

SAKHISIZWE

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

SAKHISIZWE LOCAL MUNICIPALITY

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SAKHISIZWE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

SAKHISIZWE Municipality is a grade 1 local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The SAKHISIZWE Municipality includes the following areas:

*Elliot
Cala*

MUNICIPAL MANAGER

Mr T Samuel

CHIEF FINANCIAL OFFICER

Mr P Steyn

REGISTERED OFFICE

Erf 5556, Umthatha Road, Cala, 5455

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

First National Bank, Elliot

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SAKHISIZWE LOCAL MUNICIPALITY

MEMBERS OF THE SAKHISIZWE LOCAL MUNICIPALITY

COUNCILLORS

Clr M. S. Jentile	Mayor / Exco member
Clr N. P. Mananga	Speaker
Clr M. Mxhonywa	Exco member
Clr S. P. Ntakana	Exco member
Clr N. Stofile	Exco member
Clr S. Bavuma	PR (COPE)
Clr Z. D. Dyonase	PR (APC)
Clr M. J. Andrews	PR (DA)
Clr S. Suka	African National Congress
Clr T. T. Doda	African National Congress
Clr T. Hoza	African National Congress
Clr B. E. Ponoshe	African National Congress
Clr Z. A. Mose	African National Congress
Clr T. Jamjam	African National Congress
Clr N. M. Mahlombe	African National Congress
Clr N. F. Ngondo	African National Congress
Clr M. M. Tshona	African National Congress
Chief S. Z. Stokwe	EmaQwatini Traditional Council
S/Headman Z. H. Gungqa	EMaQwatini Traditional Council
S/Headman M. W. Maawu	EQolombeni Traditional Council

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 68 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits 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

29 August 2014
Date

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		122 444 097	136 518 929
Accumulated Surplus		122 444 097	136 518 929
Non-Current Liabilities		6 854 721	8 058 339
Long-term Liabilities	2	1 719 806	3 549 861
Employee benefits	3	2 537 412	1 952 958
Non-Current Provisions	4	2 597 503	2 555 520
Current Liabilities		20 604 827	18 655 720
Consumer Deposits	5	141 752	358 823
Current Employee benefits	6	233 032	367 877
Provisions	7	757 434	1 659 935
Payables from exchange transactions	8	11 255 821	8 013 941
Unspent Conditional Government Grants and Receipts	9	1 882 764	2 646 604
Taxes	10.1	3 361 433	3 120 202
Current Portion of Long-term Liabilities	2	2 972 591	2 488 338
Total Net Assets and Liabilities		149 903 645	163 232 988
ASSETS			
Non-Current Assets		144 530 393	135 901 507
Property, Plant and Equipment	11	110 130 081	101 311 833
Investment Property	12	34 400 312	34 589 674
Current Assets		5 373 252	27 331 481
Inventory	13	63 815	32 603
Receivables from exchange transactions	14	1 990 557	6 647 023
Receivables from non-exchange transactions	15	1 228 623	7 655 005
Cash and Cash Equivalents	16	2 090 257	12 996 850
Total Assets		149 903 645	163 232 988

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 (Actual) R	2013 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		70 943 195	67 245 940
Taxation Revenue		4 432 300	3 683 699
Property taxes	17	4 432 300	3 683 699
Transfer Revenue		66 510 895	63 562 241
Government Grants and Subsidies - Capital	18	16 563 392	28 435 241
Government Grants and Subsidies - Operating	18	49 947 503	35 127 000
Revenue from Exchange Transactions		38 123 102	30 527 566
Service Charges	19	16 885 233	11 934 152
Interest Earned - external investments		497 045	530 330
Interest Earned - outstanding debtors		5 258 995	4 238 688
Other Income	20	15 481 829	13 824 396
Total Revenue		109 066 297	97 773 506
EXPENDITURE			
Employee related costs	21	35 447 210	33 267 701
Remuneration of Councillors	22	5 349 231	4 893 102
Debt Impairment	23	25 762 091	6 804 411
Depreciation and Amortisation	24	10 913 485	8 951 455
Impairments	25	-	-
Repairs and Maintenance		5 165 892	2 084 173
Actuarial losses	3	(18 720)	98 380
Finance Charges	26	859 928	1 155 696
Bulk Purchases	27	6 321 512	6 038 685
Contracted services		-	-
Grants and Subsidies	28	5 600 113	5 726 417
Stock Adjustments			
Operating Grant Expenditure	*		
General Expenses	29	28 008 206	16 017 779
		-	-
Total Expenditure		123 408 948	85 037 799
Loss/ (profit) on disposal of Property,Plant and Equipment		(267 820)	-
Discontinued Operations			
NET SURPLUS/(DEFICIT) FOR THE YEAR		(14 074 831)	12 735 707

