

# ANNUAL FINANCIAL STATEMENTS

for

INGQUZA HILL LOCAL MUNICIPALITY

for the period ended 30 June: 2015

Province: Eastern Cape

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**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2015

**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 B Mvulani	Petitions Committee Chair
Councillor N Jiki	Women's Caucus 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 N E Mjojeli	Member of the Executive Committee
Councillor NA Gagai	Member of the Executive Committee
Councillor M G Maxhayi	Member of the Executive Committee
Councillor SB Vatsha	Member of the Executive Committee
Councillor TT Gxabhu	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 Incorporated  
Ximb Ncolo and Associates  
Somacala and Linyana Incorporated

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the period ended 30 June 2015

**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
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**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

\_\_\_\_\_  
Councillor J P Mdingi  
Mayor

\_\_\_\_\_  
Date

**INGQUZA HILL LOCAL MUNICIPALITY**



**ANNUAL FINANCIAL STATEMENTS**

**for the period ended**

**30 June 2015**

**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 59, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003(MFMA) and which I have signed on behalf of the Municipality.

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

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

\_\_\_\_\_  
Date

at (place of signing)

**INGQUZA HILL LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2015**

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**INGQUZA HILL LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 30 June 2015**

	Notes	2015 R	2014 R
<b>REVENUE</b>			
Property rates	13	16,101,007	6,081,938
Service charges - refuse	14	263,505	411,301
Rental of facilities		19,944	24,267
Interest earned - external investments		3,206,549	3,362,158
Interest earned - outstanding receivables		1,048,363	572,955
Fines		1,472,200	954,486
Lease rentals		231,099	727,462
Government grants and subsidies	15	239,116,593	186,373,616
Other income	16	11,511,946	12,987,328
<b>Total Revenue</b>		<b><u>272,971,206</u></b>	<b><u>211,495,511</u></b>
<b>EXPENDITURE</b>			
Employee related costs	18	75,923,949	66,633,497
Remuneration of Councillors	19/36	16,779,262	15,707,607
Repairs and maintenance	31	22,265,419	20,610,944
Impairment of debtors/(Reversal of impairment)	35	2,213,635	(1,648,614)
Interest paid	20	537,002	479,903
General expenses	23	72,731,049	59,098,745
Depreciation and amortisation	8/40	31,228,867	24,497,807
<b>Total Expenditure</b>		<b><u>221,679,184</u></b>	<b><u>185,379,889</u></b>
Gain on fair value adjustment	21	3,015,685	13,114,496
Loss on sale of assets	42	(933,052)	-
<b>SURPLUS FOR THE YEAR</b>		<b><u><u>53,374,655</u></u></b>	<b><u><u>39,230,118</u></u></b>

**INGQUZA HILL LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2015**

	Notes	2015 R	2014 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>930,038,899</b>	<b>869,091,392</b>
Accumulated surplus	1	930,038,899	869,091,392
<b>Non-current liabilities</b>		<b>11,181,070</b>	<b>10,094,765</b>
Long term loan - DBSA	2	6,825,840	6,825,840
Finance lease liability	39	486,871	65,851
Long service awards	2	3,868,359	3,203,074
<b>Current liabilities</b>		<b>26,843,500</b>	<b>31,145,187</b>
Provisions	3/41	4,685,543	3,819,706
Current portion of finance lease liability	39	310,452	103,373
Current portion of long service awards	9	1,154,179	774,522
Trade and other payables from exchange transactions	4	19,669,772	13,284,042
Unspent conditional grants and receipts	5	894,568	12,467,162
Trade and other payables from non exchange transactions	17	-	581,513
Sundry payables	4	128,986	114,870
<b>Total Net Assets and Liabilities</b>		<b>968,063,470</b>	<b>910,331,344</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>914,198,003</b>	<b>842,111,275</b>
Property, plant and equipment	8	449,681,369	377,943,975
Intangible assets	40	52,350	87,250
Investment property	10	459,341,100	459,341,100
Investment held as a collateral	6	5,123,184	4,738,950
<b>Current assets</b>		<b>53,865,467</b>	<b>68,220,069</b>
Consumer receivables from non-exchange transactions	11	4,830,283	2,704,147
Sundry receivables from exchange transactions	11	3,841,284	12,074,812
VAT receivable	12	12,628,146	10,074,119
Inventory	26	12,977,978	13,588,160
Cash and cash equivalents	7	19,587,775	29,778,831
<b>Total Assets</b>		<b>968,063,470</b>	<b>910,331,344</b>



**INGQUZA HILL LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
As at 30 June 2015

		Revaluation Surplus	Accumulated Surplus	Total: Net Assets
	Notes	R	R	R
<b>Balance at 30 June 2013</b>		-	816,937,571	816,937,571
Changes in accounting policy		-	5,600,000	5,600,000
Correction of prior period error		-	1,861,473	1,861,473
<b>Restated balance as at 30 June 2013</b>		-	<b>824,399,045</b>	<b>824,399,045</b>
Revaluation increase	8.2	(323,398)	-	(323,398)
Surplus for the period		-	39,230,118	39,230,118
<b>Balance at 30 June 2014</b>		<b>(323,398)</b>	<b>863,629,163</b>	<b>863,305,765</b>
Prior year adjustment	32		5,785,627	5,785,627
<b>Restated balance as at 30 June 2014</b>	1	<b>(323,398)</b>	<b>869,414,790</b>	<b>869,091,392</b>
Prior year adjustments	32	-	(141,642)	(141,642)
Revaluation increase	8.2	10,035,066		10,035,066
Current adjustments	32	-	(2,320,571)	(2,320,571)
Surplus for the period		-	53,374,655	53,374,655
<b>Balance as at 30 June 2015</b>	1	<b>9,711,668</b>	<b>920,327,231</b>	<b>930,038,899</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT**  
For the year ended 30 June 2015

	Note	2015 R	2014 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>280,150,442</b>	<b>194,391,118</b>
Property rates		16,101,007	6,081,938
Sales of goods and services		10,214,347	(14,413,922)
Grants		239,116,593	186,373,616
Interest received		3,206,549	3,362,158
Other receipts		11,511,946	12,987,328
Payments		<b>225,315,585</b>	<b>173,873,378</b>
Employee costs		92,703,211	82,341,104
Suppliers		129,861,737	92,700,986
Interest paid		537,002	479,903
Other payments/movements		2,213,635	(1,648,614)
<b>Net cash flows from operating activities</b>	29	<b>54,834,856</b>	<b>20,517,740</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	8.2	(71,737,392)	(47,470,705)
Proceeds from sale of PPE		(933,052)	-
Purchase of Intangible assets		34,900	(17,450)
Prior year adjustments		7,572,853	7,323,702
<b>Net cash flows from investing activities</b>		<b>(65,062,692)</b>	<b>(40,164,453)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease receipts/(payments)	39	421,020	(103,373)
Investment held as a collateral	6	(384,234)	(355,417)
<b>Net cash flows from financing activities</b>		<b>36,786</b>	<b>(458,789)</b>
<b>Net decrease in net cash and cash equivalents</b>		<b>(10,191,050)</b>	<b>(20,105,503)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>29,778,825</b>	<b>49,884,327</b>
<b>Net cash and cash equivalents at end of period</b>	7	<b>19,587,775</b>	<b>29,778,825</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
For the year ended 30 June 2015

