

Sakhisizwe Local Municipality



Financial Statements

2008 - 2009

**SAKHISIZWE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

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SAKHISIZWE LOCAL MUNICIPALITY

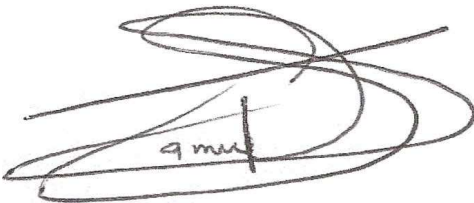
ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 14 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'T. Samuel', is written over a horizontal line. The signature is stylized and somewhat scribbled.

T. SAMUEL
Municipal Manager

20 August 2009
Date

**SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
ASSETS			
Current assets		38 161 269	32 439 491
Cash or cash equivalents	21	18 336 137	17 312 921
Trade and other receivables from exchange transactions	9	18 245 811	14 763 146
Other receivables from non-cash exchange transactions	9	10 354	363 424
VAT receivable	7	1 568 967	-
Non-current assets		59 021 812	31 277 180
Property, plant and equipment	8	59 021 812	31 203 564
Intangible assets		-	73 616
Total Assets		<u>97 183 081</u>	<u>63 716 671</u>
LIABILITIES			
Current liabilities		7 092 114	8 821 015
Trade and other payables from exchange transactions	3	407 364	4 192 908.00
Consumer deposits	4	349 291	322 388.00
Unspent conditional grants and receipts	5	5 751 169	2 770 502.00
VAT payable	6	-	853 193
Current provisions	16	269 409	477 354
Current portion of borrowings	1	-	-
Current portion of finance lease liabilities	2	219 440	188 876
Current portion of defined benefit plan obligations	18	95 441	-
Bank overdraft		-	15 794
Non-current liabilities		4 092 686	626 811
Non-current borrowings	1	-	-
Non-current finance lease liabilities	2	458 866	626 811
Non-current provisions	17	1 920 000	-
Defined benefit plan obligations	18	1 713 820	-
Total Liabilities		<u>11 184 800</u>	<u>9 447 826</u>
Net assets		<u>85 998 281</u>	<u>54 268 845</u>
Net assets		85 998 281	54 268 845
Accumulated Surplus/(Deficit)		85 998 281	54 268 845
Total Net Assets and Liabilities		<u>85 998 281</u>	<u>54 268 845</u>

**SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
REVENUE			
Rates		1 077 541	1 492 690
Penalties on rates			
Service charges	10	5 666 052	6 554 141
Rental of facilities and equipment		-	60 484
Interest earned - external investments		1 826 161	628 010
Interest on arrears.		1 042 882	2 745 887
Fines		53 071	
Licenses and Permits		13 912	14 497
Income Agency Services		-	
Government grants and subsidies	11	28 300 777	18 906 214
Government grants and subsidies - PPE		2 122 698	3 222 714
Other income	12	2 342 293	3 667 865
Gain on disposal of PPE		-	231 886
Total Revenue		42 445 387	37 524 388
EXPENDITURE			
Employee related costs	13	12 432 032	13 640 523
Remuneration of Councillors	14	3 978 625	2 356 005
Bad Debt		2 719 880	11 025 553
Depreciation		4 715 102	2 017 964
Repairs and maintenance		766 182	324 182
Interest paid	15	93 274	77 498
Bulk Payments		3 069 751	2 500 521
Contracted Services		119 681	-
Grants and Subsidies paid		11 085 642	1 000
General expenses		6 408 916	6 437 394
Total Expenditure		45 389 085	38 380 641
SURPLUS/(DEFICIT) FOR THE YEAR		(2 943 698)	(856 253)

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009

	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
2008			
Balance at 1 July 2007	2 308 650	34 173 862	36 482 512
Correction of error (Note 19)	-	2 577 580	2 577 580
Restated balance	2 308 650	36 751 442	39 060 092
Surplus/(deficit) for the year		(856 253)	-856 253
Correction of error (Note 19)	(2 308 650)	18 373 656	16 065 006
Balance at 30 June 2008	-	54 268 845	54 268 845
2009			
Correction of error (Note 19)	-	34 673 135	34 673 135
Restated balance	-	88 941 979	88 941 979
Surplus/(deficit) for the year		(2 943 698)	(2 943 698)
Balance at 30 June 2009	-	85 998 281	85 998 281

**SAKHISIZWE LOCAL MUNICIPALITY
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		38 075 041	55 088 924
Cash receipts from ratepayers		838 768	20 490 308
Cash receipts from Government		33 404 142	22 809 757
Other receipts		3 832 131	8 035 033
Payments		(40 844 937)	(36 517 065)
Cash paid to employees		(14 601 396)	(15 996 528)
Cash paid to Suppliers		(10 194 460)	(6 437 394)
Other payments		(16 049 081)	(14 083 142)
Net cash flows from operating activities	20	(2 769 896)	18 571 859
Interest received		1 826 161	628 010
Interest paid		(93 274)	(77 498)
Journals (non-cashflow)		2 302 917	-
NET CASH FROM OPERATING ACTIVITIES		1 265 908	19 122 371
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(89 520)	(5 196 039)
Proceeds on disposal of properties		-	231 886
Decrease in non-current receivables		30 564	70 854
NET CASH FROM INVESTING ACTIVITIES		(58 956)	(4 893 299)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts/(Repayments) in Long term Loans		(167 945)	984 940
NET CASH FROM FINANCING ACTIVITIES		(167 945)	984 940
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		17 297 130	2 083 118
Cash and cash equivalents at the end of the year	21	18 336 137	17 297 130

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1. Summary of significant accounting policies for the year ended 30 June 2009.

