>R '1</b>	<b>R '1</b>
Repairs and maintenance	20,610,944	7,966,850

NB: repairs and maintenance programme was intensified this year since it was the election year, this programme covered all the voting stations in all the wards. Roads were damaged by rainy season last year

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

				2014
<b>32 CORRECTION OF PRIOR PERIOD ERROR</b>				<b>R'1</b>
<b>32.1 Prior year adjustments</b>		<b>Sub-note</b>		<b>Dr/(Cr)</b>
The following restatements have been effected to prior period account balances and classes of transactions due to prior year errors/ommissions which have been identified				
Prior year correction	<b>Trade payables</b>	Previously reported	a) 2012/13	4,048,646
		Impact - reduction of creditors		<u>(625,167)</u>
		Restated balance		<u>3,423,479</u>
	<b>Workmens compensation</b>	Previously reported	b) 2012/13	1,641,783.00
		Impact - increase in payables		<u>78,296</u>
		Restated balance		<u>1,720,079</u>
	<b>Inventory</b>	Previously reported	c) 2012/13	14,551,805.00
		Impact - reduction of inventory		<u>(1,300,000)</u>
		Restated balance		<u>13,251,805</u>
	<b>Intangible asset</b>	Previously reported	d) 2012/13	-
		Impact - increase of Intangible assets		69,800
		Restated balance		<u>69,800</u>
	<b>PPE</b>	Previously reported	e) 2012/13	330,381,535
		Impact - reduced PPE		<u>(1,158,717)</u>
		Restated balance		<u>329,222,720</u>
	<b>Debtors - Traffic</b>	Previously reported	f) 2012/13	-
		Impact - increase in receivables		546,730
		Restated balance		<u>546,730</u>
<b>NB:</b> all the above entries affected the accumulated surplus to a sum R 1 277 866, also refer to the Statement of Changes in Net Assets				
	<b>Acc surplus</b>	Previously reported		818232987
		Movement in Acc surplus as a result of the above entries		<u>(1,295,316)</u>
		Restated balance		<u>816,937,671</u>

**32.2 Effect of change**

- a) These payables were subsequently written off because the deal was cancelled
- b) These payables were subsequently raised because of the statement recently received
- c) Reversal of inventory raised in previous year
- d) Intangible asset not previously recognised and now recognised in terms of iGRAP 16
- e) Corrections were made to PPE resulting to a reduction of R 1.1 million
- f) Receivables from traffic fines not previously raised

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**33 FINANCIAL INSTRUMENTS**

**33.1 Financial assets**

<b>Jun-14</b>	<b>Consumer debtors</b>	<b>Sundry debtors</b>	<b>Investment held as collateral</b>	<b>Bank and Cash</b>	<b>Held to maturity</b>	<b>Total</b>
	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>
Opening balance	2,161,210	2,620,815	4,383,533	49,884,334	-	59,049,892
Net gains or losses recognised directly in net assets						-
Interest income			355,417			355,417
Impairments						-
Net other movements	542,937	9,449,097	-	-20,105,502	-	-10,113,469
<b>Closing balance</b>	<b>2,704,147</b>	<b>12,069,912</b>	<b>4,738,950</b>	<b>29,778,831</b>	<b>-</b>	<b>49,291,840</b>

Maximum credit exposure

-

Interest income includes:

Interest on financial assets that are not at fair value through surplus or deficit  
Subsequent interest on impaired financial assets

-

<b>Jun-13</b>	<b>Consumer debtors</b>	<b>Sundry debtors</b>	<b>Investment held as collateral</b>	<b>Bank and Cash</b>	<b>Held to maturity</b>	<b>Total</b>
	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>
Opening balance	1,530,273	1,848,585	4,054,772	43,063,696	-	50,497,325
Movements Details	630,938	772,230				1,403,168
Interest income	-		328,761			328,761
Impairments						-
Net other movements	-	-		6,820,638	-	6,820,638
<b>Closing balance</b>	<b>2,161,210</b>	<b>2,620,815</b>	<b>4,383,533</b>	<b>49,884,334</b>	<b>-</b>	<b>59,049,892</b>

Interest income includes:

Interest on financial assets that are not at fair value through surplus or deficit  
Subsequent interest on impaired financial assets

-

**Disclosed in the Statement of Financial Performance**

	<b>2014</b>	<b>2013</b>
	<b>R'1</b>	<b>R'1</b>
Fee income	<b>474,582</b>	<b>412,465</b>
On financial assets/liabilities not at fair value through profit and loss	474,582	412,465
Trust and/or other fiduciary activities		
Other fee income		

