



SAKHISIZWE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for

THE YEAR ENDED 30 JUNE 2007

(LOW CAPACITY MUNICIPALITY)

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SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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SAKHISIZWE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 40, 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 21 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.

T. SAMUEL
Municipal Manager

Date

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		36 482 511	63,978,800
Government grant reserve		2,308,650	82,898
Accumulated Surplus/(Deficit)		34,173,860	63,895,901
Non-current liabilities		144,305	240,855
Long-term liabilities	1	144,305	240,855
Current liabilities		7,349,692	11,502,117
Creditors	2	2,046,513	6,955,882
Unspent conditional grants and receipts	3	3,834,498	2,211,103
VAT	4	1,404,603	888,833
Current portion of long-term liabilities	1	64,078	62,500
Bank overdraft	9	-	1,383,799
Total Net Assets and Liabilities		<u>43,976,508</u>	<u>75,721,772</u>
ASSETS			
Non-current assets		38,822,829	37,793,035
Property, plant and equipment	5	38,298,566	37,647,887
Long-term receivables	6	524,263	145,148
Current assets		5,153,687	37,928,737
Consumer debtors	7	2,611,028	21,893,562
Other debtors	8	339,492	6,047,436
Current portion of long-term debtors	6	-	124,000
Bank balances and cash	9	2,203,158	9,863,739
Total Assets		<u>43,976,508</u>	<u>75,721,772</u>

**SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2007**

	Note	2007 R	2006 R
REVENUE			
Service charges	10	10,064,035	7,192,932
Rental of facilities and equipment		74,364	67,755
Interest earned - external investments		48,564	-
Government grants and subsidies	11	15,849,258	18,524,193
Other income	12	8,433,687	3,825,086
Total Revenue		34,469,909	29,609,967
EXPENDITURE			
Employee related costs	13	11,406,134	12,761,000
Remuneration of Councillors	14	2,158,502	871,731
Depreciation		1,753,947	-
Repairs and maintenance		612,305	673,586
Interest paid	15	1,175	149,434
General expenses		8,844,498	4,484,539
Total Expenditure		24,776,561	18,940,290
SURPLUS/(DEFICIT) FOR THE YEAR		9,693,349	10,669,677

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Pre-GAMAP Old Reserves and Funds R	Government Grant Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2006				
Balance at 1 July 2005	3,047,127	-	18 951 106	21 998 233
Implementation of GAMAP (Note 18)	(3,047,127)	82,899	34,275,118	31,310,890
Restated balance	-	82,899	53,226,224	53,309,123
Surplus/(deficit) for the year			10 669 677	10 669 677
Capital grants used to purchase PPE	-	-	-	-
Offsetting of depreciation	-	-	-	-
Balance at 30 June 2006	-	82,899	63,895,901	63,978,800
2007				
Correction of error (Note 19)	-	-	(32,189,637)	(37,189,637)
Restated balance	-	82,899	26,706,264	26,789,163
Surplus/(deficit) for the year			9,693,349	9,693,349
Capital grants used to purchase PPE	-	2,290,219	(2,290,219)	-
Disposals of PPE	-	-	-	-
Offsetting of depreciation	-	(64,468)	64,468	-
Balance at 30 June 2007	-	2,308,650	34,173,862	36,482,511

SAKHISIZWE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		59,460,387	28,605,408
Cash paid to suppliers and employees		(27,463,602)	(16,001,210)
Cash generated from/(utilised in) operations	20	31,996,786	12,604,198
Interest received		48,856	-
Interest paid		(1,175)	(149,434)
NET CASH FROM OPERATING ACTIVITIES		32,044,175	12,454,764
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,469,093)	(1,159,667)
Decrease in non-current receivables		255,155	212,967
NET CASH FROM INVESTING ACTIVITIES		(2,213,978)	(946,700)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts/(Repayments) in Long term Loans		(94,971)	(91,601)
Increase/(Decrease) in funds and reserves		(36,012,007)	(8,054,745)
NET CASH FROM FINANCING ACTIVITIES		(36,106,978)	(8,146,346)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,276,781)	3,361,718
Cash and cash equivalents at the beginning of the year		8,479,940	5,118,222
Cash and cash equivalents at the end of the year	21	2,203,158	8,479,940

**SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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, except for the revaluation of land and buildings, which are carried at fair value.