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and*

The Standard comprise of the following:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
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 Financial Statements and Accounting for Controlled Entities
GRAP 7 - Accounting for Investments in Associates
GRAP 8 - Financial Reporting of Interests in Joint Ventures
GRAP 9 – Revenue
GRAP 12 – Inventories
GRAP 13 - Leases
GRAP 16 – Investment Property
GRAP17 - Property, Plant and Equipment
GRAP 19 - Provisions, Contingent Liabilities and Contingent Asset
GRAP 23 – Revenue from non-exchange transactions

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The Municipality has, in terms of Directive 4, issued by the Accounting Standards Board in March 2009 on Transitional Provisions for Medium and Low Capacity Municipalities, taken advantage of the transitional provision for individual Standards of GRAP for medium and low capacity municipalities.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited 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 in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Financial Instruments

1.5.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.5.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.5.3 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are 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. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

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.

1.5.4 Trade & other receivables

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

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the 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.

1.5.5 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 and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.5.6 Cash & 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 on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.6 Leases

1.6.1 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 lease 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 derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.6.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.7 Bank overdraft & Borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.8 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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 is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a 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 losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.9 Employee Benefits

(a) Pension obligations

The Municipality contributes to various pension schemes which are classified as defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due.

(b) Defined Benefit Plans

Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. An actuarial study was undertaken in 2009 to determine the municipality's obligations.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

1.10 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue.

1.15 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.16 Property Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, for which the municipality has taken advantage of the three year transition period granted in Directive 4 for the initial adoption of GRAP 12, 16, 17 and 102. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment are acquired in exchange for non- monetary or monetary assets or a combination of both, property, plant and equipment are measured at their fair value.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

Depreciation and impairment losses

Depreciation is calculated on cost, using the straight line method over the estimated useful lives for all assets excluding furniture and fittings which are depreciated by applying the diminishing balance method. The depreciation rates are based on the following estimated useful lives:

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	5-10
		Emergency equipment	5-7
Housing	30	Computer equipment	5
		Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		
<u>Investment Properties</u>	30		

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Sakhisizwe municipality are amortised according to the straight line method.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

The residual value, the useful life of an asset and the depreciation method is 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

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.17 Revenue Recognition

Revenue is derived from a variety of sources that includes rates levied, grants from other tiers of government and revenue from trading activities and municipal services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, these benefits can be measured reliably and the specific criteria has been met for each of its activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Service charges relating to water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's tariff policy.

Service charges relating to water and sewerage & sanitation are collected on behalf of the Chris Hani District Municipality and are not disclosed as revenue for the municipality.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2009

obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.18 Borrowing costs

All borrowing costs, being interest cost incurred by the Municipality when borrowing funds, are recognised as finance costs expenses in the period in which it is incurred.

1.19 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.20 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, 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 (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 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.

1.23 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

**SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	R	R
1 BORROWINGS		
Annuity Loans – DBSA	-	-
Total	<u>-</u>	<u>-</u>
Less : Current portion transferred to current liabilities	-	-
Total long-term borrowings	<u><u>-</u></u>	<u><u>-</u></u>

The Municipality has taken up an external loans from DBSA relating to Sewerage. The loan is repayable six monthly. The interest rate is 15.25% per annum. The loans are unsecured. The loan has been transferred to the Chris Hanie Agency Control account.

2 FINANCE LEASE LIABILITY

Finance leases - Wes bank	<u>678 306</u>	<u>815 687</u>
	678 306	815 687
Less : Current portion to be settled within 12 months	<u>(219 440)</u>	<u>(188 876)</u>
Total Finance Lease Liabilities	<u><u>458 866</u></u>	<u><u>626 811</u></u>

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance lease: 2009			
Within one year	282 965	63 525	219 440
Within two to five years	<u>507 462</u>	<u>48 596</u>	<u>458 866</u>
	<u>790 427</u>	<u>112 121</u>	<u>678 306</u>
Less : Current portion to be settled within 12 months			<u>219 440</u>
			<u>458 866</u>

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	R	R	R
Amounts payable under finance lease: 2008			
Within one year	297 011	108 135	188 876
Within two to five years	<u>738 932</u>	<u>112 121</u>	<u>626 811</u>
	<u>1 035 943</u>	<u>220 256</u>	<u>815 687</u>
Less : Current portion to be settled within 12 months			<u>188 876</u>
			<u>626 811</u>

Nine finance lease agreements with Wes bank were entered into at Prime less 1% over five years. The cash flows were discounted over the period and found to be as near to fair value to make no material difference and therefore the leases were capitalised at fair value.