**Disclosed in the Statement of Financial Position**

	<b>2014</b>	<b>2013</b>
	<b>R'1</b>	<b>R'1</b>
Trade and other Receivables	2,704,147	2,161,210
Trade and other Receivables	12,069,912	2,620,815
Investment held as a collateral	4,738,950	4,383,533
VAT	11,444,219	4,673,109
Cash and cash equivalents	29,778,831	49,884,334



**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**33.2 Financial liabilities**

	<b>FVTP - Held for trading</b>	<b>Designated at FV through P/L</b>	<b>Loans and payables</b>	<b>Total</b>
<b>Jun-14</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>
Opening balance	3,275,502	16,980,218	6,943,411	27,199,132
Interest expense			114,870	114,870
Net other movements	9,191,660	2,145,636		11,337,296
<b>Closing balance</b>	<b>12,467,162</b>	<b>19,125,855</b>	<b>6,940,711</b>	<b>38,651,298</b>

Interest expense include:

Interest on financial liabilities that are not at fair value through surplus or deficit -

	<b>Held for trading</b>	<b>Designated at FV through P/L</b>	<b>Loans and payables</b>	<b>Total</b>
<b>Jun-13</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>	<b>R'1</b>
Opening balance	2,808,758	7,970,763	6,825,840	17,605,361
Interest expense		-	117,571	117,571
Net other movements	466,744	9,009,456	(1)	9,476,198
<b>Closing balance</b>	<b>3,275,502</b>	<b>16,980,218</b>	<b>6,943,411</b>	<b>27,199,131</b>

Interest expense includes:

Interest on financial assets that are not at fair value through surplus or deficit

	<b>2014 R'1</b>	<b>2013 R'1</b>
<b>Disclosed in the Statement of Financial Performance</b>		
Fee expenses	114,870	117,571
On financial assets/liabilities not at fair value through profit and loss		
Trust and/or other fiduciary activities		
Other fee expenses	114,870	117,571

**Disclosed in the Statement of Financial Performance**

Categories of financial liabilities

	<b>R'1</b>	<b>R'1</b>
Unspent conditional grants	12,467,162	3,275,502
Trade creditors & other payables	19,125,855	16,980,218
Loans and payables	6,943,411	6,825,840
Overdraft	-	-
	<b>38,536,428</b>	<b>27,081,560</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**33.3 Qualitative disclosure**

Key assumptions

***Credit risk***

Ingquza Hill Local Municipality has a very serious credit risk because of the debtors that are not paying for rates and taxes together with 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.

The maximum exposure risk is estimated at 98% for the consumer 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 overdrafts to finance its operations.

***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.

For maturity refer to note 2

*Foreign currency risk*

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

*Price risk*

Not applicable to the Municipality.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**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:**

<b>Name</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
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 loans 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**

PM Mancotywa	Chairperson	28,148
V Songela	Member	29,000
NB Kekana	Member	24,500
EBD Makhosi	Member	47,466
		<u><b>129.114</b></u>

INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

35 Actual versus budget (Revenue and expenditure)

Actual 2013	Description	Actual 2014	Approved Budget 2014	Variance	Management reasons
R'1	Revenue	R'1	R'1	R'1	
6,267,910	Taxes	6,081,938	8,000,000	(1,918,062)	Rates billed in the financial year
772,420	Fees, fines, penalties & licences	949,586	800,000	149,586	More
4,705,245	Revenue from exchange transactions	5,098,143	47,494,123	(42,395,980)	Lack of demand for services from consumers
164,667,186	Transfers from other governments	186,373,616	195,811,000	(9,437,384)	More
3,169,352	Other operating income	12,987,328	51,168,835	(38,181,507)	Lack of demand for services from consumers
<b>179,582,114</b>	<b>Total revenue</b>	<b>211,490,611</b>	<b>303,273,958</b>	<b>(91,783,347)</b>	
	<b>Expenses</b>				
(73,084,849)	Personnel	82,341,104	97,375,249	15,034,146	5%
(56,505,909)	General expenditure	82,070,206	57,258,158	(24,812,048)	More
-	Capital expenditure	67,416,045	119,218,650	51,802,605	Technical delays in the implementation of capital projects
-	Repairs and maintenance	20,610,944	29,401,900	8,790,956	More
(529,006)	Finance costs	479,903	20,000	(459,903)	Savings
<b>(130,119,764)</b>	<b>Total expenditure</b>	<b>252,918,202</b>	<b>303,273,958</b>	<b>50,355,756</b>	

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**36 RELATED PARTY LISTING**