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus/ (Deficit)	Total
Note	R	R
Balance at 1 JULY 2012: as previously reported	124 410 870	124 410 870
Adjustments:		
Change in accounting policy		-
Chris Hani prior year debtor adjustment		-
VAT prior year adjustment		-
PAYE penalties prior year adjustment		-
Prior year adjustments in 2012	(540 589)	(540 589)
Restated Balance at 1 JULY 2012	123 870 281	123 870 281
Prior year adjustments in 2013	2 896 742	2 896 742
Net Surplus for the year	9 751 905	9 751 905
Balance at 30 JUNE 2013	136 518 929	136 518 929
Net Deficit for the year	(14 074 831)	(14 074 831)
Balance at 30 JUNE 2014	122 444 097	122 444 097

SAKHISIZWE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		113 882 650	87 870 490
Ratepayers and other		26 444 455	16 996 342
Government		65 747 055	54 238 344
Interest		-	4 238 688
Other receipts		21 691 140	12 397 116
Payments		(109 341 224)	(68 890 829)
Employee costs		(40 346 832)	(38 636 003)
Suppliers costs		(25 570 806)	(13 923 789)
Finance charges	26	-	(208 893)
Other payments		(43 423 586)	(16 122 144)
Cash generated by operations	31	4 541 426	18 979 661
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(19 274 551)	(15 101 597)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Intangible Assets		-	-
Increase in Long-term Receivables	*	-	-
Decrease/(Increase) in Non-current Investments	*	-	-
Net Cash from Investing Activities		(19 274 551)	(15 101 597)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 345 802)	(2 202 685)
Finance lease payments		5 258 995	530 330
Interest income		(86 660)	(952 140)
Finance costs		-	-
New loans raised		-	-
Increase in Consumer Deposits		-	-
Net Cash from Financing Activities		3 826 533	(2 624 495)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(10 906 593)	1 253 569
Cash and Cash Equivalents at the beginning of the year		12 996 850	11 743 281
Cash and Cash Equivalents - non-cashflow journals		-	-
Cash and Cash Equivalents at the end of the year	32	2 090 257	12 996 850
NET INCREASE IN CASH AND CASH EQUIVALENTS		(10 906 593)	1 253 569

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash			-	
Call investment deposits	2 090 257	5 000 000	(2 909 743)	Less cash available than budgeted. Budget overstated.
Consumer debtors	3 219 180	6 511 229	(3 292 049)	Actual is reflected under Long Term Receivables.
Other Receivables		6 554 144	(6 554 144)	
Current portion of long-term receivables		3 762 248	(3 762 248)	
Inventory	63 815	-	63 815	
Total current assets	5 373 252	21 827 620	(16 454 368)	
Non current assets				
Long-term receivables	-	-	-	
Investments		-	-	
Investment property	34 400 312	38 783 320	(4 383 008)	
Property, plant and equipment	110 130 081	105 374 057	4 756 024	Due to expenditure towards infrastructure
Biological Assets		-	-	
Intangible Assets		-	-	
Heritage Assets		-	-	
Total non current assets	144 530 393	144 157 378	373 015	
TOTAL ASSETS	149 903 645	165 984 998	(16 081 353)	
LIABILITIES				
Current liabilities				
Bank overdraft		-	-	
Borrowing	2 972 591	8 000 000	(5 027 409)	Budget were overstated on Borrowings
Consumer deposits	141 752	349 633	(207 881)	
Trade and other payables	16 500 018	19 005 346	(2 505 328)	More creditors at year end than expected in the budget
Provisions and Employee Benefits	3 587 969	-	3 587 969	Budget were overstated.
Total current liabilities	23 202 330	27 354 979	(4 152 649)	
Non current liabilities				
Borrowing	1 719 806	-	1 719 806	Refer to borrowings under Current Liabilities.
Provisions and Employee Benefits	2 537 412	2 666 008	(128 596)	
Total non current liabilities	4 257 218	2 666 008	1 591 210	
TOTAL LIABILITIES	27 459 548	30 020 987	(2 561 439)	
NET ASSETS	122 444 097	135 964 011	(13 519 914)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	122 444 097	134 046 705	(11 602 608)	
Reserves		-	-	
TOTAL COMMUNITY WEALTH/EQUITY	122 444 097	134 046 705	(11 602 608)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
ADJUSTMENTS TO APPROVED BUDGET