Actual 2014 R	Description	Actual 2015 R	Approved Budget 2015 R	Adjustments R	Final Budget 2015 R	Variance R	Management comments
	<b>Revenue</b>						
6,081,938	Rates and taxes	16,101,007	12,000,000	-	12,000,000	134%	N/A
954,486	Fees, fines, penalties & licences	4,221,565	3,968,000	-	3,968,000	106%	N/A
							This revenue largely depends on the demand of a particular item from the consumers. This year the demand dropped due to the drop in the economy as a whole, influenced by shortages of electricity, shortages of water supply, etc.
14,263,395	Revenue from exchange transactions	11,776,403	46,502,649	(610,000)	47,112,649	25%	N/A
186,373,616	Transfers from other governments	239,116,593	211,670,000	(16,724,000)	228,394,000	105%	N/A
-	External loans	-	-	-	-	0%	N/A
							This revenue largely depends on the demand of a particular item from the consumers. This year the demand dropped due to the drop in the economy as a whole, influenced by shortages of electricity, shortages of water supply, etc.
61,936,573	Other operating income	1,755,637	23,659,875	2,334,000	21,325,875	8%	
<b>269,610,007</b>	<b>Total revenue</b>	<b>272,971,206</b>	<b>297,800,524</b>	<b>(15,000,000)</b>	<b>312,800,524</b>	<b>378%</b>	
	<b>Expenses</b>						
82,341,104	Personnel	90,521,967	103,974,005	(3,100,000)	107,074,005	85%	These are the Municipal savings due to some vacancies and some benefits that are not enjoyed by some employees, ie, medical aid
57,930,034	General expenditure	60,675,717	49,631,331	(8,545,969)	58,177,300	104%	N/A
							Capital expenditure to a value of R 96 046 701 has been capitalised as per the standard of GRAP on PPE to the additions under PPE, see note 8.2
67,416,046	Capital expenditure	14,805,969	119,975,900	5,421,168	114,554,732	13%	Some projects are still on-going, per the clusters in all the wards
20,610,944	Repairs and maintenance	22,265,419	24,205,950	(8,768,536)	32,974,486	68%	
19,102	Finance costs	76,145	20,000	-	20,000	381%	N/A
<b>228,317,230</b>	<b>Total expenditure</b>	<b>188,345,217</b>	<b>297,807,187</b>	<b>(14,993,338)</b>	<b>312,800,524</b>	<b>650%</b>	
<b>41,292,777</b>	<b>Surplus/(Deficit) for the year</b>	<b>84,625,989</b>	<b>-6,662</b>		<b>-</b>		

Surplus as per the statement of financial performance 53,374,655

Adjust for :	31,251,334
Depreciation	31,228,867
Gain of fair value adjustment	(3,015,685)
Loss on disposal of PPE	933,052
Finance costs	(76,145)
HR provisions	2,181,244

Surplus as per the statement of comparative budget and actual amounts **84,625,988**

**NB: Management comments are in respect of variances that are 10% and above. The adjustments are the movements within the approved budget and an additional funding of R 15 000 000.**

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**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 18	Segment reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 25	Employee benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible assets
GRAP 100	Discontinued operations
GRAP 103	Heritage assets
GRAP 104	Financial instruments
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

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 108	Statutory receivables
GRAP 109	Accounting by principals and agents

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

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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**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. All figures have been rounded off to the nearest one rand.

**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 2015**

**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.

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

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

Subsequent to initial recognition, land and buildings are carried at cost, being their fair value 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 2015**

**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 curis recognised

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.



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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2015**

**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, land held for sale 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) Investment held as a collateral
- c) Consumer receivables from non-exchange transactions
- d) Sundry receivables from exchange transactions
- e) Cash and cash equivalents

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2015**

**9. FINANCIAL INSTRUMENTS (continued)**

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

<b>Type of financial assets</b>	<b>Classification in terms of GRAP 104</b>
Short term investment deposits - call	Cash and cash equivalents
Cash and cash equivalents	Cash and cash equivalents
Long term receivables	Loans and receivables
Receivables from non exchange transactions	Loans and receivables
Sundry receivables from exchange transactions	Loans and receivables
Investment held as a collateral	Held to maturity

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

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

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.

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

**9.2 Financial liabilities- Classification and Measurement**

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

- a) Long term liabilities
- b) Trade and payables from exchange and non-exchange transactions
- c) Bank overdraft
- d) Short term loans
- e) Current portion of long term liabilities
- f) Finance lease liability

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

- (i) At fair value or
- (ii) Financial liabilities at amortised costs

**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2015**

**9. FINANCIAL INSTRUMENTS**

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

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

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

**9.3 Initial and Subsequent Measurement**

**9.3.1 Financial Assets**

Held-to-maturity investments and loans and receivables are initially measured at fair value plus 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 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 2015**

**9. FINANCIAL INSTRUMENTS (continued)**

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

With the exception of financial assets at cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Consumer and sundry receivables are stated at cost less a provision for impairment. The provision is made in accordance with GRAP 104 whereby the recoverability of consumer and sundry receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided because such accounts are regarded as receivable.

**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 2015**

**10. RISK MANAGEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

Risks and exposure are disclosed as follows:

**10.1 Credit Risk**

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

**10.2 Liquidity Risk**

- Liquidity risk is managed by ensuring that all financial assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a 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)**  
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**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)**  
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**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 2015**

**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.

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



**INGQUZA HILL LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
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**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.

**21.3 Long term employee benefits**

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

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

The amount recognised as a liability for long-term service awards is the net total of the following amounts:  
the present value of the defined obligation at the reporting date,  
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

current service cost,  
interest cost,  
the expected return on any plan assets and on any reimbursement right recognised as an asset,  
actuarial gains and losses, which is recognised immediately,  
past service cost, which is recognised immediately, and  
the effect of any curtailments or settlements.

**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 2015) and the date on which the audit of the financial statements is completed (30 November 2015) 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.

## 24 INTANGIBLE ASSETS

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

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

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

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

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the is recognised immediately, past service cost, which is recognised immediately, and the effect of any curtailments or settlements.R 200

### **Subsequent Measurement, Amortisation and Impairment**

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

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

Intangible asset useful lives:

- Software 3
- Website 5

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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
<b>1. ACCUMMULATED SURPLUS</b>			
Opening balance		869,091,392	816,937,571
Movements :		53,374,655	39,230,118
Council		(9,077,319)	(15,707,607)
Municipal Manager		(16,002,803)	(17,701,510)
Budget and Treasury Office		110,684,634	124,509,979
Administration		(30,564,808)	(26,429,914)
Community and Social Services		(27,899,328)	(19,009,498)
Infrastructure		36,052,077	(3,432,042)
Planning and Development		(9,817,797)	(2,999,290)
Prior year adjustments	32	(141,642)	7,647,100
Other retained income movements		(2,320,571)	(323,398)
Revaluation increase		10,035,066	5,600,000
Closing balance		<b>930,038,899</b>	<b>869,091,392</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
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	2015 R	2014 R
<b>2 LONG TERM LIABILITY</b>		
Loan - Development Bank of Southern Africa(DBSA)	6,825,840	6,825,840
Interest accrued - DBSA- included in sundry creditors (note 4)	<u>114,870</u>	<u>114,870</u>
Total amount owed to DBSA as at 30 June 2015	6,940,711	6,940,711
Long service awards (LSA)	<u>3,868,359</u>	<u>3,203,074</u>
	<b><u>10,809,070</u></b>	<b><u>10,143,785</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 PROVISIONS**

**3.1 Bonus provision**

Opening balance	1,387,829	1,229,270
Detailed movements	153,010	158,559
	<u>1,540,839</u>	<u>1,387,829</u>

This is a provision for service bonus payable to employees as at 30 June 2015. The uncertainty is the timing of the bonus payments.

**3.2 Performance bonus**

Opening balance	2,290,142	1,470,039
Detailed movements	712,784	820,104
	<u>3,002,926</u>	<u>2,290,142</u>

This is a provision for performance bonuses due to s57 managers as at 30 June 2015. The uncertainty is on the assessment by Evaluation Committee and approval by Council.