Note: the prior year figures have been restated in order to take into account two finance leases transferred to the Chris Hanie Agency Account.

	2009	2008
	R	R
3 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	361 376	3 989 543
Trade and other receivables in credit balance	40 252	-
Other Creditors	5 736	203 365
Total Creditors	407 364	4 192 908

The fair value of trade and other payables approximates their carrying amounts.

4 CONSUMER DEPOSITS

Electricity deposits	345 449	269 537
Dam & Hall deposits	3 842	52 851
	349 291	322 388

There is no accrual of interest included in the deposits which need to be paid to consumers when deposits are refunded.
There are no guarantees held in leau of Electricity deposits.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Grant: Finance Management (FMG)	10 000	437 511
Grant: Municipal Infrastructure (MIG)	3 781 276	662 663
Grant: Rural Infrastructure	-	7 781
Grant: General Valuation	1 000	705 458
Grant: Survey	10 748	13 547
Elliot housing	41 310	152 256
Grant: Municipal Service Improvement (Msig)	473 750	102 026
Grant: PMF Review	172 764	93 117
Disaster Fund	76 007	80 082
Skills development	96 810	290 285
Municipal Support Program (MSP)	44 684	-
Grant: Ext 13&14	6 231	6 448
Grant: IEC Election	47 423	-
Grant: Ext 15	5 103	106 604
Grant: IDP	106 761	112 724
Grant: DME	877 302	-
	-	-
Total Unspent Conditional Grants and receipts	5 751 169	2 770 502
Non-current unspent Conditional Grants and receipts	-	-
Current portion of unspent Conditional Grants and receipts	5 751 169	2 770 502

See Note 11 for Statement of Financial Performance for a reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

	2009	2008
	R	R
6 VAT PAYABLE		
Vat payable	-	853 193
7 VAT RECEIVABLE		
Vat receivable	1 568 967	-
	1 568 967	-

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

The balance on 2008 was adjusted by R1'432'560 see note 19 Correction of Error

8 PROPERTY, PLANT AND EQUIPMENT

The reconciliation of carrying values is set out on the following page.

The municipality has taken advantage of the transitional provisions set out in GRAP 17. The municipality performed an asset verification and the itemising all infrastructure as at 30 June 2009. The municipality has assessed as at 30 June 2009 whether items of property, plant and equipment are impaired.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2009

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2008	8 110 060	7 714 078	7 845 460	7 533 966	31 203 564
Cost	8 252 085	9 418 978	14 646 460	13 259 276	45 576 799
Correction of error	-	-	-	-	-
Accumulated depreciation	(142 025)	(1 704 900)	(6 801 000)	(5 725 310)	(14 373 235)
Additions	-	-	-	89 520	89 520
Capital under Construction	-	-	-	-	-
Depreciation	-	-	-	(4 878 656)	(4 878 656)
Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	(8 106 544)	44 687 793	(3 870 284)	(103 581)	32 607 384
Carrying values at 30 June 2009	3 516	52 401 871	3 975 176	2 641 249	59 021 812
Cost	8 252 085	9 418 978	14 646 460	13 348 796	45 666 319
Other movements	(8 106 544)	44 687 793	(3 870 284)	(103 581)	32 607 384
Accumulated depreciation	(142 025)	(1 704 900)	(6 801 000)	(10 603 966)	(19 251 891)

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	8 134 095	9 761 215	8 212 793	7 030 313	33 138 416
Cost	8 252 085	13 942 276	14 646 460	12 617 615	49 458 436
Correction of error	-	-	-	-	-
Accumulated depreciation	(117 990)	(4 181 061)	(6 433 667)	(5 587 302)	(16 320 020)
Additions	-	3 667 726	-	1 443 440	5 111 166
Capital under Construction	-	-	-	-	-
Depreciation	(24 035)	(889 798)	(367 333)	(720 519)	(2 001 685)
Disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	(4 825 064)	-	(219 269)	(5 044 333)
Carrying values at 30 June 2008	8 110 060	7 714 078	7 845 460	7 533 966	31 203 564
Cost	8 252 085	9 418 978	14 646 460	13 259 276	45 576 799
Accumulated depreciation	(142 025)	(1 704 900)	(6 801 000)	(5 725 310)	(14 373 235)

Depreciation calculations to 30/06/2008 were written back and recalculated.