[First – time Implementation of GAMAP/GRAP]

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year, GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 18.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

4 GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(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 (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(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/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>
Water infrastructure	25
Buildings	30
Motor Vehicles	5
Office equipment	3 - 7
Furniture and fittings	7-10

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.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

**SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

6 ACCOUNTS RECEIVABLES

Accounts receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

7 TRADE CREDITORS

Trade creditors are stated at their nominal value.

8 REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Economic entity and these benefits can be measured reliably.

8.1 Revenue from Rates

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

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

8.2 Service Charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

**SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

8.3 Fines

Income in respect of spot fines and summonses is recognised when received.

8.4 Rentals

Rentals are recognised on a time proportion basis.

8.5 Approved Tariff of Charges

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

8.6 Interest on Investments

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 unutilised conditional grants is allocated directly to the Creditor: Unutilised Conditional Grants if the grant conditions indicate that interest is payable to the funder.

8.7 Sale of Goods

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

8.8 Interest on Outstanding Debtors

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

8.9 Donations and Contributions

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

8.10 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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.

**SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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

10 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

11 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

12 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.

13 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.

**SAKHISIZWE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

14 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.

15 COMPARATIVE INFORMATION

15.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

15.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

16. 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 will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
1 LONG-TERM LIABILITIES		
Annuity Loans – DBSA	208 384	303 355
Less : Current portion transferred to current liabilities	(64 078)	(62 500)
	144 306	240 855
<p>The Municipality has two types of external loans repayable on a monthly basis. The interest rate is 15.25% and 16.75% per annum. The loans are not secured.</p>		
2 CREDITORS		
Consumer Deposits	210 246	166 749
Trade Creditors	1 028 241	4 994 484
Other creditors	330 671	1 031 878
Provisions Staff Leave	477 354	762 771
Total Creditors	2 046 513	6 955 882
3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
3.1 NON CASH BACKED		
General Valuation Fund	730 589	-
Mentoring and Annual Financial Statements	269 698	217 621
Finance Management Grant	436 545	-
Housing	919	96 187
Cmip	583 374	48 594
Msp/Msig	878 180	84 739
	2 899 305	
3.2 CASH BACKED		
Rural Infrastructure	170 130	85 257
Survey	145 854	246 336
Disaster Fund	86 048	74 111
General Valuation – Cala 388370658-351	223 823	291 507
Invest Ext 13&14	6 231	(305)
Invest Survey	128 935	84 299
Fund Ext 15	117 409	827 912
Invest IDP	56 761	60 151
Total Unspent Conditional Grant	935 191	2 211 103

See Note 11 for a reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.NO

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
4 VAT		
Vat payable	1 404 603	888 833

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

5 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 GAMAP 17. The municipality is in the process of itemising all infrastructure and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

5 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Other	Total
	R	R	R	R
Carrying values at 1 July 2006	22 667 119	10 403 311	4 577 459	37 647 888
<i>Cost</i>	25 407 111	13 692 109	7 961 867	47 061 088
<i>Correction of error</i>				
<i>Accumulated depreciation</i>	2 739 993	3 288 798	3 384 408	9 413 199
Additions	182 289	2 270 167	16536	2 469 093
Capital under Construction				
Depreciation	549 726	724 092	544 596	1 818 413
Disposals				
<i>Cost</i>				
<i>Accumulated depreciation</i>				
Impairment losses				
Other movements				
Carrying values at 30 June 2007	22 299 781	11 949 386	4 049 399	38 298 567
<i>Cost</i>	25 589 501	15 962 276	7 978 403	49 530 180
<i>Accumulated depreciation</i>	3 289 719	4 012 890	3 929 004	11 231 613