Total current provisions(Notes 3.1 + 3.2)	<b><u>4,543,765</u></b>	<b><u>3,677,971</u></b>
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>4 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Retentions with-held from contractors	9,390,040	4,346,504
Trade payables	1,324,984	3,022,445
Accrual for leave pay	6,548,214	5,564,923
Prepaid income	348,513	330,778
Other accruals	2,058,020	-
Payroll creditors	-	19,392
<b>Balance at the end of the year</b>	<b><u>19,669,772</u></b>	<b><u>13,284,042</u></b>
<b>Sundry payables</b>		
Interest on DBSA Loan (refer to note 2)	114,870	114,870
Petrol card	14,116	-
	<b><u>128,986</u></b>	<b><u>114,870</u></b>

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

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

**5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Department of Energy (DOE) - Electrification	-	11,387,417
Municipal Infrastructure Grant (MIG)	756,145	850,470
Local Economic Development (LED)	138,423	229,275
	<b><u>894,568</u></b>	<b><u>12,467,162</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. 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 2015

	2015 R	2014 R
<b>6 INVESTMENT HELD AS A COLATERAL</b>		
Investment held as a colateral - FNB: RMB	<u>5,123,184</u>	<u>4,738,950</u>
<b>NB:</b> this is a financial asset - (see Note 2)		
<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 at the beginning of the year	<u>659,683</u>	<u>2,075,495</u>
Bank statement balance at the end of the year	<u>1,134,499</u>	<u>659,683</u>
<b>7.2 Current and call accounts</b>		
FNB - 6224175712 - primary account	1,134,499	659,683
FNB - 62003235307 - call account	304,136	2,045,351
FNB - 62219877836 - call account	185,262	180,645
FNB - 74233699310 - call account	7,149,991	16,517,132
FNB - 62231474537 - call account	10,292,555	4,879,107
FNB - 62231473761 - call account	521,297	5,496,000
<b>Bank balances at the end of the year</b>	<u><b>19,587,740</b></u>	<u><b>29,777,919</b></u>
<b>Bank statement balance at the end of the year</b>	<b>19,587,740</b>	<b>29,777,919</b>
<b>7.3 Petty cash balance</b>	<u>35</u>	<u>913</u>
<b>Bank and cash balance(7.2 + 7.3)</b>	<u><u>19,587,775</u></u>	<u><u>29,778,831</u></u>
<b>Cash and cash equivalents</b>	<u><b>19,587,775</b></u>	<u><b>29,778,831</b></u>







INGQUZA HILL LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2015

8 PROPERTY, PLANT AND EQUIPMENT

At 30 June 2015

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	R	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2014</b>	<b>34,714,254</b>	<b>318,356,595</b>	<b>11,259,272</b>	<b>297,972</b>	<b>545,617</b>	<b>6,052,304</b>	<b>1,061,715</b>	<b>1,086,790</b>	<b>512,164</b>	<b>306,798,220</b>
Cost	34,964,554	407,206,166	11,796,162	496,068	1,500,523	7,492,220	7,237,132	2,338,282	1,134,771	474,165,879
Disposals	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation:	(250,300)	(88,849,571)	(536,889)	(198,096)	(954,906)	(1,439,916)	(6,175,418)	(1,251,491)	(622,608)	(167,367,659)
- Cost	(250,300)	(88,849,571)	(536,889)	(198,096)	(954,906)	(1,439,916)	(6,175,418)	(1,251,491)	(622,608)	(167,367,659)
- Correction of error	-	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-	-
Acquisitions	12,964,934	58,696,723	21,032,880	-	560,902	(0)	886,790	914,474	989,998	96,046,701
Revaluation	10,035,066	-	-	-	-	-	-	-	-	10,035,066
Capital asset disposed	(1,562,500)	-	-	(155,495)	(417,355)	(999,950)	(1,647,075)	(570,315)	(75,704)	(5,428,394)
Depreciation:	(316,540)	(26,967,434)	(849,245)	12,552	(37,524)	(455,417)	73,226	(115,558)	(260,039)	(28,915,979)
- based on cost	(441,540)	(26,967,434)	(849,245)	(86,535)	(245,175)	(704,706)	(1,041,750)	(537,643)	(319,940)	(31,193,967)
- based on disposals	125,000	-	-	99,087	207,651	249,289	1,114,975	422,085	59,901	2,277,988
Carrying value of disposals:	-	-	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-
<b>Other movements</b>										
<b>Carrying values at 30 June 2015</b>	<b>55,835,213</b>	<b>350,093,708</b>	<b>31,633,279</b>	<b>155,029</b>	<b>1,008,819</b>	<b>4,716,196</b>	<b>3,133,508</b>	<b>1,707,176</b>	<b>1,398,440</b>	<b>449,681,368</b>
Cost	47,929,488	465,902,889	32,829,041	496,068	2,061,425	7,492,220	8,123,922	3,252,755	2,124,770	570,212,579
Revaluation	10,035,066	-	-	-	-	-	-	-	-	10,035,066
Disposal	(1,562,500)	-	-	(155,495)	(417,355)	(999,950)	(1,647,075)	(570,315)	(75,704)	(5,428,394)
Accumulated depreciation:	(566,840)	(115,809,181)	(1,195,763)	(185,544)	(635,252)	(1,776,074)	(3,343,340)	(975,264)	(650,625)	(125,137,884)
- Current	(316,540)	(26,967,434)	(849,245)	12,552	(37,524)	(455,417)	73,226	(115,558)	(260,039)	(28,915,979)
- Opening	(250,300)	(88,841,747)	(346,518)	(198,096)	(597,728)	(1,320,657)	(3,416,565)	(859,706)	(390,587)	(96,221,904)

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



INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2015

8.2 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015

30 June 2015	Cost					Closing Balance	Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposal	Correction Balance	Revaluation		Opening Balance	Additions	Disposals	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>												
Land and buildings	34,964,554	12,964,934	1,562,500	-	10,035,066	56,402,054	250,300	441,540	-	125,000	566,840	55,835,213
	<b>34,964,554</b>	<b>12,964,934</b>	<b>1,562,500</b>	<b>-</b>	<b>10,035,066</b>	<b>56,402,054</b>	<b>250,300</b>	<b>441,540</b>	<b>-</b>		<b>566,840</b>	<b>55,835,213</b>
<b>Infrastructure</b>												
Infrastructure - Work in Prog	81,075,352	13,422,915	-	-	-	94,498,267	-	-	-	-	-	94,498,267
Access Roads	326,130,814	45,273,808	-	-	-	371,404,622	88,841,747	26,967,434	-	-	115,809,181	255,595,441
	<b>407,206,166</b>	<b>58,696,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>465,902,889</b>	<b>88,841,747</b>	<b>26,967,434</b>	<b>-</b>		<b>115,809,181</b>	<b>350,093,708</b>
<b>Community assets</b>												
Graveyard	62,049	-	-	-	-	62,049	33,139	7,974	-	-	41,113	20,936
Sport field	-	4,138,472	-	-	-	4,138,472	-	75,966	-	-	75,966	4,062,506
Community Halls	11,734,113	16,894,408	-	-	-	28,628,520	313,379	765,305	-	-	1,078,684	27,549,836
	<b>11,796,162</b>	<b>21,032,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,829,041</b>	<b>346,518</b>	<b>849,245</b>	<b>-</b>		<b>1,195,763</b>	<b>31,633,279</b>
<b>Leased assets</b>												
Pinting Machine	496,068	-	155,495	-	-	340,573	198,096	86,535	-	99,087	185,544	155,029
<b>Other assets</b>												
Landfill site	401,107	-	-	-	-	401,107	216,256	48,958	-	-	265,214	135,893
Fire arms	27,953	-0	2,721	-	-	25,231	3,475	2,727	-	542	5,660	19,571
Furniture and fittings	1,500,523	560,902	417,355	-	-	1,644,070	597,728	245,175	-	207,651	635,252	1,008,819
Plant and equipment	7,492,220	-0	999,950	-	-	6,492,270	1,320,657	704,706	-	249,289	1,776,074	4,716,196
Motor vehicles	7,237,132	886,790	1,647,075	-	-	6,476,847	3,416,565	1,041,750	-	1,114,975	3,343,340	3,133,508
Mobile office	453,000	-	-	-	-	453,000	62,203	30,200	-	-	92,402	360,598
Tools, arms & mobile office	252,712	989,999	72,983	-	-	1,169,728	108,653	238,055	-	59,359	287,349	882,379
Computer equipment	2,338,282	914,474	570,315	-	-	2,682,440	859,706	537,643	-	422,085	975,264	1,707,176
	<b>19,702,929</b>	<b>3,352,164</b>	<b>3,710,399</b>	<b>-</b>	<b>-</b>	<b>19,344,694</b>	<b>6,585,243</b>	<b>2,849,213</b>	<b>-</b>	<b>2,053,901</b>	<b>7,380,555</b>	<b>11,964,139</b>
	<b>474,165,879</b>	<b>96,046,701</b>	<b>5,428,394</b>	<b>-</b>	<b>10,035,066</b>	<b>574,819,251</b>	<b>96,221,904</b>	<b>31,193,967</b>	<b>-</b>	<b>2,152,988</b>	<b>125,137,884</b>	<b>449,681,369</b>

