

# Sakhisizwe Local Municipality



## Financial Statements

2008 - 2009

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

<b>INDEX</b>	<b>Page</b>
Statement of Financial Position	<b>1</b>
Statement of Financial Performance	<b>2</b>
Statement of Change in Net Assets	<b>3</b>
Cash Flow Statement	<b>4</b>
Accounting Policies	<b>5 - 14</b>
Notes to the Annual Financial Statements	<b>15 - 32</b>
Appendix A: Analysis of Property Plant & Equipment	<b>33</b>
Appendix B: Analysis of Property, Plant and Equipment	<b>34</b>
Appendix C: Segmental Analysis of Property, Plant and Equipment	<b>35</b>
Appendix D (1): Actual versus Budget (Revenue and Expenditure)	<b>36</b>

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 36 , 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.

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T. SAMUEL  
**Municipal Manager**

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28 August 2008  
**Date**

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

	Note	2009 R	2008 R
<b>ASSETS</b>			
<b>Current assets</b>			
		<b>38,161,269</b>	<b>32,439,491</b>
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	-
<b>Non-current assets</b>			
		<b>51,562,139</b>	<b>31,277,180</b>
Property, plant and equipment	8	51,562,139	31,203,564
Intangible assets		-	73,616
<b>Total Assets</b>		<b><u>89,723,408</u></b>	<b><u>63,716,671</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		<b>9,807,570</b>	<b>8,821,015</b>
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	2,984,865	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
<b>Non-current liabilities</b>			
		<b>4,092,686</b>	<b>626,811</b>
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	-
<b>Total Liabilities</b>		<b><u>13,900,256</u></b>	<b><u>9,447,826</u></b>
<b>Net assets</b>		<b><u>75,823,152</u></b>	<b><u>54,268,845</u></b>
<b>Net assets</b>		<b>75,823,152</b>	<b>54,268,845</b>
Accumulated Surplus/(Deficit)		75,823,152	54,268,845
<b>Total Net Assets and Liabilities</b>		<b><u>75,823,152</u></b>	<b><u>54,268,845</u></b>

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

	Note	2009 R	2008 R
<b>REVENUE</b>			
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
<b>Total Revenue</b>		<b>42,445,387</b>	<b>37,524,388</b>
<b>EXPENDITURE</b>			
Employee related costs	13	15,147,488	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
<b>Total Expenditure</b>		<b>48,104,541</b>	<b>38,380,641</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(5,659,154)</b>	<b>(856,253)</b>

**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
<b>2008</b>			
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
<b>Restated balance</b>	<b>2,308,650</b>	<b>36,751,442</b>	<b>39,060,092</b>
Surplus/(deficit) for the year		(856,253)	-856,253
Correction of error (Note 19)	(2,308,650)	18,373,656	16,065,006
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>54,268,845</b>	<b>54,268,845</b>
<b>2009</b>			
Correction of error (Note 19)	-	27,213,462	27,213,462
<b>Restated balance</b>	<b>-</b>	<b>81,482,306</b>	<b>81,482,306</b>
Surplus/(deficit) for the year		(5,659,154)	(5,659,154)
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>75,823,152</b>	<b>75,823,152</b>

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

	Note	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
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		(17,316,852)	(15,996,528)
Cash paid to Suppliers		(10,194,460)	(6,437,394)
Other payments		(13,333,625)	(14,083,142)
<b>Net cash flows from operating activities</b>	20	<b>(2,769,896)</b>	<b>18,571,859</b>
Interest received		1,826,161	628,010
Interest paid		(93,274)	(77,498)
Journals (non-cashflow)		2,302,917	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,265,908</b>	<b>19,122,371</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(58,956)</b>	<b>(4,893,299)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts/(Repayments) in Long term Loans		(167,945)	984,940
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(167,945)</b>	<b>984,940</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
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	<b>18,336,137</b>	<b>17,297,130</b>

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

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## 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:

<b>GRAP 1</b> - Presentation of Financial Statements
<b>GRAP 2</b> - Cash Flow Statements
<b>GRAP 3</b> - Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b> - The Effects of Changes in Foreign Exchange Rates
<b>GRAP 5</b> – Borrowing Costs
<b>GRAP 6</b> - Consolidated Financial Statements and Accounting for Controlled Entities
<b>GRAP 7</b> - Accounting for Investments in Associates
<b>GRAP 8</b> - Financial Reporting of Interests in Joint Ventures
<b>GRAP 9</b> – Revenue
<b>GRAP 12</b> – Inventories
<b>GRAP 13</b> - Leases
<b>GRAP 16</b> – Investment Property
<b>GRAP17</b> - Property, Plant and Equipment
<b>GRAP 19</b> - Provisions, Contingent Liabilities and Contingent Asset
<b>GRAP 23</b> – 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. Further reference to the application of Directive 4 has been made in the relevant accounting policies below.