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

5 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2006

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Other	Total
	R	R	R	R
Carrying values at 1 July 2005	22 667 119	10 403 311	4 577 459	37 647 888
<i>Cost</i>	25 407 111	13 692 109	7 961 867	47 061 088
<i>Accumulated depreciation</i>	2 739 993	3 288 798	3 384 408	9 413 199
Additions				-
Capital under Construction				-
Depreciation				-
Disposals				-
<i>Cost</i>	-	-	-	-
<i>Accumulated depreciation</i>	-	-	-	-
Impairment losses	-	-	-	-
Other movements	-	-	-	-
Carrying values at 30 June 2006				
<i>Cost</i>				
<i>Correction of error</i>				
<i>Accumulated depreciation</i>				

No assets of the Municipality have been used to secure the long-term liability of municipality.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
6 LONG-TERM RECEIVABLES		
6.1 Car loans	269 148	21 148
Less: Current portion transferred to current receivables	-	124 000
Total	269 148	
<p>Prior to 1 July 2004 Senior staff were entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 5years.</p>		
6.2 Internal Loans		
Overspent Conditional Grants without Bank accounts	255 115	-
Total Long-term Loans	524 263	145 148
7 CONSUMER DEBTORS		
As at 30 June 2007		
Rate, Electricity, Water, Sewerages, Refuse Removal and Other	23 497 933	22 393 562
Provision for bad debts	(20 886 905)	(500 000)
Total	2 611 028	21 893 562
<u>Consumer Debtors: Ageing</u>		
Current (0 – 30 days)	251 703	-
31 - 60 Days	93 214	-
61 - 90 Days	81 725	-
Over 90 Days	2 184 386	-
Total	2 611 028	-

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007 **2006**
R R

Reconciliation of the bad debts provision

Balance at the beginning of the year	500 000	500 000
Contribution to the provision	20 886 905	-
Balance at end of the year	21 386 905	500 000

8 OTHER DEBTORS

Sundry debtors	339 492	6 047 436
Total Other Debtors	339 492	6 047 436

9 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Sakhisizwe FNB Bank Account – 62076523135

Cash book balance at beginning of year – overdrawn	-	-
Cash book balance at end of year – overdrawn	187 672	-

SAKHISIZWE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Bank statement balance at beginning of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>77 516</u>	<u>-</u>
 Sakhisizwe Standard Bank Account – 280585330		
Cash book balance at beginning of year	<u>-</u>	<u>-</u>
Cash book balance at end of year	<u>7 796</u>	<u>-</u>
 Bank statement balance at beginning of year	 <u>19 830</u>	 <u>-</u>
Bank statement balance at end of year	<u>7 796</u>	<u>-</u>
 <u>Savings Account/ Call Account Deposits</u>		
Cash book balance at beginning of year	<u>3 526 074</u>	<u>3 526 074</u>
Cash book balance at end of year	<u>2 015 486</u>	<u>9 863 739</u>
 Bank statement balance at beginning of year	 <u>3 526 074</u>	 <u>3 526 074</u>
Bank statement balance at end of year	<u>2 015 486</u>	<u>9 863 739</u>
 10 SERVICE CHARGES		
Rates, Water, Electricity, Refuse and Sanitation	<u>10 064 035</u>	<u>7 192 933</u>
 Total Service Charges	 <u>10 064 035</u>	 <u>7 192 933</u>

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
11 GOVERNMENT GRANTS AND SUBSIDIES		
Municipal System Improvement Grant	375 512	-
General Valuations	510 000	-
Municipal Improvement Grant	2 302 155	-
Mentoring And Annual Financial Statements	130 302	-
ICT	30 856	-
Establishment of Ward Committees	42 180	-
Finance Management Grant	146 486	-
Opening of Road	152 093	-
Building of Pound – Guard Houses	196 024	-
 SUBSIDIES		
Equitable Share	11 369 105	-
Health and Environmental Affairs Subsidy	594 545	-
 Total Government Grant and Subsidies	15 849 258	18 524 193

11.1 Equitable Share

The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
11.3 MIG Grant		
Balance unspent at beginning of year	48 594	-
Current year receipts	2 836 935	-
Conditions met - transferred to revenue	2 302 155	-
Conditions still to be met - transferred to liabilities (see note 6)	583 374	-

This grant was used to construct infrastructure as part of the upgrading of informal settlement areas (included in the contributions to local bodies in general expenses). No funds have been withheld.

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.