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

30 June 2014												Carrying Value
		Cost	Revaluation				Accumulated Depreciation					
	Opening Balance	Additions /		Transfer / Completed		Closing Balance	Opening Balance	Additions	Disposals	Correction	Closing Balance	
R	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>												
Investment property	-	-		-	-	-	-	-	-		-	-
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>-</b>	<b>-</b>	<b>34,964,554</b>	<b>187,800</b>	<b>62,500</b>	<b>-</b>		<b>250,300</b>	<b>34,714,254</b>
<b>Infrastructure</b>												
Street Lights						-	-	-	-		-	-
Infrastructure - Work in Prog	55,441,885	25,606,736		26,732	-	81,075,352	-	-	-		-	81,075,352
Access Roads	294,853,489	31,277,325		-	-	326,130,814	67,088,463	21,761,108	-	(7,824)	88,841,747	237,289,067
	<b>350,295,374</b>	<b>56,884,061</b>		<b>26,732</b>	<b>-</b>	<b>407,206,166</b>	<b>67,088,463</b>	<b>21,761,108</b>	<b>-</b>	<b>(7,824)</b>	<b>88,841,747</b>	<b>318,364,419</b>
<b>Community assets</b>												
Graveyard	62,049	-				62,049	30,386	2,753	-		33,139	28,910
Recreation grounds						-	-	-	-		-	-
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>-</b>		<b>346,518</b>	<b>11,449,644</b>
<b>Leased assets</b>												
Printing machine	496,499	-		-431	-	496,068	45,448	-	-	152,648	198,096	297,972
<b>Other assets</b>												
Landfill site	401,107					401,107	171,429	48,249	-	-3,422	216,256	184,851
Fire arms	93,790	-		-65,837		27,953	-3,943	5,130	-	2,288	3,475	24,478
Furniture and fittings	1,280,795	27,651		192,078		1,500,523	357,178	256,342	-	(15,792)	597,728	902,795
Plant and equipment	7,492,220	-		-		7,492,220	119,259	678,021	-	523,376	1,320,657	6,171,563
Motor vehicles	4,203,981	3,033,151		-		7,237,132	2,758,852	1,017,049	-	(359,336)	3,416,565	3,820,567
Mobile office	453,500	-		(500)		453,000	32,019	30,183			62,203	390,797
Tools and equipment	142,850	15,207		94,655		252,712	48,639	40,469	-	19,546	108,653	144,058
Computer equipment	1,264,692	842,524		231,066		2,338,282	391,785	442,510	-	25,411	859,706	1,478,575
	<b>15,332,935</b>	<b>3,918,532</b>		<b>451,461</b>	<b>-</b>	<b>19,702,929</b>	<b>3,875,219</b>	<b>2,517,953</b>	<b>-</b>	<b>192,071</b>	<b>6,585,243</b>	<b>13,117,685</b>
	<b>400,610,022</b>	<b>67,416,046</b>	<b>5,600,000</b>	<b>477,762</b>	<b>-</b>	<b>474,165,879</b>	<b>71,387,303</b>	<b>24,497,706</b>	<b>-</b>	<b>336,895</b>	<b>96,221,904</b>	<b>377,943,975</b>

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For the year ended 30 June 2015

**9 LONG SERVICE AWARDS**

**9.1 Current portion of long service award**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Short term portion	<u><b>1,154,179</b></u>	<u><b>774,522</b></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.

**Assumptions used**

**9.2 Reconciliation of long service award**

**Reconciliation of Long Service Awards**

Opening balance	3,977,596	3,592,905
Total annual expense	774,522	443,840
Actuarial loss/(gain)	270,420	(59,149)
Unfunded liability	<u><b>5,022,538</b></u>	<u><b>3,977,596</b></u>

**9.3 Assumptions used at the reporting date**

Discount rates used	0.84%	0.80%
Number of eligible employees	241	234
Expected remaining working lifetime	22.1 years	22.1 years
Average retirement age	65	65
Salary weighted annual average	7.4	6.9
General salary inflation	7.08	7.26

NB: Qualifications and methodology attached in the file. This valuation is effective from the 01 July 2015 and the next valuation will be done on 30 June 2016.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

<b>10.1 Reconciliation of fair value</b>	<b>Investment property R</b>	<b>Total R</b>
<b>as at 01 July 2014</b>	<b>459,341,100</b>	<b>459,341,100</b>
Transferred to PPE	(245,636)	(245,636)
Transferred to inventory	(2,770,049)	(2,770,049)
Gain on fair value adjustment	3,015,685	3,015,685
<b>as at 30 June 2015</b>	<b><u>459,341,100</u></b>	<b><u>459,341,100</u></b>
<b>2014</b>		
<b>as at 01 July 2013</b>	<b>446,226,604</b>	<b>446,226,604</b>
Gain on fair value adjustment	13,114,496	13,114,496
<b>as at 30 June 2014</b>	<b><u>459,341,100</u></b>	<b><u>459,341,100</u></b>
<b>10.2 Investment property pledged as security</b>	-	-
None		
<b>10.3 Details of investment property</b>	<b>2015 R</b>	<b>2014 R</b>
Land held for an undetermined use	443,500,000	443,500,000
Land under operating lease	15,841,100	15,841,100
	<b><u>459,341,100</u></b>	<b><u>459,341,100</u></b>

**10.4 Details of valuation**

The effective date of the fair value adjustment was 1 July 2015. Revaluations were performed by an independent valuer, Mr Clyde, of 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.

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

	<b>2015 R</b>	<b>2014 R</b>
Fair value adjustments	<u>3,015,685</u>	<u>13,114,496</u>

NB: These are the fair value adjustment figures as determined by the Municipal valuer. These valuations were done on 30 June 2015

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**11 RECEIVABLES**

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

	<u>Gross balance</u> R	<u>Provision for bad debts</u> R	<u>Net balances</u> R
<b>As at 30 June 2015</b>			
Business	20,413,390	(20,005,124)	408,267
Domestic	14,847,855	(14,550,897)	296,957
Government	8,384,547	-	8,384,547
Debtor's credit balances	(272,493)		(272,493)
	<u><b>43,373,299</b></u>	<u><b>(34,556,021)</b></u>	<u><b>8,817,278</b></u>

		<b>Refuse</b>	<b>Rates</b>
<b>Discounting effect</b>			
Consumer receivables	43,373,299	representin	representin
Finance income	(749,262)		
Unearned finance charges	(3,433,133)		
Provision for bad debts	(33,806,759)	g	g
<b>Receivables at fair value</b>	<u><b>5,384,145</b></u>	<b>553,861</b>	<b>4,830,283</b>

**As at 30 June 2014**

Receivables	39,442,327	(33,005,946)	6,436,381
	<b>39,442,327</b>	<b>(33,005,946)</b>	<u>6,436,381</u>
Un-earned interest 2014			(3,732,234)
<b>Adjusted balance</b>			<u><b>2,704,147</b></u>

	<b>2015</b> R	<b>2014</b> R
<b><u>Refuse and Rates: Ageing</u></b>		
0 - 30 days (current)	17,898	40,177
31 - 60 days	65,551	149,625
61 - 90 days	90,333	66,777
91 -120 days	359,583	94,544
121 - 150days	72,214	98,419
151 - 180 days	77,768	88,135
181 - 210 days	79,163	89,947
211 - 240 days	73,220	87,587
241 - 270 days	70,361	71,614
271 - 300 days	71,660	88,333
301 - 330 days	72,688	82,452
331 - 360 days	8,688,255	5,342,945
+361 days	33,634,604	33,148,183
<b>Total</b>	<u><b>43,373,299</b></u>	<u><b>39,448,738</b></u>

**Summary of Receivables by Customer Classification**

In terms of the financial instruments classification (Note 33), management has classified consumer and sundry receivables as financial assets at amortised cost for the purposes of assessing credit risk (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 Sundry receivables from exchange transactions**