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

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## **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

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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

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## **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

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## **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

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## **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. In terms of Directive 4, as the municipality was not able to establish an accurate value separately for land and buildings, the municipality has disclosed land & buildings at a value of R1 per asset and will take advantage of the allowed three year transitional period, in which to have the land and buildings accurately and independently valued. 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

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### Depreciation and impairment losses

Depreciation is calculated on cost less residual value, using the straight line method over the estimated useful lives for all assets. 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 written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

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## 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.
- 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.

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

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



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

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## **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**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>1 BORROWINGS</b>		
Annuity Loans – DBSA	-	-
Total	<u>-</u>	<u>-</u>
Less : Current portion transferred to current liabilities	-	-
<b>Total long-term borrowings</b>	<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>
	<b>678,306</b>	<b>815,687</b>
Less : Current portion to be settled within 12 months	<u>(219,440)</u>	<u>(188,876)</u>
<b>Total Finance Lease Liabilities</b>	<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
<b>Amounts payable under finance lease: 2009</b>			
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><b>790,427</b></u>	<u><b>112,121</b></u>	<u><b>678,306</b></u>
Less : Current portion to be settled within 12 months			<u>219,440</u>
			<u><b>458,866</b></u>

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	R	R	R
<b>Amounts payable under finance lease: 2008</b>			
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><b>1,035,943</b></u>	<u><b>220,256</b></u>	<u><b>815,687</b></u>
Less : Current portion to be settled within 12 months			<u>188,876</u>
			<u><b>626,811</b></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 Hani Agency Account.

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

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
	<b>349,291</b>	<b>322,388</b>

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	-
	-	-
<b>Total Unspent Conditional Grants and receipts</b>	<b>5,751,169</b>	<b>2,770,502</b>
Non-current unspent Conditional Grants and receipts	-	-
Current portion of unspent Conditional Grants and receipts	<b>5,751,169</b>	<b>2,770,502</b>

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
<b>6 VAT PAYABLE</b>		
Vat payable	-	<b>853,193</b>
<b>7 VAT RECEIVABLE</b>		
Vat receivable	1,568,967	-
	<b>1,568,967</b>	-

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.

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

**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
<b>Carrying values at 1 July 2008</b>	<b>8,110,060</b>	<b>7,714,078</b>	<b>7,845,460</b>	<b>7,533,966</b>	<b>31,203,564</b>
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
<b>Carrying values at 30 June 2009</b>	<b>3,516</b>	<b>44,942,198</b>	<b>3,975,176</b>	<b>2,641,249</b>	<b>51,562,139</b>
Cost	8,252,085	9,418,978	14,646,460	13,348,796	45,666,319
Other movements	(8,106,544)	37,228,120	(3,870,284)	(103,581)	25,147,711
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
<b>Carrying values at 1 July 2007</b>	<b>8,134,095</b>	<b>9,761,215</b>	<b>8,212,793</b>	<b>7,030,313</b>	<b>33,138,416</b>
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)
<b>Carrying values at 30 June 2008</b>	<b>8,110,060</b>	<b>7,714,078</b>	<b>7,845,460</b>	<b>7,533,966</b>	<b>31,203,564</b>
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
<b>Carrying values at 1 July 2008</b>	<b>73,616</b>	-	-	-	<b>73,616</b>
Cost	156,617	-	-	-	156,617
Correction of error	-	-	-	-	-
Accumulated depreciation	(83,001)	-	-	-	(83,001)
Additions	-	-	-	-	-
Capital under Construction	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	<b>73,616</b>	-	-	-	<b>73,616</b>
Cost	156,617	-	-	-	156,617
Accumulated depreciation	(83,001)	-	-	-	(83,001)
Impairment losses	-	-	-	-	-
Other movements (Correction depreciation)	-	-	-	-	-
<b>Carrying values at 30 June 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-

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

<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE 9 TRANSACTIONS</b>	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balances</b>
<b><u>Trade receivables</u></b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 30 June 2009</b>			
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
<b>Sub-total</b>	<b>31,976,952</b>	<b>13,771,393</b>	<b>18,205,559</b>
Service Debtors in credit balance (disclosed as Trade Creditors)	40,252	-	40,252
<b>Total</b>	<b>32,017,204</b>	<b>13,771,393</b>	<b>18,245,811</b>