Intangible Assets

Reconciliation of Carrying Value	Computer Software				Total
	R	R	R	R	R
Carrying values at 1 July 2008	73 616	-	-	-	73 616
Cost	156 617	-	-	-	156 617
Correction of error	-	-	-	-	-
Accumulated depreciation	(83 001)	-	-	-	(83 001)
Additions	-	-	-	-	-
Capital under Construction	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	73 616	-	-	-	-
Cost	156 617	-	-	-	156 617
Accumulated depreciation	(83 001)	-	-	-	(83 001)
Impairment losses	-	-	-	-	-
Other movements (Correction depreciation)	-	-	-	-	-
Carrying values at 30 June 2009	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-

**TRADE AND OTHER RECEIVABLES FROM EXCHANGE
9 TRANSACTIONS**

	Gross Balances	Provision for Doubtful Debts	Net Balances
<u>Trade receivables</u>	R	R	R
As at 30 June 2009			
Service Debtors: Water;	-	-	-
Service Debtors: Electricity;	1 687 660	1 079 861	607 799
Service Debtors: Sewerage;	-	-	-
Service Debtors: Refuse Removal;	9 642 184	9 207 738	434 446
Service Debtors: Rates;	7 162 033	3 476 793	3 685 240
Service Debtors: Rent Commonage;	5 940	2 755	3 185
Service Debtors: Building Clause;	4 246	4 246	-
Service Debtors: Rent;	28 666	-	28 666
Service Debtors: Other (Consumer)	-	-	-
Service Debtors: Chris Hani Agency Account	13 446 223	-	13 446 223
Sub-total	31 976 952	13 771 393	18 205 559
Service Debtors in credit balance (disclosed as Trade Creditors)	40 252	-	40 252
Total	32 017 204	13 771 393	18 245 811

As at 30 June 2008

Service Debtors: Water;	-	-	-
Service Debtors: Electricity;	1 243 908	759 681	484 227
Service Debtors: Sewerage;	-	-	-
Service Debtors: Refuse Removal;	10 495 672	7 149 117	3 346 555
Service Debtors: Rates;	6 642 997	3 145 837	3 497 160
Service Debtors: Rent Commonage;	5 105	1 840	3 265
Service Debtors: Building Clause;	3 608	3 608	-
Service Debtors: Rent;	13 876	-	13 876
Service Debtors: Other (Consumer)	6 810	-	6 810
Service Debtors: Chris Hani Agency Account	7 411 253	-	7 411 253
Total	25 823 231	11 060 083	14 763 146

The Trade Receivables balance for Water and Sanitation and the Provision for Doubtful debts as at 2009 were transferred to the Chris Hani Agency Account and the 2008 prior year figures for Trade Receivables of R12'444'651 for water and R5'797'744 for Sewerage and Provision for Doubtful Debts of R11'254'049 for water and R7'014'996 for sanitation were adjusted retrospectively .

Other receivables

Other receivables: 2009	30 952	20 598	10 354
Other receivables: 2008	375 452	12 028	363 424

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS
g (continued)

	2009	2008
	R	R
<u>Rates: Ageing</u>		
Current (0-30 days)	87 160	89 901
31 - 60 Days	150 484	138 353
61 - 90 Days	142 072	138 566
> 90 Days	6 811 514	6 276 177
Total	7 191 230	6 642 997
<u>Electricity & Refuse: Ageing</u>		
Current (0-30 days)	648 393	461 190
31 - 60 Days	403 449	273 184
61 - 90 Days	267 405	213 416
> 90 Days	10 020 194	10 791 790
Total	11 339 441	11 739 580
<u>Other service debtors: Ageing</u>		
Current (0-30 days)	9 730	8 865
31 - 60 Days	5 192	2 513
61 - 90 Days	3 969	1 929
> 90 Days	48 155	16 092
Total	67 046	29 399

	2009	2008
	R	R
10 SERVICE CHARGES		
Water	-	-
Sale of Electricity	4 051 644	2 435 105
Refuse Removal	1 614 408	4 119 036
Sanitation	-	-
Total Service Charges	5 666 052	6 554 141

Although Chris Hani District Municipality is the service provider for Water and Sanitation, this service is performed by Sakhisizwe municipality as an agency service. The income and expenditure for these services have been transferred from the operating results of Sakhisizwe municipality to an Agency Control Account and the prior year figures adjusted retrospectively for the effect of the transfer.

11 GOVERNMENT GRANTS AND SUBSIDIES

Municipal System Improvement Grant	352 351	2 251 674
General Valuations	685 647	122 814
Municipal Improvement Grant	5 519 940	735 292
Finance Management Grant	1 688 512	78 974
Municipal Support Programme	-	433 579
Skills Development	245 513	308 431
Integrated Development Plan	112 236	-
Housing Fund	924 855	1 115 506
Aids	15 000	-
IEC Elections	126 078	-
Housing: Ext 15	351 961	-
Housing: Ext 13, 14	62 102	-
SUBSIDIES		
Equitable Share	15 999 404	12 891 445
Councillor Remuneration	534 000	-
Health and Environmental Affairs Subsidy	1 310 001	968 499
Libraries	373 177	-
Total Government Grant and Subsidies	28 300 777	18 906 214

The Equitable Share allocation is an unconditional grant and is utilised in service delivery.