Refuse	553,861	553,861
Sundry receivables from exchange transactions	3,287,423	921,535
Payments received in advance	0	10,599,415
	<u><b>3,841,284</b></u>	<u><b>12,074,812</b></u>

**12 Value Added Tax**

<u><b>12,628,146</b></u>	<u><b>10,074,119</b></u>
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**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

	Note	2015 R	2014 R
<b>13 PROPERTY RATES</b>			
<b><u>Actual</u></b>			
Rates		16,101,007	6,081,938
Finance charges		713,767	430,677
<b>Total assessment rates</b>		<b><u>16,814,774</u></b>	<b><u>6,512,615</u></b>
<b><u>Property valuations</u></b>			
Rates		1,815,615,804	1,083,960,448
<b>Total property valuations</b>		<b><u>1,815,615,804</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 2013. 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		263,505	411,301
Finance charges		35,494	43,678
		<b><u>299,000</u></b>	<b><u>454,979</u></b>
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>			
<b>National Transfers</b>			
Equitable share	15.1	152,692,000	126,581,000
INEP	15.2	16,387,417	10,033,137
MSIG	15.3	934,000	890,000
Municipal Finance Management Grant	15.4	1,600,000	1,550,000
MIG	15.5	65,688,324	45,595,479
EPWP GRANT	15.8	1,000,000	1,000,000
<b>Provincial Transfers</b>			
Library services	15.6	724,000	724,000
LED grant	15.7	90,852	-
<b>Total government grants and subsidies</b>		<b><u>239,116,593</u></b>	<b><u>186,373,616</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 850 000.



**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

	2015 R	2014 R
<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>152,692,000</u>	<u>126,581,000</u>
<b>15.2 INEP</b>		
Balance unspent at the beginning of the year	11,387,417	1,420,554
Current year receipts	5,000,000	20,000,000
Conditions met - transferred to revenue	(16,387,417)	(10,033,137)
<b>Conditions not met - transferred to liability</b>	<u>-</u>	<u>11,387,417</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</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
<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	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
<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</b>		
Balance unspent at the beginning of the year	850,470	1,854,948
Current year receipts	65,594,000	44,591,000
Conditions met - transferred to revenue	(65,688,324)	(45,595,479)
<b>Conditions not met - transferred to liability</b>	<u>756,145</u>	<u>850,470</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	(724,000)	(724,000)
<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	229,275	-
Current year receipts	-	229,275
Conditions met - transferred to revenue	(90,852)	-
<b>Conditions not met - transferred to liability</b>	<u>138,423</u>	<u>229,275</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	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,398,739)
<b>Conditions met - transferred to revenue</b>	<u>-</u>	<u>-</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 2015

<b>16 OTHER INCOME</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Advertising fees rental	234,181	235,065
Commission	44,113	-
Funeral fees	24,488	14,198
Insurance fund	-	92,842
LG SETA	185,379	48,600
National heritage	-	106,500
Natis agency fees	2,749,365	2,418,712
Plan fees	301,991	245,568
Plant hire	4,561,200	9,281,295
Pound fees	15,277	92,838
Rezoning and sub-division	1,779	8,290
Sale of sites	3,074,724	-
Sundry income	140,570	9,794
Tender document	178,877	223,625
Vuna award	-	210,000
	<b>11,511,946</b>	<b>12,987,328</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

	2015 R	2014 R
<b>17 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS</b>		
Workmen's Compensation Fund	-	581,513
	<u>-</u>	<u>581,513</u>
<b>18 EMPLOYEE RELATED COSTS</b>		
Salaries and wages	50,813,634	44,909,677
Contributions for UIF, provident, medical aid, etc	12,452,941	10,775,396
Travel, motor car, accommodation, subsistence	5,559,454	4,771,441
Overtime payments	3,367,674	3,051,523
Housing benefits and allowances	1,549,001	1,345,317
Provisions	2,181,244	1,780,143
<b>Total employee related costs</b>	<u><b>75,923,949</b></u>	<u><b>66,633,497</b></u>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	988,986	926,103
Car allowance	178,732	167,368
Contribution to UIF and other payments	269,808	22,316
	<u><b>1,437,526</b></u>	<u><b>1,115,787</b></u>
<b>Remuneration of the Chief Finance Officer</b>		
Annual remuneration	860,894	806,156
Car allowance	141,794	132,779
Contribution to UIF and other payments	126,115	45,104
	<u><b>1,128,804</b></u>	<u><b>984,039</b></u>
<b>Remuneration of the Corporate Services Director</b>		
Annual remuneration	840,638	787,188
Car allowance	172,179	161,231
Contribution to UIF and other payments	146,625	-
	<u><b>1,159,442</b></u>	<u><b>948,419</b></u>
<b>Remuneration of the Technical Services Director</b>		
Annual remuneration	759,611	711,313
Car allowance	182,307	170,715
Contribution to UIF and other payments	160,117	66,389
	<u><b>1,102,035</b></u>	<u><b>948,417</b></u>
<b>Remuneration of the Community Services Director</b>		
Annual remuneration	785,322	796,672
Car allowance	139,262	142,263
Contribution to UIF and other payments	9,284	9,484
	<u><b>933,869</b></u>	<u><b>948,419</b></u>
<b>Remuneration of the Strategic Planning Director</b>		
Annual remuneration	780,135	730,459
Car allowance	151,923	142,263
Contribution to UIF and other payments	196,747	75,703
	<u><b>1,128,804</b></u>	<u><b>948,425</b></u>

INGQUZA HILL LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2015

	Note	2015 R	2014 R
<b>19 REMUNERATION OF COUNCILLORS</b>			
<b>Mayor</b>			
Annual remuneration		546,497	513,658
Allowances, contribution to UIF and related items		192,866	185,036
		<b>739,363</b>	<b>698,694</b>
<b>Speaker</b>			
Annual remuneration		437,197	533,102
Allowances, contribution to UIF and related items		158,467	152,087
		<b>595,664</b>	<b>685,189</b>
<b>Chief Whip</b>			
Annual remuneration		409,873	367,509
Allowances, contribution to UIF and related items		149,867	132,074
		<b>559,740</b>	<b>499,583</b>
<b>Exco members</b>			
Annual remuneration		2,084,280	1,850,323
Allowances, contribution to UIF and related items		858,651	715,632
		<b>2,942,931</b>	<b>2,565,955</b>
<b>Other Councillors</b>			
Annual remuneration		8,741,749	8,022,507
Allowances, contribution to UIF and related items		3,077,815	3,091,680
		<b>11,819,564</b>	<b>11,114,186</b>
<b>Traditional leaders</b>		<b>122,000</b>	<b>144,000</b>
<b>Total remuneration for councillors</b>	36	<b>16,779,262</b>	<b>15,707,607</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	37	460,856.84	460,800
Finance lease	39	76,144.75	19,102
<b>Total interest on external borrowings</b>		<b>537,002</b>	<b>479,903</b>
<b>21 REVALUATION AND FAIR VALUE SURPLUS</b>			
Fair value adjustment on investment	10.1	3,015,685	13,114,496
Revaluation on land	8.2	1,562,500	5,600,000
		<b>4,578,185</b>	<b>18,714,496</b>
<b>22 COUNCILLORS WITH ACCOUNTS IN ARREARS</b>			
1. C N Yako		172,432	142,071
2. K Mviko		62,469	60,969
<b>TOTAL</b>		<b>234,901</b>	<b>203,040</b>