	2014 R	2014 R	2014 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	-	5 000 000	5 000 000	
Call Investment deposits	8 440 000	(1 928 771)	6 511 229	
Consumer debtors	6 511 000	43 144	6 554 144	
Other Receivables	6 554 000	(2 791 752)	3 762 248	
Current portion of long-term receivables	3 762 000	(3 762 000)	-	
Inventory	-	-	-	
Total current assets	25 267 000	(3 439 380)	21 827 620	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	-	38 783 320	38 783 320	
Property, plant and equipment	105 374 000	57	105 374 057	
Biological Assets	-	-	-	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	105 374 000	38 783 378	144 157 378	
TOTAL ASSETS	130 641 000	35 343 998	165 984 998	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	8 000 000	-	8 000 000	
Consumer deposits	350 000	(367)	349 633	
Trade and other payables	19 005 000	346	19 005 346	
Provisions and Employee Benefits	-	-	-	
Total current liabilities	27 355 000	(21)	27 354 979	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	2 666 000	8	2 666 008	
Total non current liabilities	2 666 000	8	2 666 008	
TOTAL LIABILITIES	30 021 000	(13)	30 020 987	
NET ASSETS	100 620 000	35 344 011	135 964 011	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	100 621 000	33 425 705	134 046 705	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	100 621 000	33 425 705	134 046 705	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
Property rates	4 432 300	4 200 000	232 300	
Property rates - penalties & collection charges		-	-	
Service charges	16 885 233	21 100 000	(4 214 767)	
Rental of facilities and equipment	-	1 116 000	(1 116 000)	The revenue did not recognised
Interest earned - external investments	457 045	636 000	(138 955)	Less cash available
Interest earned - outstanding debtors	5 258 995	4 475 000	783 995	More debtors due to increased water tariffs
Dividends received	-	-	-	
Fines	-	24 350	(24 350)	Fines reflected under Other revenue
Licences and permits	-	-	-	
Agency services	-	4 615 099	(4 615 099)	Reflected under other revenue
Government Grants and Subsidies - Operating	66 510 895	63 418 200	3 092 695	Amount on Government Grants & Sub - Capital Also included here
Other revenue	15 481 829	17 629 421	(2 147 592)	Under collection
Gains on disposal of PPE		118 992	(118 992)	
Total Operating Revenue	109 066 297	117 333 062	(8 266 765)	
EXPENDITURE BY TYPE				
Employee related costs	35 447 210	32 517 186	2 930 024	
Remuneration of councillors	5 349 231	5 335 800	13 431	
Debt impairment	25 762 091	11 110 120	14 651 971	Due to new method of calculation followed and increase in water debtors
Depreciation & asset impairment	10 913 485	4 639 200	6 274 285	Budget understated
Actuarial losses	(18 720)		(18 720)	
Finance charges	859 928	732 764	127 164	
Bulk purchases	6 321 512	8 600 000	(2 278 488)	Less bulk electricity bought
Other materials	5 165 892	4 895 169	270 723	
Contracted services	-	1 215 000	(1 215 000)	
Grants and subsidies paid	5 600 113	4 382 000	1 218 113	
Other expenditure	28 008 206	28 587 653	(579 447)	
Loss on disposal of PPE		-	-	
Total Operating Expenditure	123 408 948	102 014 892	21 394 057	
Operating Surplus/(Deficit) for the year	(14 342 651)	15 318 170	(29 660 822)	
Government Grants and Subsidies - Capital	-	-	-	Included in Government Grants & Subsidies - Operating
Net Surplus/(Deficit) for the year	(14 342 651)	15 318 170	(29 660 822)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
Property rates	4 020 000	130 000	4 150 000	
Property rates - penalties & collection charges	-	-	-	
Service charges	15 520 000	1 980 000	17 500 000	Massive increase in water tariff by CHDM
Rental of facilities and equipment	1 116 000	59 000	1 175 000	
Interest earned - external investments	636 000	-	636 000	
Interest earned - outstanding debtors	4 475 000	-	4 475 000	
Dividends received	-	-	-	
Fines	30 350	(6 350)	24 000	
Licences and permits	-	13 000	13 000	
Agency services	4 443 742	(3 630 742)	813 000	
Government Grants and Subsidies - Operating	46 752 000	900 000	47 652 000	
Other revenue	17 179 170	3 350 830	20 530 000	
Gains on disposal of PPE	-	119 000	119 000	
Total Operating Revenue	94 172 262	2 914 738	97 087 000	
EXPENDITURE BY TYPE				
Employee related costs	33 596 000	1 245 000	34 841 000	Adjustment
Remuneration of councillors	6 437 000	469 000	6 906 000	
Debt impairment	5 546 000	5 564 000	11 110 000	Increase in water debtors due to tariff increase
Depreciation & asset impairment	4 604 000	35 000	4 639 000	
Finance charges	733 000	-	733 000	
Bulk purchases	8 800 000	(800 000)	8 000 000	
Other materials	-	-	-	
Contracted services	512 000	-	512 000	
Grants and subsidies paid	4 212 000	-	4 212 000	
Other expenditure	25 055 000	2 357 000	27 412 000	Adjustment
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	89 495 000	8 870 000	98 365 000	
Operating Surplus/(Deficit) for the year	4 677 262	(5 955 262)	(1 278 000)	
Government Grants and Subsidies - Capital	15 766 000	830 000	16 596 000	
Net Surplus/(Deficit) for the year	20 443 262	(5 125 262)	15 318 000	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	26 444 455	27 251	(806 621)	
Government - operating	65 747 055	47 652	18 095 055	Must be read with capital