No Grants were withheld for non compliance to grant conditions

11.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	2009	2008
	R	R
12 OTHER INCOME		
Traffic Income, Fines, Rental, Admin and sundry income	2 342 293	3 667 865
Total Other Income	2 342 293	3 667 865

13 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages	9 433 579	9 265 156
Employee related costs - Contributions for UIF, pensions and medical aids	1 803 440	2 033 114
Housing, Telephone, Motor Vehicles and Rural Allowances	767 571	757 600
Overtime payments	331 765	792 453
Leave pay	95 677	-
Performance bonus	-	792 200
Total Employee Related Costs	12 432 032	13 640 523

A contingent liability is estimated for performance bonuses for the MM at 16% and other managers at 14%. The performance assessment was not yet finalised by 30 June 2009 and bonuses have not yet been calculated and authorised, however are estimated to be approximately R410'366. (refer to note 28)

Remuneration of the Municipal Manager

Annual Remuneration	439 257	480 577
Performance Bonuses	34 523	78 400
Leave Pay	95 677	-
Car Allowance	84 000	82 615
Housing and Telephone Allowances	99 708	72 078
Contributions to UIF, Medical and Pension Funds	100 214	67 384
Total	853 379	781 054

Remuneration of the Chief Finance Officer

Annual Remuneration	419 125	111 627
Car Allowance	60 000	4 264
Housing and Telephone Allowances	-	36 304
Contributions to UIF, Medical and Pension Funds	117 318	8 250
Total	596 443	160 445

13 EMPLOYEE RELATED COSTS (continued)**2009****2008****R****R**

2009	<i>Corporate</i>		<i>IPED</i>
	<i>Services</i>	<i>Technical Services</i>	
Annual Remuneration	396 045	388 323	401 893
Car Allowance	93 000	96 000	96 000
Housing and Telephone Allowances	12 000	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 538	17 475	10 398
Total	502 583	513 798	520 291

*Remuneration of the Directors of Corporate Services,
Technical Services and IPED*

2008			
Annual Remuneration			883 343
Performance Bonuses			61 478
Car Allowance			48 753
Housing and Telephone Allowances			16 726
Contributions to UIF, Medical and Pension Funds			130 775
Total			1 141 075

Due to a revision of the Trial Balance's account numbers for 2009 it was not possible to restate separately the remuneration of the Directors of Corporate Services, Technical Services and IPED disclosed in a total figure for 30 June 2008 AFS. The total figure for 2008 was restated to include the IPED manager remuneration.

14 REMUNERATION OF COUNCILLORS

Mayor Salary	357 234	359 035
Mayor Allowances	148 408	119 472
Mayor contributions to Pension & medical aid	17 280	-
Councillors Salaries	1 224 936	1 325 797
Councillors contributions to Pension & medical aid	1 829 360	67 536
Councillors allowances	401 407.00	484 165
Total Councillors' Remuneration	3 978 625	2 356 005

In-kind Benefits

The Mayor, is full-time. She is provided with an office and secretarial support at the cost of the Council. A motor vehicle is available for the exclusive use by the Mayor for official duties.

	2009	2008
	R	R
15 INTEREST PAID		
Long-term liabilities	93 274	77 498
Total Interest on External Borrowings	93 274	77 498

16 PROVISIONS

Provisions Staff Bonus	269 409	-
Provisions Staff Leave	-	477 354
Total Provisions	269 409	477 354

A contingent liability is estimated for performance bonuses for the MM at 16% and other managers at 14%. The performance assessment had not yet been finalised by 30 June 2009 and bonuses have not yet been calculated and authorised, however are estimated to be approximately R410'366. (refer to note 27)

A contingent liability is estimated for the Provision for Leave Payment for employees. The assessment has not been finalised as at 30 June 2009 and the amount due is still to be authorised, however it has been estimated to be approximately R1'635'591. The opening prior year balance for the provision of leave of R477'354 no longer meets the definition of a provision ito GRAP 19 and has been adjusted as a prior year adjustment. (refer to note 19 on correction of error/ prior year adjustments)

The movement in the current provisions are reconciled as follows:

	Provisions Staff Bonus	Provisions Staff Leave
30 June 2008	-	477 354
Contributions to provision	269 409	-
Adjustments ito GRAP 19 (refer to note above on contingent liability)	-	(477 354)
30 June 2009	269 409	-

17 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	1 920 000	-
Total Non-Current Provisions	1 920 000	-

The provision for rehabilitation of the landfill sites relates to the legal obligation to rehabilitate the landfill sites in Elliot and Cala used for waste disposal. It has been calculated as the present value of the future obligation.

	2009	2008
	R	R
18 RETIREMENT BENEFIT INFORMATION		
Defined benefit Medical Aid plan	1 809 261	-
Total	<u>1 809 261</u>	<u>-</u>
Less: current portion of contributions payable within 12 months	<u>(95 441)</u>	<u>-</u>
Long-term portion	<u>1 713 820</u>	<u>-</u>

All Councillors and employees belong to 6 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009. These valuations indicate that the funds are in a sound financial position.