**NB:** These are the Councillors with accounts in arrears for more than 90 days.

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

23 GENERAL EXPENDITURE	2015 R	2014 R
Accounting and audit fees	6,860,516	4,278,634
Advertising fees	279,905	358,064
Allowance ward admin	2,939,970	2,880,621
Arts and culture	44,000	55,216
Auction expense	24,662	-
Audit committee costs	208,965	202,998
Bank charges	87,116	148,125
Beach management	-	118,050
Buildings	3,296,590	-
Catering- meetings	148,126	203,969
Cleaning and greening	19,074	107,208
Cleaning material	95,519	53,225
Communication strategy	277,676	235,620
Community halls	2,936,835	226,051
Computer hardware	343,781	776,658
Consultation & professional fees	150,878	1,068,550
Council functions	3,030,789	1,976,020
Crime prevention	122,969	129,180
Data lines	22,879	24,046
Disaster management	19,300	10,819
EAP	87,158	225,301
Early childhood development	69,636	-
Electricity and water purchase	214,416	475,336
Electricity infrastructure	-	-
Equitable share	468,144	436,600
Expanded Public Works Programme	1,735,240	2,381,814
Experiential trainees	214,000	110,000
Finance management grant expenditure	1,883,720	922,687
Flagstaff paving	95,744	1
Furniture	169,907	10,636
Health services	18,750	30,598
Hire of toilets	-	6,650
HIV & Aids	85,820	54,950
Hotel accomodation	1,084,447	742,443
IDP development	624,691	941,936
Insurance: external	905,947	679,371
Inter-governmental relations	17,485	10,402
Internal audit	53,453	672,630
Labour relations	3,558	-
Landfill sites	-	141,734
Legal fees	871,179	1,870,895
Library services	140,317	68,705
Licence fees	93,264	73,822
Local economic development	7,094,374	7,075,230
Mobile office	4,332	-
Motor vehicles	6,320	-
Munsoft and payday	832,364	796,416
Parks, pound and cemeteries	50,500	1,895
Plant unit	14,184,887	9,228,229
Postage	1,427	5,121
Printing and stationery	3,800,278	209,613
Property valuation	788,057	764,352
Protective clothing	190,045	98,444
Public participation	64,969	125,540
Re-allocation costs	2,410	13,660
Refuse bags	602,384	630,428
Registering authority	383,788	167,277
Rent- office equipment	161,167	156,710
Road construction	-569,923	242,551
Special programmes	1,523,507	2,142,533
Sport and recreation	64,218	60,726
Sport fields	1,428,010	-
Street lights	-	1,370,100
Subsistence and travelling	1,155,240	1,491,508
Sundry expense	1,957	-
Support to traditional leaders	48,553	49,090
Survey and planning	635,311	1,409,934
Team buiding	289,389	149,204
Telephone	3,242,953	3,031,078
Tourism	888,562	474,718
Towing services	27,745	19,467
Traffic law enforcement	132,586	160,078
Training	769,371	985,530
Training- accomodation	668,641	654,914
Training-councillors	-	387,726
Vehicle hire	1,043,938	1,330,912
Vehicle- fuel & oil	3,151,897	2,907,997
Vehicle testing centre	0	31,320
Vodacom	272,283	128,169
Whippery expense	43,087	88,712
	<b>72,731,049</b>	<b>59,098,745</b>

**INGQUZA HILL LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 June 2015**

	<b>2015 R</b>	<b>2014 R</b>
<b>24 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	19,587,775	29,778,831
Petrol card	(14,116)	-
<b>Total cash and cash equivalents</b>	<u><u>19,573,659</u></u>	<u><u>29,778,831</u></u>

**NB:** The Municipality did not have any overdraft or any accounts that were overdrawn as at 30 June 2015. Only the petrol card and is disclosed under payables in note 4.

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

**25.1 Irregular expenditure**

Reconciliation of irregular expenditure:

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

<b>Incident</b>	<b>Disciplinary steps / criminal proceedings</b>

**NB:** There are no identified instances and or transactions that fall within the definition of irregular expenditure. The management is reviewing all the transactions and SCM activities and report to all the oversight structures of the Municipality through the monthly reports.

Previous years instances are no longer reported in this paragraph

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2015**

	2015 R	2014 R
<b>25 FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>25.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

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

**26 INVENTORY**

Opening balance	13,588,160	13,251,805
Increase in stationery	124,955	336,355
Land held for sale	(239,372)	-
Closing balance	<u>12,977,978</u>	<u>13,588,160</u>
Land re-classified as inventory	2,770,049	-
Land sold during the year - expensed	(3,505,186)	-
Transferred from inventory	<u>(735,137)</u>	<u>-</u>
Opening balance - stationery	245,855	351,725
Purchases during the year	249,910	
Consumed during the year	(370,810)	(105,870)
Transferred to inventory	<u>124,955</u>	<u>245,855</u>

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

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
<b>27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>27.1 Audit fees</b>			
Current year audit fee		3,883,598	2,414,195
Amount paid - current year		(3,883,598)	(2,083,248)
<b>Balance unpaid (included in payables)</b>		<u><u>-</u></u>	<u><u>330,947</u></u>
<b>27.2 PAYE, UIF &amp; SDL</b>			
Current year taxes		14,699,892	12,879,429
Amount paid - current year		(14,699,892)	(12,879,429)
<b>Balance unpaid (included in payables)</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>27.3 Medical aid</b>			
Current year taxes		5,502,454	4,769,529
Amount paid - current year		(5,502,454)	(4,769,529)
<b>Balance unpaid (included in payables)</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>27.4 Provident and pension funds</b>			
Current year taxes		8,208,988	7,275,260
Amount paid - current year		(8,208,988)	(7,275,260)
<b>Balance unpaid (included in payables)</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>28 CONTINGENT LIABILITIES</b>			
	<b><u>Sub Note</u></b>	<b><u>Amount</u></b>	<b><u>Amount</u></b>
		<b><u>claimed</u></b>	<b><u>claimed</u></b>
Litigations that are still pending	(a)	2,463,793	2,387,332
Landfill site	(b)	121,404	121,404
ELB Equipment	(c)	-	41,343
All cases against the Municipality	(d)	4,411,599	1,089,195
		<u><u>6,996,796</u></u>	<u><u>3,639,274</u></u>
<p>(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.</p> <p>(b) This is a provision for the closing of the current dumping sites</p> <p>(c) This matter was resolved.</p> <p>(d) Cases against the municipality, these are the people that are claiming the Municipality for issues relating to land invasion</p>			



**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

	2015 R	2014 R
<b>29 CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	53,374,655	39,102,950
Adjustment for:	-	-
-Depreciation	31,228,867	24,497,807
-Impairments	2,213,635	(1,648,614)
-Prior year adjustment	(3,206,549)	(3,362,158)
-Interest paid	537,002	479,903
<b>Operating surplus before working capital changes:</b>	<b>84,147,610</b>	<b>59,069,888</b>
Inventories	610,182	(336,355)
Trade receivables from exchange transactions	(2,126,136)	(542,937)
Trade receivables from non-exchange transactions	8,233,527	(9,449,097)
Trade payables	7,270,907	2,383,110
Long service awards	665,285	54,009
VAT receivables	(2,554,027)	(6,771,110)
Unspent conditional grants and receipts	(11,572,593)	9,191,660
<b>Cash generated by operations</b>	<b>84,674,754</b>	<b>53,599,168</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.

1. Liquidity - in terms of section 214 of the Constitution of Republic of South Africa (Act 108) of 1996 the parliament is instructed to provide for an Act (Division of Revenue Act) that will enable the National Government to raise and collect revenue from all sources and distribute it equitable to both Provincial and Local Government (Municipalities). Allocation for 2015/16 is R 200 197 000 m and R 201 455 000m for 2016/17
2. Debtors collection - to fully comply with the credit control and debt collection policy the Municipality procured the services of the skilled debt collector to collect the outstanding debts from business and residents, The Municipality is embarking on a revenue enhancement programme.
3. Statutory payments - The Municipality has settled all the major debts that were long outstanding including AGSA and SARS. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing 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 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 and through other sources, this event occurred: vehicle HJH343EC was written off by the insurance after it was involved in an accident - this is a non adjusting event.