<b>EMPLOYEE NAME</b>		<b>2014 R'1</b>	<b>2013 R'1</b>
JP MDINGI	MAYOR	698,694	665,421
D MJOKOVANA	SPEAKER	685,189	468,742
P DUTSHWA	CHIEF WHIP	499,583	320,444
BESI TT	EXECUTIVE COMMITTEE MEMBER	300,471	278,685
TENYANE M	EXECUTIVE COMMITTEE MEMBER	300,471	278,685
MJOJELI NE	EXECUTIVE COMMITTEE MEMBER	300,471	273,949
GOYA BB	EXECUTIVE COMMITTEE MEMBER	300,471	272,949
MAXHAYI M	EXECUTIVE COMMITTEE MEMBER	300,471	272,949
NGCINGWANA SL	EXECUTIVE COMMITTEE MEMBER	300,471	272,949
KANGO PS	EXECUTIVE COMMITTEE MEMBER	300,471	272,949
GAGAI NA	EXECUTIVE COMMITTEE MEMBER	281,407	426,227
NTSHOBO P	MPAC	266,055	260,931
MTSOTSO NF	MEMBERS INTEREST	281,831	260,931
JOTILE T	ORDINARY COUNCILLOR	224,216	211,797
NGXAMILE PN	ORDINARY COUNCILLOR	224,216	211,797
VATSHA SB	ORDINARY COUNCILLOR	243,280	278,685
MVULANE B	ORDINARY COUNCILLOR	243,280	278,685
GEXU N	ORDINARY COUNCILLOR	74,739	211,797
JIKI N	ORDINARY COUNCILLOR	224,216	211,797
NDAYI N	ORDINARY COUNCILLOR	181,250	211,797
JIBA Z	ORDINARY COUNCILLOR	224,216	206,061
SOMANI V	ORDINARY COUNCILLOR	224,216	206,061
QWESHA M	ORDINARY COUNCILLOR	224,216	206,061
MGWILI NH	ORDINARY COUNCILLOR	224,216	206,061
MNGQINELWA NCB	ORDINARY COUNCILLOR	224,216	206,061
NDZUMO T	ORDINARY COUNCILLOR	224,216	206,061
MPONGOMA SH	ORDINARY COUNCILLOR	224,216	206,061
CAPA YN	ORDINARY COUNCILLOR	224,216	206,061
THIMLE L	ORDINARY COUNCILLOR	224,216	206,061
NKAYITSHANA N	ORDINARY COUNCILLOR	224,216	206,061
MALULWANA SE	ORDINARY COUNCILLOR	224,216	206,061
TAMBODALA ZJM	ORDINARY COUNCILLOR	224,216	206,061
ZATHI N	ORDINARY COUNCILLOR	224,216	206,061
DANISO N	ORDINARY COUNCILLOR	224,216	206,061
THWATSHUKA D	ORDINARY COUNCILLOR	224,216	206,061
DALIWE NA	ORDINARY COUNCILLOR	224,216	206,061
NKUNGU MI	ORDINARY COUNCILLOR	224,216	206,061
SIKHOSANA MN	ORDINARY COUNCILLOR	224,216	206,061
GXABHU T	ORDINARY COUNCILLOR	224,216	206,061
MAGAYA FA	ORDINARY COUNCILLOR	224,216	206,061
RULENI S	ORDINARY COUNCILLOR	224,216	206,061
MKIZWANE AM	ORDINARY COUNCILLOR	224,216	206,061
JOYI B	ORDINARY COUNCILLOR	224,216	206,061
KHOTSHOLO B	ORDINARY COUNCILLOR		103,030
MAQUTYWA B	ORDINARY COUNCILLOR	149,477	206,061
KEWANA D	ORDINARY COUNCILLOR	224,216	206,061
MVIKO K	ORDINARY COUNCILLOR	224,216	206,061
GOGO M	ORDINARY COUNCILLOR	224,216	206,061
MTSHULANA M	ORDINARY COUNCILLOR	51,515	206,061
YAKO N	ORDINARY COUNCILLOR	212,966	206,061
MHLAKUVANA N	ORDINARY COUNCILLOR	224,216	206,061
NKANI N	ORDINARY COUNCILLOR	224,216	206,061
NONKUBA N	ORDINARY COUNCILLOR	224,216	206,061
GXUMISA-CINGO FJ	ORDINARY COUNCILLOR	224,216	206,061
CWECWE N	ORDINARY COUNCILLOR	224,216	206,061
NOTYESI N	ORDINARY COUNCILLOR	224,216	206,061
NKWAKHWA S	ORDINARY COUNCILLOR	224,216	206,061
SIGCAU NE	ORDINARY COUNCILLOR	224,216	206,061
SIBUNGE T	ORDINARY COUNCILLOR	224,216	206,061
DUMISA T	ORDINARY COUNCILLOR	224,216	206,061
GWEGWE V	ORDINARY COUNCILLOR	224,216	206,061
DINGI X	ORDINARY COUNCILLOR	224,216	206,061
MKUMLEA CM	ORDINARY COUNCILLOR	93,423	-
MHLANGA ZE	ORDINARY COUNCILLOR	168,162	-
MKABAYI VS	ORDINARY COUNCILLOR	43,042	-
CELE KD	ORDINARY COUNCILLOR	93,558	
TRADITIONAL LEADERS	TRADITIONAL LEADERS	144,000	113,000
		<b>15,707,607</b>	<b>14,606,696</b>

INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2014

37 SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL I	Loan Number	Redeemable	Balance at 01/07/2013	Paid during the year	Interest for the year	Balance at 30/06/2014
			R'1	R'1	R'1	R'1
	Loan - DBSA		6,943,411	(460,800)	343,229	6,825,840
			6,943,411	(460,800)	343,229	6,825,840

Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
R'1	R'1
6,694,939.69	-
6,694,939.69	-

**NB:** This is a financial liability

38 UNAUTHORISED EXPENDITURE

Actual expenditure in excess of approved budget votes

Opening balance  
 Non cash items  
 Condoned by council  
 Total deviations made in the current year

2014

-  
 644,934  
 -  
644,934

2013

-  
 -  
 -  
-

**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 2014

**39 LEASES**

**39.1 Finance lease liability**

<b>Jun-14</b>	<b>Minimum lease payment R'1</b>	<b>Future finance charges R'1</b>	<b>Present value of minimum lease payments R'1</b>
<b>Amounts payable under finance leases</b>			
Within one year	121,568	18,195	103,373
Within two to five years	71,489	5,638	65,851
	<u>193,057</u>	<u>23,833</u>	<u>169,224</u>
Less: Amount due for settlement within 12 months (current portion)			(103,373)
			<u>65,851</u>

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.

f

<b>Jun-13</b>	<b>Minimum lease payment R'1</b>	<b>Future finance charges R'1</b>	<b>Present value of minimum lease payments R'1</b>
<b>Amounts payable under finance leases</b>			
Within one year	208,728	43,667	165,061
Within two to five years	193,057	23,833	169,224
	<u>401,785</u>	<u>67,500</u>	<u>334,285</u>
Less: Amount due for settlement within 12 months (current portion)			(165,061)
			<u>169,224</u>

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 2014

**39 LEASES (CONTINUED)**  
**39.2 Operating lease**

<b>Jun-14</b>	<b>Minimum lease receipts</b>	<b>Future finance charges</b>	<b>Present value of minimum lease receipts</b>
<b>Amounts receivable under operating leases</b>	<b>224216.02</b>	<b>224216.02</b>	<b>224216.02</b>
Within one year	22,152	-	22,152
Within two to five years	85,428	-	85,428
	<u>107,580</u>	<u>-</u>	<u>107,580</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(22,152)</u>
			<u><b>85,428</b></u>

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

<b>Jun-13</b>	<b>Minimum lease receipts</b>	<b>Future finance charges</b>	<b>Present value of minimum lease receipts</b>
<b>Amounts receivable under operating leases</b>	<b>224216.02</b>	<b>224216.02</b>	<b>224216.02</b>
Within one year	309,083	-	309,083
Within two to five years	107,580	-	107,580
	<u>416,663</u>	<u>-</u>	<u>416,663</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(309,083)</u>
			<u><b>107,580</b></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 2014

**40 INTANGIBLE ASSETS**

**40.1 Reconciliation of carrying value**

	Computer Software R'1	Other R'1	Total R'1
<b>as at 1 July 2013</b>	<b>69,800</b>	-	<b>69,800</b>
Cost	87,250		87,250
Correction of error			
Accumulated amortisation and impairment losses	(17,450)		(17,450)
<b>as at 30 June 2014</b>	<b>34,900</b>	-	<b>34,900</b>
Opening balance	69,800	-	69,800
Accumulated amortisation and impairment losses	(34,900)		(34,900)

**40.2 Reconciliation of carrying value**

	Computer Software R	Other* R	Total R
<b>as at 1 July 2013</b>	<b>87,250</b>	-	<b>87,250</b>
Cost	87,250	-	87,250
Correction of error			
Change in accounting policy			
Accumulated amortisation and impairment losses			
Acquisitions	-	-	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss			
Transfers			
Other movements			
<b>as at 30 June 2014</b>	<b>87,250</b>	-	<b>87,250</b>
Cost	87,250	-	87,250
Accumulated amortisation and impairment losses	-	-	-

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2014

**41 OTHER PROVISION**

**PROVISION FOR LANDFILL SITE**

	2014 R'1	2013 R'1
Lusikisiki landfil site closure	<u>141,734</u>	<u>-</u>