	2009	2008
	R	R
19 CORRECTION OF ERROR		
<u>Adjustments effected to Accumulated Surplus were as follows:-</u>		
<u>VAT:</u>		
Net balance of VAT adjusted for unknown opening balance from 2008.		(1 432 560)
<u>Long-term liabilities:</u>		
Adjustment of prior year balance of Wesbank Loans.		6 360
<u>PPE:</u>		
Adjustments to the cost price and accumulated depreciation in order to reflect the FAR updated with a physical verification as at 30 June 2009		(22 839 822)
Adjustment of depreciation for current year		(4 715 103)
Prior year adjustment		1 700 731
<u>Accounts receivable:</u>		
Adjustment of prior year balance of accounts receivable for:		
- Medical		(18 755)
- Refuse		2 900 411
Adjustment of provision for doubtful debts		(2 571 302)
<u>Cash & cash equivalents:</u>		
Adjustment for the following incorrect bank account balances:		
- Adjustment for unknown or prior year stale cheques		(382 189)
- Adjustment of opening balance		248 024
- Adjustment of unidentified deposits		(185 948)
<u>Accounts Payable:</u>		
Adjustment to prior year creditors balance		(1 923 123)
Adjustment of unknown Consumer Deposits for the Town Hall & Dam		(52 851)

	2009	2008
	R	R
19 CORRECTION OF ERROR (continued)		
<u>Chris Hani Agency Account:</u>		
Prior year Water & Sanitation profit adjusted against appropriation account		(4 825 157)
<u>Investments:</u>		
Adjustment of investment balances for unknown differences		44 507
<u>Other:</u>		
Adjustment for unknown prior year Unidentified Deposits		92 974
Adjustment for unknown Penalties & Interest shown as Accounts Receivable in the prior year		175 363
Adjustment for unknown prior year entries		15 892
Adjustment of Salaries Control		(433 233)
Adjustment of prior year provision for leave		(477 354)
		<hr/>
Net effect on surplus/(deficit) for the year (decrease)		<u><u>(34 673 135)</u></u>
The comparative amounts have been restated as		
Water & Sanitation profit prior to 2007 adjusted against appropriation account opening balance for 2007		2 577 580
Water & Sanitation profit for 2008 adjusted against appropriation account opening balance for 2008		2 984 107
		<hr/>
		<u><u>5 561 687</u></u>

20 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(2 943 698)	2 897 573
Adjustment for:-		
Depreciation and amortisation	4 715 102	2 017 964
Contribution to provision - non-current	1 920 000	-
Contribution to provision - current	(207 945)	-
Contribution to Defined Medical Plan	1 809 261	-
Finance costs	93 274	77 498
Interest earned	(1 826 161)	(628 010)
Gain on disposal of PPE	-	(231 886)
Operating surplus before working capital changes:	3 559 833	4 133 138
(Increase)/decrease in trade receivables	(3 482 665)	6 356 085
(Increase)/decrease in other receivables	353 070	319 996
(Decrease)/increase in conditional grants and	2 980 667	680 829
Increase in VAT receivables	(2 422 160)	6 087 393
Increase/ (decrease) in trade payables	(3 785 544)	994 418
Increase/ (decrease) in consumer deposits	26 903	-
Cash generated by/(utilised in) operations	(2 769 896)	18 571 859

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	18 336 137	17 312 924
Bank overdrafts	-	(15 794)
Total cash and cash equivalents	18 336 137	17 297 130

The bank and cash balance 2009 was adjusted by R134'165. (see note 19 Correction of Error.)

Cash and cash equivalents consists of the following:

Cash at bank	759 353	634 567
Call deposits	17 576 784	16 678 354
	18 336 137	17 312 921

2009

2008

R

R

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Sakhisizwe FNB Bank Account – 62076523135

Cash book balance at beginning of year	634 567	187 672
Cash book balance at end of year	759 353	634 567
Bank statement balance at beginning of year	211 764	77 516
Bank statement balance at end of year	204 891	211 764

Savings Account/ Call Account Deposits (Other Account)

Cash book balance at beginning of year	16 678 354	1 754 938
Cash book balance at end of year	17 576 784	16 678 354
Bank statement balance at beginning of year	16 678 354	1 754 938
Bank statement balance at end of year	17 576 784	16 678 354

UTILISATION OF LONG-TERM LIABILITIES

22 RECONCILIATION

Long-term liabilities (see Note 2)	678 306	815 687
Used to finance property, plant and equipment – at cost	(678 306)	(815 687)
Sub- total	-	-
Cash set aside for the repayment of long-term	-	-
Cash invested for repayment of long-term liabilities	-	-

Municipality has not set aside any cash as these loans are old. Repayments are done out of own revenue.

	2009	2008
	R	R
UNAUTHORISED, IRREGULAR, FRUITLESS AND		
23 WASTEFUL EXPENDITURE DISALLOWED		

23.1 Unauthorised expenditure

There was no unauthorised expenditure for the year.

UNAUTHORISED, IRREGULAR, FRUITLESS AND
23 WASTEFUL EXPENDITURE DISALLOWED (continued)

23.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	175 363
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident

Interest and penalties raised by SARS in 2008 on late payments of submissions. There was no fruitless and wasteful expenditure during the current year.

23.3 Irregular expenditure

Incident

Municipality has no litigation against its employees. There was also no ireegular expenditure during the current year.