**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
<b>Total</b>	<b>25,823,231</b>	<b>11,060,083</b>	<b>14,763,146</b>

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

**SAKHISIZWE LOCAL MUNICIPALITY**

**TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**  
**9 (continued)**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b><u>Rates: Ageing</u></b>		
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
<b>Total</b>	<b>7,191,230</b>	<b>6,642,997</b>
<b><u>Electricity &amp; Refuse: Ageing</u></b>		
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
<b>Total</b>	<b>11,339,441</b>	<b>11,739,580</b>
<b><u>Other service debtors: Ageing</u></b>		
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
<b>Total</b>	<b>67,046</b>	<b>29,399</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

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

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	-
<b>SUBSIDIES</b>		
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	-
<b>Total Government Grant and Subsidies</b>	<b>28,300,777</b>	<b>18,906,214</b>

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.



**SAKHISIZWE LOCAL MUNICIPALITY**

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

**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	3,612,701	2,033,114
Housing, Telephone, Motor Vehicles and Rural Allowances	767,571	757,600
Overtime payments	331,765	792,453
Leave pay	2,811,133	-
Performance bonus	-	792,200
<b>Total Employee Related Costs</b>	<b>16,956,749</b>	<b>13,640,523</b>

***Remuneration of the Municipal Manager***

Annual Remuneration	439,257	480,577
Annual Bonuses	34,523	78,400
Leave Pay	589,298	-
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
<b>Total</b>	<b>1,347,000</b>	<b>781,054</b>

***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
<b>Total</b>	<b>596,443</b>	<b>160,445</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

**13 EMPLOYEE RELATED COSTS (continued)**

**2009**

**2008**

**R**

**R**

<b>2009</b>	<i>Corporate Services</i>	<i>Technical Services</i>	<i>IPED</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
<b>Total</b>	<b>502,583</b>	<b>513,798</b>	<b>520,291</b>

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

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

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	20,099	67,536
Councillors allowances	401,407	484,165
<b>Total Councillors' Remuneration</b>	<b>2,169,364</b>	<b>2,356,005</b>

***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.

**SAKHISIZWE LOCAL MUNICIPALITY**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>15 INTEREST PAID</b>		
Long-term liabilities	93,274	77,498
<b>Total Interest on External Borrowings</b>	<b>93,274</b>	<b>77,498</b>

**16 PROVISIONS**

Provisions Staff Bonus	269,409	-
Provisions Staff Leave	2,715,456	477,354
<b>Total Provisions</b>	<b>2,984,865</b>	<b>477,354</b>

The movement in the current provisions are reconciled as follows:

	<b>Provisions Staff Bonus</b>	<b>Provisions Staff Leave</b>
<b>30 June 2008</b>	-	477,354
Contributions to provision	269,409	2,715,456
Adjustments ito GRAP 19 (refer to note above on contingent liability)	-	<b>(477,354)</b>
<b>30 June 2009</b>	<b>269,409</b>	<b>2,715,456.00</b>

**17 NON-CURRENT PROVISIONS**

Provision for rehabilitation of landfill sites	1,920,000	-
<b>Total Non-Current Provisions</b>	<b>1,920,000</b>	-

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.

**SAKHISIZWE LOCAL MUNICIPALITY**

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

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.

**SAKHISIZWE LOCAL MUNICIPALITY**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>19 CORRECTION OF ERROR</b>		
<u>Adjustments effected to Accumulated Surplus were as follows:-</u>		
<b><u>VAT:</u></b>		
Net balance of VAT adjusted for unknown opening balance from 2008.		(1,432,560)
<b><u>Long-term liabilities:</u></b>		
Adjustment of prior year balance of Wesbank Loans.		6,360
<b><u>PPE:</u></b>		
Adjustments to the cost price and accumulated depreciation in order to reflect the FAR updated with a physical verification as at 30 June 2009		(15,380,149)
Adjustment of depreciation for current year		(4,715,103)
Adjustment against take-on balances		1,700,731
<b><u>Accounts receivable:</u></b>		
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)
<b><u>Cash &amp; cash equivalents:</u></b>		
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)
<b><u>Accounts Payable:</u></b>		
Adjustment to prior year creditors balance		(1,923,123)
Adjustment of unknown Consumer Deposits for the Town Hall & Dam		(52,851)