12 OTHER INCOME

Traffic Income, Fines, Admin and sundry income	8 433 687	3 825 086
Total Other Income	8 433 687	3 825 086

13 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages	6 920 236	12 761 000
Employee related costs - Contributions for UIF, pensions and medical aids	1 403 454	-
Housing, Telephone, Motor Vehicles and Rural Allowances	39 323	-
Overtime payments	562 091	-
Performance bonus	632 490	-
Total Employee Related Costs	9 557 594	12 761 000

There were no advances to employees. Loans to employees are set out in note 6.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
13 EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	498 968	-
Performance Bonuses	60 942	-
Car Allowance	160 550	-
Housing and Telephone Allowances	58 214	-
Contributions to UIF, Medical and Pension Funds	1 169	-
Total	779 843	-
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	249 529	-
Housing, Telephone and Motor Vehicle Allowances	106 703	-
Total	356 232	-
	<u>Corporate</u> <u>Services</u> R	<u>Technical</u> <u>Services</u> R
30 June 2007		
Annual Remuneration	253 762	249 529
Housing, Telephone and Motor Vehicle Allowances	102 470	106 703
Total	356 232	356 232

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2007
	R	R
14 REMUNERATION OF COUNCILLORS		
Mayor	331 933	200 395
Councillors	<u>1 157 961</u>	<u>-</u>
Total Councillors' Remuneration	<u>1 489 894</u>	<u>200 395</u>

In-kind Benefits

The Mayor, is full-time. She is provided with an office and secretarial support at the cost of the Council.

The Mayor has a Car allowance, she does not use Municipality owned vehicle for official duties.

15 INTEREST PAID

Long-term liabilities	-	-
Bank overdrafts	<u>1 175</u>	<u>149 434</u>
Total Interest on External Borrowings	<u>1 175</u>	<u>149 434</u>

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
<p>The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -</p>		
18.1 Statutory Funds		
Balance previously reported: -		
Revolving Fund		3 047 127
Loan redeemed and other capital receipts		-
Total		<u><u>3 047 127</u></u>
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 18.5 below)		2 964 228
Transferred to Government Grant Reserve		82 899
Total		<u><u>3 047 127</u></u>
18.2 Provisions and Reserves		
Balance previously reported		
Balancing Government Grant and Reserve		(5 997 284)
Total		<u><u>(5 997 284)</u></u>
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 18.5 below)		<u><u>(5 997 284)</u></u>
18.3 Property, plant and equipment		
Balance previously reported		339 714
Implementation of GAMAP		
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 26.7 below)		46 721 374
Total		<u><u>47 061 088</u></u>

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18.4 Accumulated Depreciation		
Balance previously reported		-
Implementation of GAMAP		
Backlog depreciation: Land and buildings		(2 739 993)
Backlog depreciation: Infrastructure		(3 269 548)
Backlog depreciation: Other		(3 403 659)
Total (debited to Accumulated Surplus/(Deficit)) (see 18.5 below)		<u><u>(9 413 200)</u></u>
 18.5 Accumulated Surplus/(Deficit)		
Implementation of GAMAP		
Transferred from statutory funds (see 18.1 above)		(2 964 228)
Excessive provisions and reserves no longer permitted (see 18.2 above)		5 997 284
Fair value of Property, Plant and Equipment previously not recorded (see 18.3 above)		(46 721 374)
Backlog depreciation (see 18.4 above)		9 413 200
Total		<u><u>(34 275 118)</u></u>

19 CORRECTION OF ERROR

During the year ended 30 June 2007, the old unexplained balances in the General Ledger were written off to Accumulated Surplus/(Deficit) as per Council resolution : -

The comparative amount has been restated as follows: -

Corrections of improvements to library buildings expensed as repairs and maintenance	-	-
Various Accounts Balances		31 189 637
Depreciation	-	-
Net effect on surplus/(deficit) for the year	-	<u><u>37 189 637</u></u>