**31 REPAIRS AND MAINTENANCE**

	2015 R	2014 R
Repairs and maintenance	22,265,419	20,610,944

NB: repairs and maintenance programme was intensified this year since the previous year because of the heavy rains experienced in the past two years and roads were damaged by rainy season last year

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

					2015
<b>32 CORRECTION OF PRIOR PERIOD ERROR</b>					<b>R</b>
<b>32.1 Prior year adjustments</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>	Reduction of payables	a)	2013/14	8,695,949 <u>(4,349,444)</u> 4,346,504
	<b>Computer equipment</b>	Increase in assets	b)	2013/14	1,707,176 <u>2,298</u> 1,709,474
	<b>WIP</b>	Reduction of WIP	c)	2013/14	81,048,620 <u>26,732</u> 81,075,352
	<b>Cost other and leased asse</b>	Reduction of PPE	d)	2013/14	20,198,997 <u>451,530</u> 20,650,527
	<b>Accummulated depreciatio</b>	Increase in acc deprn	e)	2013/14	96,221,904 <u>0</u> 96,221,904
	<b>LED accruals</b>	Reduction of payables	f)	2013/14	1,257,191 <u>(1,257,191)</u> -
	<b>Trade payables</b>	Reduction of payables	g)	2013/14	3,257,623 <u>(266,498)</u> 2,991,125
	<b>VAT Receivable</b>	Reduction of receivables	h)	2013/14	11,444,219 <u>(1,370,100)</u> 10,074,119
	<b>Consumer debtors</b>	Reduction of receivables	i)	2013/14	2,704,147 <u>6,410</u> <u>(6,410)</u> 2,704,147
	<b>Sundry debtors</b>	Increase of receivables	j)	2013/14	916,635 <u>4,900</u> 921,535

**32.2 Effect of change**

- a) These are the retentions that were raised in the previous years and reversed in the current year
- b) This item was paid in the previous year and delivered in the current year
- c) These were not supposed to have been raised in the previous year
- d) Correction of a mistatement from other assets and leased assets
- e) Correction of a mistatement from the accumulated depreciation from previous years
- f) These are the accruals that were incorrectly raised in the previous years and reversed in the current year
- g) These are the creditors that were raised in the previous years and reversed in the current year
- h) VAT raised incorrectly in the previous financial years and reversed in this financial year
- i) Reversal of the journal that was incorrectly processed in the previous financial year and identified in this year
- i) Fines that were not raised in the previous financial year, identified in this year

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**33 FINANCIAL INSTRUMENTS**

**33.1 Financial assets**

	Consumer receivables	Sundry receivables	Investment held as colateral	cash and cash equivalents	Total
30 June 2015	R	R	R	R	R
Opening balance	2,704,147	12,074,812	4,738,950	29,778,831	49,296,740
Net gains or losses recognised directly in net assets					-
Interest income			384,234		384,234
Impairments					-
Net other movements	2,126,136	(8,233,527)	-	(10,191,057)	(16,298,448)
<b>Closing balance</b>	<b>4,830,283</b>	<b>3,841,284</b>	<b>5,123,184</b>	<b>19,587,775</b>	<b>33,382,526</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

-

	Consumer receivables	Sundry receivables	Investment held as colateral	cash and cash equivalents	Total
30 June 2014	R	R	R	R	R
Opening balance	2,161,210	2,620,815	4,383,533	49,884,334	59,049,892
Movements Details	542,937	9,453,997			9,996,934
Interest income	-		355,417		355,417
Impairments					-
Net other movements	-	-		(20,105,503)	(20,105,503)
<b>Closing balance</b>	<b>2,704,147</b>	<b>12,074,812</b>	<b>4,738,950</b>	<b>29,778,831</b>	<b>49,296,740</b>

Interest income include:

Interest on financial assets that are carried at amortised cost  
Subsequent interest on impaired financial assets

-

**Disclosed in the Statement of Financial Performance**

	2015 R	2014 R
Fee income	749,262	386,999
On financial assets/liabilities carried at amortised cost	749,262	386,999
Trust and/or other fiduciary activities		
Other fee income		

**Disclosed in the Statement of Financial Position**

	2015 R	2014 R
Trade and other Receivables	4,830,283	2,704,147
Trade and other Receivables	3,841,284	12,074,812
Investment held as a colateral	5,123,184	4,738,950
VAT	12,628,146	10,074,119
Cash and cash equivalents	19,587,775	29,778,831

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**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>30 June 2015</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Opening balance	12,467,162	13,284,042	6,940,710	32,691,913
Interest expense			114,870	114,870
Net other movements	(11,572,593)	6,385,730		(5,186,864)
<b>Closing balance</b>	<b>894,568</b>	<b>19,669,772</b>	<b>6,940,711</b>	<b>27,619,920</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>30 June 2014</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Opening balance	3,275,502	16,980,218	6,943,411	27,199,131
Interest expense		-	114,870	114,870
Net other movements	9,191,660	(3,696,176)	(1)	5,495,482
<b>Closing balance</b>	<b>12,467,162</b>	<b>13,284,042</b>	<b>6,940,710</b>	<b>32,809,483</b>

Interest expense includes:

Interest on financial liabilities that are carried at amortised cost

	<b>2015 R</b>	<b>2014 R</b>
<b>Disclosed in the Statement of Financial Performance</b>		
Fee expenses	460,857	460,800
On financial assets/liabilities carried at amortised cost		
Trust and/or other fiduciary activities		
Other fee expenses	460,857	460,800
<b>Disclosed in the Statement of Financial Position</b>		
Categories of financial liabilities		
Unspent conditional grants and receipts	894,568	12,467,162
Trade and other payables from exchange transactions	19,669,772	13,284,042
Long term loan - DBSA	6,825,840	6,825,840
Overdraft	-	-
	<b>27,390,180</b>	<b>32,577,043</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**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. For ageing refer to Note 11

The maximum exposure to credit risk is the carrying amounts of the financial assets as indicated above except for consumer receivables where the maximum exposure is estimated at 98% of the carrying amount.

**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 only 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 2015

**34 RELATED PARTY TRANSACTIONS**

**34.1 Interest of related parties**

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

Name	Designation	Description of Related Party Relationship
None	None	None

**34.2 Services rendered to related parties**

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

**34.3 Loans granted to related parties**

In terms of the Municipal Finance Management Act, the municipality may not grant loans to its Councillors, management, staff and public with effect from 1 July 2004. No 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

<b>34.6 Audit committee fees</b>		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
PM Mancotywa	Chairperson	50,795	28,148
VM Songelwa	Member	27,500	29,000
NB Kekana	Member	11,000	24,500
EBD Makhosi	Member	35,253	47,466
		<u><b>124,548</b></u>	<u><b>129,114</b></u>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**35 Provision for impairment**

**Reconciliation of the provision**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>Consumer debtor account</b>	43,645,793	39,442,197
Provisio balance @ 98%	34,556,021	32,452,086
Opening balance	32,452,086	34,046,288
Current increase/(Decrease)	2,103,935	(1,594,202)
<b>Discounted debtors account</b>	<b>9,089,772</b>	<b>6,990,112</b>
<b>CALCULATIONS @ 98%</b>		
BUS	20,005,123	18,663,740
CHURC	105,109	101,356
DOMEST	14,445,788	13,686,990
DOMEST	1	0
<b>TOTAL</b>	<b>34,556,021</b>	<b>32,452,086</b>
DEBTORS	9,089,772	6,990,112
PROVISION	(2,103,935)	1,594,202
Traffic fines impaired	(109,700)	54411
<b>Total(impairment)/reversal of impairment</b>	<b>(2,213,635)</b>	<b>1,648,613</b>

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**36 RELATED PARTY LISTING**