**SAKHISIZWE LOCAL MUNICIPALITY**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>19 CORRECTION OF ERROR (continued)</b>		
<b><u>Chris Hani Agency Account:</u></b>		
Prior year Water & Sanitation profit adjusted against appropriation account		(4,825,157)
<b><u>Investments:</u></b>		
Adjustment of investment balances for unknown differences		44,507
<b><u>Other:</u></b>		
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/>
<b>Net effect on surplus/(deficit) for the year (decrease)</b>		<b><u><u>(27,213,462)</u></u></b>
 <b>The comparative amounts have been restated as</b>		
 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/> <b><u><u>5,561,687</u></u></b> <hr/>

**20 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	(5,659,154)	2,897,573
<b>Adjustment for:-</b>		
Depreciation and amortisation	4,715,102	2,017,964
Contribution to provision - non-current	1,920,000	-
Contribution to provision - current	2,507,511	-
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)
	<hr/>	
<b>Operating surplus before working capital changes:</b>	<b>3,559,833</b>	<b>4,133,138</b>
(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 receipts	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	-
	<hr/>	
<b>Cash generated by/(utilised in) operations</b>	<b>(2,769,896)</b>	<b>18,571,859</b>

**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)
<b>Total cash and cash equivalents</b>	<b>18,336,137</b>	<b>17,297,130</b>

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
	<hr/>	
	<b>18,336,137</b>	<b>17,312,921</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>

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	<u><b>759,353</b></u>	<u><b>634,567</b></u>
Bank statement balance at beginning of year	211,764	77,516
Bank statement balance at end of year	<u><b>204,891</b></u>	<u><b>211,764</b></u>

**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	<u><b>17,576,784</b></u>	<u><b>16,678,354</b></u>
Bank statement balance at beginning of year	16,678,354	1,754,938
Bank statement balance at end of year	<u><b>17,576,784</b></u>	<u><b>16,678,354</b></u>

**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	<u>(678,306)</u>	<u>(815,687)</u>
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

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



**SAKHISIZWE LOCAL MUNICIPALITY**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND</b>		
<b>23 WASTEFUL EXPENDITURE DISALLOWED</b>		
<b><u>23.1 Unauthorised expenditure</u></b>		
Reconciliation of unauthorised expenditure:		
Opening balance	-	-
Unauthorised expenditure: current year	13,435,017	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	13,435,017	-

*Unauthorised expenditure was due to the overspending on the budget in the following divisions:*

Executive and Council	2,193,453
Finance and Administration	22,276
Community and Social Services	37,489
Public Safety	597,772
Housing	1,323,177
Road Transport	6,651,950
Electricity	2,608,900
	13,435,017

**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 irregular expenditure during the current year.*

**SAKHISIZWE LOCAL MUNICIPALITY**

	2009	2008
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	R	R
<b><u>24.1 Contributions to organized local government</u></b>		
Opening balance		
Council subscriptions	133,601	59,737
Amount paid - current year	(133,601)	(59,737)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b><u>24.2 Audit fees</u></b>		
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	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>1,187,756</b>
<b><u>24.3 VAT</u></b>		

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.

**SAKHISIZWE LOCAL MUNICIPALITY**

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

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	<b>(1,142,920.00)</b>	<b>(2,364,885)</b>
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**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>	-	-
<b>Total</b>	<b>-</b>	<b>9,600,000</b>

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 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
<b>Land and buildings</b>	<b>8,252,085</b>	-	-	-	<b>8,252,085</b>	<b>142,025</b>	-	<b>142,025</b>	<b>(8,106,544)</b>	<b>3,516</b>
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
<b>Infrastructure</b>	<b>9,418,978</b>	-	-	-	<b>9,418,978</b>	<b>1,704,900</b>	-	<b>1,704,900</b>	<b>37,228,120</b>	<b>44,942,198</b>
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	37,272,885	39,917,637
Security	115,500	-	-	-	115,500	115,500	-	115,500	-	-
Sewerage	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
<b>Community assets</b>	<b>14,646,460</b>	-	-	-	<b>14,646,460</b>	<b>6,801,001</b>	-	<b>6,801,001</b>	<b>(3,870,284)</b>	<b>3,975,175</b>
Caravan parks	20,000	-	-	-	20,000	4,667	-	4,667	(15,333)	-
Care centres	345,000	-	-	-	345,000	82,875	-	82,875	(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	7,650,000	-	-	-	7,650,000	5,696,250	-	5,696,250	(1,853,750)	-
Landfill sites	1,626,460	-	-	-	1,626,460	-	-	-	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)	-
<b>Other assets</b>	<b>13,259,277</b>	<b>89,520</b>	-	-	<b>13,348,797</b>	<b>5,725,310</b>	<b>4,878,656</b>	<b>10,603,966</b>	<b>(103,861)</b>	<b>2,641,250</b>
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	4,659,298	-	-	-	4,659,298	3,355,621	2,371,390	5,727,011	2,021,664	853,951
<b>Total PPE</b>	<b>45,576,800</b>	<b>89,520</b>	-	-	<b>45,666,320</b>	<b>14,373,236</b>	<b>4,878,656</b>	<b>19,251,892</b>	<b>25,147,711</b>	<b>51,562,139</b>
<b>Intangible Assets</b>	<b>156,617</b>	-	-	-	<b>156,617</b>	<b>83,001</b>	-	<b>83,001</b>	<b>(73,616)</b>	-
Computer software	156,617	-	-	-	156,617	83,001	-	83,001	(73,616)	-
<b>Total</b>	<b>45,733,417</b>	<b>89,520</b>	-	-	<b>45,822,937</b>	<b>14,456,237</b>	<b>4,878,656</b>	<b>19,334,893</b>	<b>25,074,095</b>	<b>51,562,139</b>