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
20 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	9 693 348	10 669 677
Adjustment for:-		
Depreciation	1 753 947	-
Interest paid	1 175	149 434
Investment income	(48 564)	-
	11 399 906	10 819 111
Operating surplus before working capital changes:		
(Increase)/decrease in debtors	24 990 478	(1 004 559)
(Increase)/decrease in other debtors	-	-
(Decrease)/increase in conditional grants and receipts	-	-
Increase in creditors	(4 393 599)	2 789 646
Increase in VAT		
	31 996 786	12 604 198
Cash generated by/(utilised in) operations	31 996 786	12 604 198
 21 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash	2 203 158	9 863 739
Bank overdrafts	-	(1 383 799)
	2 203 158	8 479 940
Total cash and cash equivalents	2 203 158	8 479 940

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
22 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 1)	-	-
Used to finance property, plant and equipment – at cost	-	-
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash required for repayment of long-term liabilities	-	-

Municipality has not created any setting aside of cash as these loans are old. Repayments are done out of normal generated receipts.

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

23.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 13)	-	-
Unauthorised expenditure awaiting authorization	-	-

Incident

*Unbudgeted expenditure - **Municipality has no unbudgeted expenditure.***

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
23	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)		

23.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 46)	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	-	-

Incident

Municipality has no breaches of any rules.

23.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-
	-	-

Incident

Municipality has no litigation against its employees.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>24.1 Contributions to organized local government</u>		
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

24.2 Audit fees

Opening balance	-	776 054
Current year audit fee	-	(53 112)
Amount paid - current year	-	0
Amount paid - previous years	-	0
Balance unpaid (included in creditors)	-	722 942

The balance unpaid represents provision of the audit fee for June 2002 and is payable after an audit has been conducted.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

24.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 4. All VAT returns have been submitted by the due date throughout the year.

24.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
	-	-
Balance unpaid (included in creditors)	-	-

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

24.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
	-	-
Balance unpaid (included in creditors)	-	-

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R

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

The Municipality has not developed a supply chain management policy due to non adoption of Supply Chain Management Policy.

25 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	-	-
<i>Infrastructure</i>	-	-
<i>Other</i>	-	-
- Approved but not yet contracted for	-	-
<i>Infrastructure</i>	-	-
<i>Other</i>	-	-
Total	-	-
This expenditure will be financed from:		
- Government Grants	-	-
	-	-

SAKHISIZWE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007

2006

R

R

26 RETIREMENT BENEFIT INFORMATION

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 2004. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R..... which is adequately financed by assets of R.....

An amount of R..... (2006 : R.....) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

27 IN-KIND DONATIONS AND ASSISTANCE

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

Description

- Development of Integrated Development Plan by donor agency

28 CONTINGENT LIABILITY

Claim for damages

===== - =====

Litigation in respect of suspended Chief Finance Officer was on going at 30 June 2007.

29 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgetedis set out in Annexures D(1) and D(2).

APPENDIX A
SAKHISIZWE MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007
2007

Category	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening	Depreciation	Disposals	Closing Balance	Carrying Value
Land and buildings	25 407 111	182 389			25 589 500	2 739 992	549 726		3 289 718	22 299 781
Land	8 967 156				8 967 156				0	8 967 156
Municipal Buildings	16 439 955	182 389			16 622 344	2 739 992	549 726		3 289 718	13 332 625
Infrastructure	11 672 108	2 270 167			13 942 275	2 783 798	623 091		3 406 889	10 535 386
Roads	145 584	2 270 167			2 415 752	72 792	80 890		153 682	2 262 070
Water	7 191 024				7 191 024	1 797 756	359 551		2 157 307	5 033 717
Security	115 500				115 500	19 250	3 850		23 100	92 400
Electricity	3 220 000				3 220 000	644 000	128 800		772 800	2 447 200
Sewerage	1 000 000				1 000 000	250 000	50 000		300 000	700 000
Other assets	9 981 865	16 536			9 998 401	3 889 406	645 594		4 535 001	5 463 400
Furniture and fittings	747 879	16 536			764 415	534 199	108 217		642 417	121 998
Motor vehicles	2 416 038				2 416 038	805 346	161 069		966 415	1 449 623
Computer equipment	612 536				612 536	612 536	0		612 536	1 00
Office equipment	8 137				8 137	8 136	0		8 136	1 00
Emergency equipment	47 648				47 648	47 647	0		47 647	1 00
Plant & machinery	4 129 627				4 129 627	1 376 542	275 308		1 651 850	2 477 777
Recreational facilities	2 020 000				2 020 000	505 000	101 000		606 000	1 414 000
Total	47 061 087	2 469 092			49 530 180	9 413 199	1 818 413		11 231 613	38 298 567