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL
24 FINANCE MANAGEMENT ACT

24.1 Contributions to organized local government

Opening balance		
Council subscriptions	133 601	59 737
Amount paid - current year	(133 601)	(59 737)
Balance unpaid (included in creditors)	-	-

24.2 Audit fees

Opening balance	1 187 756	-
Current year audit fee	807 260	1 741 807
Amount paid - current year	(1 995 016)	(554 051)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	1 187 756

24.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 6 & 7. All VAT returns have been submitted by the due date throughout the year.

	2009	2008
	R	R
<u>24.4 PAYE and UIF</u>		
Opening balance	1 006 278	-
Current year payroll deductions	1 749 309	1 798 432
Amount paid - current year	(2 755 587)	(792 154)
Balance unpaid (included in creditors)	-	1 006 278

The balance represents PAYE and UIF deducted from

24.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council	1 142 920.00	2 364 885
Amount paid - current year	(1 142 920.00)	(2 364 885)
Balance unpaid (included in creditors)	-	-

24.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In 2008, the Municipality had not yet developed a supply chain management policy, however a policy has been developed and approved by council for the 2009 financial year in compliance with the Municipal Finance Management Act.

25 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for		
<i>Infrastructure</i>	-	9 600 000
<i>Other</i>	-	-
Total	-	9 600 000

This expenditure will be financed from:

- Government Grants	-	9 600 000
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26 IN-KIND DONATIONS AND ASSISTANCE

The Municipality not received any in-kind donations and assistance.

27 CONTINGENT LIABILITY

A contingent liability is estimated for performance bonuses for the MM at 16% and other managers at 14%. The performance assessment was not yet finalised by 30 June 2009 and bonuses have not yet been calculated and authorised, however are estimated to be approximately R410'366. (refer to note 16)

28 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure D(1).

**SAKHISIZWE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009**

Category	Property, Plant and Equipment				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under-construction	Disposals	Closing Balance	Opening	Depreciation	Closing Balance		Total Other Movements
Land and buildings	8 252 085	-	-	-	8 252 085	142 025	-	142 025	(8 106 544)	3 516
Land	7 290 696	-	-	-	7 290 696	-	-	-	(7 288 938)	1 758
Municipal Buildings	961 389	-	-	-	961 389	142 025	-	142 025	(817 606)	1 758
Infrastructure	9 418 978	-	-	-	9 418 978	1 704 900	-	1 704 900	44 687 793	52 401 871
Electricity	6 283 261	-	-	-	6 283 261	1 213 935	-	1 213 935	(447 665)	5 024 561
Roads	3 020 217	-	-	-	3 020 217	375 465	-	375 465	44 732 558	47 377 310
Security	115 500	-	-	-	115 500	115 500	-	115 500	-	-
Sewerage	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Community assets	14 646 460	-	-	-	14 646 460	6 801 001	-	6 801 001	(3 870 284)	3 975 175
Caravan parks	20 000	-	-	-	20 000	4 667	-	4 667	(15 333)	-
Care centres	345 000	-	-	-	345 000	82 675	-	82 675	(282 125)	-
Cemeteries	50 000	-	-	-	50 000	8 750	-	8 750	(41 250)	-
Clubs and Hospitals	340 000	-	-	-	340 000	100 000	-	100 000	(240 000)	-
Community centres	7 550 000	-	-	-	7 550 000	5 698 250	-	5 698 250	(1 853 750)	-
Landfill sites	1 628 460	-	-	-	1 628 460	-	-	-	2 348 715	3 975 175
Libraries	2 715 000	-	-	-	2 715 000	286 792	-	286 792	(2 448 208)	-
Sport facilities	2 000 000	-	-	-	2 000 000	641 667	-	641 667	(1 358 333)	-
Other assets	13 259 277	89 520	-	-	13 348 797	5 725 310	4 878 656	10 603 966	(103 961)	2 647 250
Abattoirs	4 710 955	-	-	-	4 710 955	422 023	-	422 023	(4 288 932)	-
Computer equipment	721 259	58 572	-	-	779 831	502 701	415 521	918 222	466 505	326 114
Emergency equipment	93 849	30 946	-	-	124 797	70 929	24 760	95 689	25 726	54 834
Furniture and fittings	764 414	-	-	-	764 414	415 433	580 413	995 846	488 355	286 923
Motor vehicles	2 401 366	-	-	-	2 401 366	954 821	1 486 572	2 441 393	1 177 455	1 137 428
Office equipment	8 136	-	-	-	8 136	3 782	-	3 782	(4 354)	-
Plant & machinery	4 559 298	-	-	-	4 559 298	3 355 621	2 371 390	5 727 011	2 021 664	853 951
Total PPE	45 376 800	89 520	-	-	45 666 320	14 373 236	4 878 656	19 251 892	32 607 384	59 021 812
Intangible Assets	156 617	-	-	-	156 617	83 001	-	83 001	(73 616)	-
Computer software	156 617	-	-	-	156 617	83 001	-	83 001	(73 616)	-
Total	45 733 417	89 520	-	-	45 822 937	14 456 237	4 878 656	19 334 893	32 533 768	59 021 812

**SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009**

Department	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Other Movements	Carrying Value
Executive & Council	156 187	-	-	-	156 187	91 660	77 811	-	169 471	470 188	456 504
Finance & Admin	18 144 397	89 520	-	-	18 233 917	6 636 695	703 550	-	7 339 245	(10 276 707)	617 565
Planning & Development	33 944	-	-	-	33 944	19 163	-	-	19 163	(14 781)	-
Health	5 711 099	-	-	-	5 711 099	893 685	161 549	-	1 055 234	(4 588 660)	67 205
Community & Social Services	3 005 660	-	-	-	3 005 660	437 066	195 743	-	632 809	(2 150 574)	222 277
Public Safety	757 604	-	-	-	757 604	422 025	363 171	-	785 196	132 190	104 598
Housing	40 650	-	-	-	40 650	29 843	-	-	29 843	(10 807)	-
Parks & Recreation	2 022 610	-	-	-	2 022 610	647 780	-	-	647 780	(1 374 830)	-
Sanitation	-	-	-	-	-	-	17 368	-	17 368	17 368	-
Waste Management	3 095 053	-	-	-	3 095 053	1 140 935	1 013 155	-	2 154 090	3 339 675	4 280 638
Road Transport	6 274 500	-	-	-	6 274 500	2 779 228	2 052 098	-	4 831 326	46 663 418	48 106 592
Water	-	-	-	-	-	-	146 184	-	146 184	146 184	-
Electricity	6 491 713	-	-	-	6 491 713	1 359 157	148 027	-	1 507 184	181 104	5 165 533
Total	45 733 417	89 520	-	-	45 822 937	14 458 237	4 878 656	-	19 334 893	32 533 768	59 021 812

**SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
45 500	3 556 406	(3 510 906)	Executive & Council	534 000	8 204 241	(7 670 241)
20 665 183	7 572 437	13 092 745	Finance & Admin	22 481 535	9 418 841	13 062 694
-	591	(591)	Planning & Development	340 676	1 005 132	(664 456)
968 499	1 514 751	(546 252)	Health	1 330 011	1 455 267	(125 256)
172 673	1 574 282	(1 401 609)	Community & Social Services	373 177	781 981	(408 804)
1 479 157	1 031 800	447 357	Public Safety	1 896 837	1 889 615	7 222
480 392	997 723	(517 331)	Housing	1 338 918	1 521 437	(182 519)
15 388	218 201	(202 813)	Parks & Recreation	57	150 496	(150 439)
3 038 446	5 298 196	(2 259 750)	Sanitation	-	-	-
4 681 581	4 643 329	38 253	Waste Management	2 294 143	5 966 593	(3 672 450)
505 446	1 566 457	(1 061 011)	Road Transport	5 529 376	7 947 765	(2 418 389)
3 967 764	6 732 601	(2 764 837)	Water	-	-	-
5 258 185	3 673 866	1 584 319	Electricity	6 326 657	7 047 717	(721 060)
41 278 214	38 380 641	2 897 573	TOTAL	42 445 387	45 389 085	(2 943 698)

SAKHISIZWE LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget <i>(Explanations to be recorded)</i>
Revenue					
Rates	1 077 541	1 500 000	(422 459)	-28%	
Penalties on rates	-		-		
Service charges	5 666 052	9 553 748	(3 887 696)	-41%	
Rental of facilities and equipment	-		-		
Interest earned - external investments	1 826 161	800 000	1 026 161	128%	
Interest on arrears	1 042 882		1 042 882		
Fines	53 071				
Licenses and Permits	13 912	30 000	(16 088)	-54%	
Income Agency Services	-	6 270 329		0%	
Government grants and subsidies	28 300 777	22 811 534	5 489 243	24%	
Government grants and subsidies - PPE	2 122 698	13 298 000	(11 175 302)	-84%	
Other income	2 342 293	1 785 000	557 293	31%	
Gain on disposal of PPE	-		-		
Total Revenue	42 445 387	56 048 611	(7 385 966)		
Expenditure					
Employee related costs	12 432 032	14 605 932	2 173 900	15%	
Remuneration of Councillors	3 978 625	2 385 792	(1 592 833)	-67%	
Bad Debt	2 719 880	6 500 000	3 780 120	58%	
Depreciation	4 715 102	1 800 000	(2 915 102)	-162%	
Repairs and maintenance	766 182	1 216 000	449 818	37%	
Interest paid	93 274	272 875	179 601	66%	
Bulk Payments	3 069 751	2 700 000	(369 751)	-14%	
Contracted Services	119 681	140 000	20 319	15%	
Grants and Subsidies paid	11 085 642	4 465 000	(6 620 642)	-148%	
General expenses	6 408 916	8 024 197	1 615 281	20%	
Total Expenditure	45 389 085	42 109 796	(3 279 289)		
Surplus/(Deficit)	(2 943 698)	13 938 815	(10 665 255)		