<b>EMPLOYEE NAME</b>		<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>
JP MDINGI	MAYOR	739,363	698,694
D MJOKOVANA	SPEAKER	595,664	685,189
P DUTSHWA	CHIEF WHIP	559,740	499,583
BESI TT	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
TENYANE M	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
MJOJELI NE	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
GOYA BB	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
MAXHAYI M	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
NGCINGWANA SL	EXECUTIVE COMMITTEE MEMBER	175,275	300,471
KANGO PS	EXECUTIVE COMMITTEE MEMBER	317,247	300,471
GAGAI NA	EXECUTIVE COMMITTEE MEMBER	317,247	281,407
VATSHA SB	EXECUTIVE COMMITTEE MEMBER	256,624	243,280
GXABHU T	ORDINARY COUNCILLOR	290,303	224,216
NTSHOBO P	MUNICIPAL PUBLIC ACCOUNTS COM	297,488	266,055
MTSOTSO NF	MEMBERS INTEREST	297,488	281,831
JOTILE T	ORDINARY COUNCILLOR	236,416	224,216
NGXAMILE PN	ORDINARY COUNCILLOR	236,416	224,216
MVULANE B	ORDINARY COUNCILLOR	277,131	243,280
GEXU N	ORDINARY COUNCILLOR		74,739
JIKI N	ORDINARY COUNCILLOR	297,488	224,216
JOYI B	ORDINARY COUNCILLOR	236,416	181,250
JIBA Z	ORDINARY COUNCILLOR	236,416	224,216
SOMANI V	ORDINARY COUNCILLOR	236,416	224,216
QWESHA M	ORDINARY COUNCILLOR	236,416	224,216
MGWILI NH	ORDINARY COUNCILLOR	236,416	224,216
MNGQINELWA NCB	ORDINARY COUNCILLOR	236,416	224,216
NDZUMO T	ORDINARY COUNCILLOR	236,416	224,216
MPONGOMA SH	ORDINARY COUNCILLOR	236,416	224,216
CAPA YN	ORDINARY COUNCILLOR	236,416	224,216
THIMLE L	ORDINARY COUNCILLOR	236,416	224,216
NKAYITSHANA N	ORDINARY COUNCILLOR	236,416	224,216
MALULWANA SE	ORDINARY COUNCILLOR	236,416	224,216
TAMBODALA ZJM	ORDINARY COUNCILLOR	236,416	224,216
ZATHI N	ORDINARY COUNCILLOR	236,416	224,216
DANISO N	ORDINARY COUNCILLOR	236,416	224,216
THWATSHUKA D	ORDINARY COUNCILLOR	236,416	224,216
DALIWE NA	ORDINARY COUNCILLOR	236,416	224,216
NKUNGU MI	ORDINARY COUNCILLOR	236,416	224,216
SIKHOSANA MN	ORDINARY COUNCILLOR	236,416	224,216
MAGAYA FA	ORDINARY COUNCILLOR	236,416	224,216
RULENI S	ORDINARY COUNCILLOR	236,416	224,216
MKIZWANE AM	ORDINARY COUNCILLOR	236,416	224,216
MFAISE VD	ORDINARY COUNCILLOR	236,416	224,216
IL SOQASHI	ORDINARY COUNCILLOR	177,312	149,477
KEWANA D	ORDINARY COUNCILLOR	236,416	224,216
MVIKO K	ORDINARY COUNCILLOR	236,416	224,216
GOGO M	ORDINARY COUNCILLOR	236,416	224,216
MOTHUSI ZH	ORDINARY COUNCILLOR	59,104	51,515
YAKO N	ORDINARY COUNCILLOR	247,666	212,966
MHLAKUVANA N	ORDINARY COUNCILLOR	236,416	224,216
NKANI N	ORDINARY COUNCILLOR	236,416	224,216
NONKUBA N	ORDINARY COUNCILLOR	236,416	224,216
GXUMISA-CINGO FJ	ORDINARY COUNCILLOR	236,416	224,216
CWECWE N	ORDINARY COUNCILLOR	236,416	224,216
NOTYESI N	ORDINARY COUNCILLOR	236,416	224,216
NKWAKHWA S	ORDINARY COUNCILLOR	236,416	224,216
SIGCAU NE	ORDINARY COUNCILLOR	236,416	224,216
SIBUNGE T	ORDINARY COUNCILLOR	236,416	224,216
DUMISA T	ORDINARY COUNCILLOR	236,416	224,216
GWEGWE V	ORDINARY COUNCILLOR	236,416	224,216
DINGI X	ORDINARY COUNCILLOR	236,416	224,216
MKUMLEA CM	ORDINARY COUNCILLOR	236,416	93,423
MHLANGA ZE	ORDINARY COUNCILLOR	236,416	168,162
MKABAYI VS	ORDINARY COUNCILLOR		43,042
CELE KD	ORDINARY COUNCILLOR	236,416	93,558
TRADITIONAL LEADERS	TRADITIONAL LEADERS	122,000	144,000
		<b>16,779,262</b>	<b>15,707,607</b>



INGQUZA HILL LOCAL MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 For the year ended 30 June 2015

37 SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL I	Loan Number	Redeemable	Balance at 01/07/2014	Paid during the year	Interest for the year	Balance at 30/06/2015
			R	R	R	R
	Loan - Development Bank of Southern Africa(DBS)		6,940,711	(460,800)	343,229	6,823,139
			6,940,711	(460,800)	343,229	6,823,139

Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
R	R
4,716,196	-
4,716,196	-

**NB:** This is a financial liability

38 UNAUTHORISED EXPENDITURE

Actual expenditure in excess of approved budget votes

	2015 R	2014 R
Opening balance	644,934	-
Non cash items	-	644,934
Condoned by council	(644,934)	-
Total deviations made in the current year	<u>-</u>	<u>644,934</u>

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 2015

**39 LEASES**  
**39.1 Finance lease liability**

<b>30 June 2015</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance leases</b>			
Within one year	426,321	115,869	310,452
Within two to five years	561,817	74,946	486,871
	<u>988,138</u>	<u>190,814</u>	<u>797,323</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(310,452)</u>
			<u><b>486,871</b></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.

<b>30 June 2014</b>	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>	<b>Present value of minimum lease payments R</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)			<u>(103,373)</u>
			<u><b>65,851</b></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 2015

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

<b>30 June 2015</b>	<b>Minimum lease receipts</b>	<b>Future finance charges</b>	<b>Present value of minimum lease receipts</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts receivable under operating leases</b>			
Within one year	23,700	-	23,700
Within two to five years	61,728	-	61,728
	<u>85,428</u>	<u>-</u>	<u>85,428</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(23,700)</u>
			<u><b>61,728</b></u>

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

<b>30 June 2014</b>	<b>Minimum lease receipts</b>	<b>Future finance charges</b>	<b>Present value of minimum lease receipts</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts receivable under operating leases</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 2015

**40 INTANGIBLE ASSETS**

**40.1 Reconciliation of carrying value**

	<b>Computer Software R</b>	<b>Total R</b>
<b>as at 1 July 2014</b>	<b>87,250</b>	<b>87,250</b>
Cost	122,150	122,150
Correction of error		
Accumulated amortisation and impairment losses	(34,900)	(34,900)
<b>as at 30 June 2015</b>	<b>52,350</b>	<b>52,350</b>
Opening balance	87,250	87,250
Accumulated amortisation and impairment losses	(34,900)	(34,900)

**40.2 Reconciliation of carrying value**

	<b>Computer Software R</b>	<b>Total R</b>
<b>as at 1 July 2014</b>	<b>87,250</b>	<b>87,250</b>
Cost	122,150	122,150
Correction of error		
Change in accounting policy		
Accumulated amortisation and impairment losses	(34,900)	(34,900)
Acquisitions	-	-
Amortisation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss		
Transfers		
Other movements		
<b>as at 30 June 2015</b>	<b>52,350</b>	<b>52,350</b>
Cost	87,250	87,250
Accumulated amortisation and impairment losses	(34,900)	(34,900)

**INGQUZA HILL LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 30 June 2015

**41 OTHER PROVISION**

**PROVISION FOR LANDFILL SITE**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Lusikisiki landfill site closure	<u>141,777</u>	<u>141,734</u>
<b>Reconciliation of provision</b>		
Opening balance	141,734	141,734
Current increase	-	-
	<u><b>141,734</b></u>	<u><b>141,734</b></u>

**NB:** This is the provision for the restoration of the landfill site. The Municipality received an approval by the Office of The Environmental Affairs and Tourism.

<b>42 LOSS ON DISPOSAL OF PPE</b>	<b>CARRYING</b>		<b>PROCEEDS</b>	<b>LOSS</b>
	<b>AMOUNT</b>		<b>R</b>	<b>R</b>
	<b>R</b>		<b>R</b>	<b>R</b>
Painting Machine	56,408		1	56,407
Safes	2,179		1,256	923
Furniture and fittings	209,704		90	209,614
Plant and equipment	750,661		340,000	410,661
Motor vehicles	532,099		385,000	147,099
Tools, arms & mobile office	13,624		4	13,620
Computer equipment	148,230		53,502	94,728
	<u><b>1,712,906</b></u>		<u><b>779,853</b></u>	<u><b>933,053</b></u>