APPENDIX B

SAKHISIZWE MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2007

Department	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
Municipal Council	82 041				82 041	38 369	7 674		46 043	35 998
Administration	339 489				339 489	19 7 17	29 391		49 108	290 381
Law enforcement	575 214	16 536			591 750	253 809	39 587		293 396	298 354
Technical services	3 225 888	2 126 417			5 352 305	1 091 566	277 881		1 369 447	3 982 858
Sewerage	1 342 688				1 342 688	364 229	72 845		437 074	905 614
Health services and abattoirs	844 913				844 913	365 893	60 393		426 286	418 627
Sports field	3 153 610				3 153 610	501 864	100 372		602 236	2 551 374
Housing Development	40 650				40 650	35 595	2 527		38 122	2 528
Water operations	7 524 595				7 524 595	1 930 247	383 822		2 314 069	5 210 526
Municipal manager	70 294				70 294	65 320	2 487		67 807	2 487
Commonage pound	23 740 696	182 389			23 923 085	2 939 756	553 211		3 492 967	20 430 118
Financial management	510 963				510 963	468 877	19 413		488 290	22 673
Stores	43 288				43 288	14 429	2 886		17 315	25 973
Fuse removal	1 944 052				1 944 052	470 683	94 130		564 813	1 379 239
Cemetery	211 085	143 750			354 835	75 375	18 669		94 044	260 791
Library	79 575				79 575	56 839	11 368		68 207	11 368
Led ISRDS	33 944				33 944	24 245	4 849		29 094	4 850
Electricity	3 298 102				3 298 102	696 386	136 908		833 294	2 464 808
Total	47 061 087	2 469 092			49 530 179	9 413 199	1 818 413		11 231 613	38 298 567

APPENDIX C

SAKHISIZWE MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2007

2006			Department	2007		
Revenue	Expenses	Surplus/ (Deficit)		Revenue	Expenses	Surplus/ (Deficit)
R	R	R		R	R	R
0	910 164	(907 677)	Municipal Council	10	2 468 643	(2 468 633)
0	1 444 131	(1 444 131)	Town clerk	3 267	866 636	(863 369)
10 520 808	2 061 422	8 459 386	Administration	13 714 385	3 712 796	10 001 589
0	193 229	(193 229)	Administration Building	595	8 133	(7 538)
0	75 010	(75 010)	Communications	15	331 712	(331 697)
30 922	0	30 922	Commonage	101 749	188 201	(86 452)
37 343	286 365	(249 022)	Public Buildings	1 257 654	5 429	1 252 225
3 540	163 231	(159 691)	Pound	1 048 670	198 157	850 513
0	2 310	(2 310)	Technical Service Manager		105 358	(105 358)
975 996	636 669	(339 327)	Traffic/Law Enforcement	2 000	589 118	(587 118)
9 894 201	2 061 143	7 833 058	Treasure	6 757 520	3 569 468	3 188 052
0	1 470 147	(1 470 147)	Public works	391 965	958 070	(566 105)
0	44 994	(44 994)	Workshop			
0			Stores		355 792	(355 792)
0	408 201	(408 210)	Buildings			
1 090 456	1 193 112	(102 656)	Sewerage	1 953 089	1 208 202	744 887
1 266 316	1 721 916	(455 600)	Refuse removal	1 799 248	1 826 867	(27 619)
7 696	332 905	(325 209)	Parks & public places	10 580	388 223	(377 643)
0	890 833	(890 833)	Clinic / health & abbato	347 176	1 088 543	(741 367)
1 959 186	90 434	1 868 752	Health Insp . envir . aff. &	256 990	4 428	252 562
9 294	146 758	(137 464)	Cemetary	670 182	157 622	512 560
			Community / town hall		5 302	(5 302)
0	100 825	(100 825)	Sport fields		934 084	(934 084)
5 785	194 177	(188 392)	Libraries	118 549	197 631	(79 082)
4 659	0	4659	Caravan park			
	88 056	(88 056)	Housing	721 168	455 153	266 015
			LED ISRDS			
			Disaster			
1 614 553	1 736 764	(122 231)	Water trading account	2 671 128	3 509 069	(837 941)
2 189 178	2 620 467	(431 288)	Electric trading account	2 643 971	1 643 933	1 000 038
29 609 966	18 940 290	10 669 676	Total	34 469 909	24 776 561	9 693 348