**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	-	165,471	470,188	456,504
Finance & Admin	18,144,397	89,520	-	-	18,233,917	6,635,695	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	39,203,745	40,646,919
Water	-	-	-	-	-	-	146,184	-	146,184	146,184	-
Electricity	6,491,713	-	-	-	6,491,713	1,359,157	148,027	-	1,507,184	181,104	5,165,633
<b>Total</b>	<b>45,733,417</b>	<b>89,520</b>	<b>-</b>	<b>-</b>	<b>45,822,937</b>	<b>14,456,237</b>	<b>4,878,656</b>	<b>-</b>	<b>19,334,893</b>	<b>25,074,095</b>	<b>51,562,139</b>

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

<b>2008 Actual Income R</b>	<b>2008 Actual Expenditure R</b>	<b>2008 Surplus/ (Deficit) R</b>		<b>2009 Actual Income R</b>	<b>2009 Actual Expenditure R</b>	<b>2009 Surplus/ (Deficit) R</b>
45,500	3,556,406	(3,510,906)	Executive & Council	534,000	8,697,862	(8,163,862)
20,665,183	7,572,437	13,092,745	Finance & Admin	22,481,535	9,864,409	12,617,126
-	591	(591)	Planning & Development	340,676	2,326,202	(1,985,526)
968,499	1,514,751	(546,252)	Health	1,330,011	1,681,170	(351,159)
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	1,534,562	(195,644)
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	8,163,934	(2,634,558)
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)
<b>41,278,214</b>	<b>38,380,641</b>	<b>2,897,573</b>	<b>TOTAL</b>	<b>42,445,387</b>	<b>48,104,541</b>	<b>(5,659,154)</b>

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

<b>2008 Actual Income R</b>	<b>2008 Actual Expenditure R</b>	<b>2008 Surplus/ (Deficit) R</b>		<b>2009 Actual Income R</b>	<b>2009 Actual Expenditure R</b>	<b>2009 Surplus/ (Deficit) R</b>
45,500	3,556,406	(3,510,906)	Executive & Council	534,000	8,697,862	(8,163,862)
20,665,183	7,572,437	13,092,745	Finance & Admin	22,481,535	9,864,409	12,617,126
-	591	(591)	Planning & Development	340,676	2,326,202	(1,985,526)
968,499	1,514,751	(546,252)	Health	1,330,011	1,681,170	(351,159)
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	1,534,562	(195,644)
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	8,163,934	(2,634,558)
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)
<b>41,278,214</b>	<b>38,380,641</b>	<b>2,897,573</b>	<b>TOTAL</b>	<b>42,445,387</b>	<b>48,104,541</b>	<b>(5,659,154)</b>

**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 (Explanations to be recorded)
<b>Revenue</b>					
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	-		-		
<b>Total Revenue</b>	<b>42,445,387</b>	<b>56,048,611</b>	<b>(7,385,966)</b>		
<b>Expenditure</b>					
Employee related costs	16,957,986	14,605,932	(2,352,054)	-16%	
Remuneration of Councillors	2,168,127	2,385,792	217,665	9%	
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%	
<b>Total Expenditure</b>	<b>48,104,541</b>	<b>42,109,796</b>	<b>(5,994,745)</b>		
<b>Surplus/(Deficit)</b>	<b>(5,659,154)</b>	<b>13,938,815</b>	<b>(13,380,711)</b>		