APPENDIX D(1)

SAKHISIZWE MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u> <u>Actual (R)</u>	<u>2007</u> <u>Budget (R)</u>	<u>2007</u> <u>Variance (R)</u>	<u>2007</u> <u>Variance</u> <u>(%)</u>	<u>Explanation of Significant Variances</u> <u>greater than 10% versus Budget</u>
Revenue					
Service charges	10 064 035	9 966 550	(97 485)	(10)	<i>(Explanations to be recorded)</i>
Interest on outstanding debtors	2 169 412	90 000	(2 079 412)	(2310)	
Rental of facilities and equipment	74 364	331 320	256 956	78	
Interest earned - external investments	48 564	325 000	276 436	85	
Other income	6 264 275	222 000	(6 042 275)	(955)	
Government grants & subsidies	15 849 258	65 538 135	49 688 877	76	
Total Revenue	34 469 908	76 473 005	(42 003 096)		
Expenditure					
Municipal Council	2 468 643	3 594 850	1 126 207	31	
Town clerk	866 636	-	(866 636)	(100)	
Finance & Administration	7 282 264	10 243 885	2 961 621	28	
Administration building	8 133	-	(8 133)	(100)	
Public buildings	5 429	-	(5 429)	(100)	
Community & social services	388 223	5 262 930	4 874 707	93	
Housing Development	455 143	57 995 140	57 539 997	99	
Planning & Development	-	373 150	373 150	100	
Public safety	-	1 864 715	1 864 715	100	
Municipal rates	198 157	-	(198 157)	(100)	
Technical service manager	105 358	-	(105 358)	(100)	
Treasure	331 712	-	(331 712)	(100)	
Public works	958 070	-	(958 070)	(100)	
Workshop	188 201	-	(188 201)	(100)	
Stores	355 792	-	(355 792)	(100)	
Refuse removal	1 826 867	-	(1 826 867)	(100)	
Parks & public places	589 118	-	(589 118)	(100)	
Libraries	197 631	-	(197 631)	(100)	

Led ISRDS	-	-	-	-
Disaster	-	-	-	-
Cemetery	157 622	-	(157 622)	(100)
Road Transport		6 131 465	6 131 465	100
Sport & recreation	1 208 202		(1 208 202)	(100)
Waste management	934 084	692 600	(241 484)	(34)
Water waste management		3 399 970	3 399 970	100
Primary Health Care		19 412 605	19 412 605	100
Water distribution	1 092 971	2 306 005	1 213 034	53
Community Hall	5 302		(5 302)	(100)
Water distribution	3 509 069	25 782 525	22 273 456	86
Electricity	1 643 933	6 884 995	5 241 062	76
Total Expenditure	24 776 561	143 944 835	119 168 274	83
Surplus/deficit	9 693 347	67 471 830	77 165 177	115

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance			
		Sept	Dec	March	June	Sept	Dec	March	June							
MSIG		367 000	367 000			287 481	130 302		88 030							
GEN VAL		220 000		292 968			220 000		290 000							
MIG			482 000	1 804 635		132 745		922 688	383 379							
AFS		350 000		50 000			130 302									
ICT		50 000				15 787	15 070									
W COM			40 000					42 180								
FMG			500 000			33 245	37 764	55 563	19 923							
DOT-R		108 200				152 093										
DOT-P		196 461						81 000	115 033							
SUBSIDIES																
Equitable Share		3 790 460	2 842 277	4 736 368												
Health Subsidy		239 869	171 335	171 335												
		5 321 990	4 402 612	5 253 110		621 351	533 438	1 101 431	896 365							