Government - capital	-	16 586	(16 585 637)	Must be read with operating
Interest	-	4 731	(4 731 267)	
Dividends	-	-	-	
Other Receipts	21 691 140	-	21 691 140	Must be read with Ratepayers and other
Payments				
Suppliers and Employees	(65 917 638)	(36 347 910)	(29 569 728)	Budget incorrect
Finance charges	-	(15 840 163)	15 840 163	Budget incorrect
Transfers and Grants	(43 423 586)	(20 717 388)	(22 706 198)	Budget incorrect
NET CASH FROM/(USED) OPERATING ACTIVITIES	4 541 426	23 314 519	(18 773 093)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(19 274 551)	(18 278 441)	(996 111)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-19 274 551	(18 278 441)	-996 111	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	5 258 995	-	5 258 995	
Increase/(decrease) in consumer deposits	-	(1 389 060)	1 389 060	
Payments				
Repayment of borrowing	(1 432 462)	(2 404 560)	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	3 826 533	(3 793 620)	6 648 055	
NET INCREASE/(DECREASE) IN CASH HELD	-10 906 593	1 242 458	-13 121 149	
Cash and Cash Equivalents at the beginning of the year	12 996 850	65 171 009	(52 174 159)	
Cash and Cash Equivalents at the end of the year	2 090 257	66 413 467	(64 323 210)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	27 251 076	-	27 251 076	
Government - operating	46 752 000	900 000	47 652 000	
Government - capital	16 585 637	-	16 585 637	
Interest	4 731 267	-	4 731 267	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(36 347 910)	36 347 910	(36 347 910)	
Finance charges	(15 840 163)	(20 507 747)	(36 347 910)	
Transfers and Grants	(20 717 388)	4 877 226	(15 840 163)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	22 414 519	21 617 388	44 031 908	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(18 278 441)	-	(18 278 441)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(18 278 441)	-	(18 278 441)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	(1 389 060)	-	(1 389 060)	
Payments				
Repayment of borrowing	(2 404 560)	-	(2 404 560)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-3 793 620	-	(3 793 620)	
NET INCREASE/(DECREASE) IN CASH HELD	342 458	21 617 388	21 959 846	
Cash and Cash Equivalents at the beginning of the year	65 171 009	-	65 171 009	
Cash and Cash Equivalents at the end of the year	65 513 467	900 000	66 413 467	

SAKHISIZWE MUNICIPALITY

ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved not to early adopt GRAP standards which have been issued but are not effective yet.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

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year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts for all differences exceeding 10% or R1'000'000.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statements of Comparison of Budget and Actual Amounts for all differences exceeding 10% or R1'000'000.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p>	Unknown

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	The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

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IGRAP 11	Consolidation - Special Purpose Entities (SPE) The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. LEASES

1.9.1 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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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. The interest rate used is the interest rate implicit in the lease or the bank prime interest rate.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. 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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of

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incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 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 de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality 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.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where

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the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is 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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision were met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.12. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.12.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

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Council pays 70% as contribution and the remaining 30% is paid by the members. 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. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experienced adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.12.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.12.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

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1.12.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.12.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

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

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

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and paving	25 - 50	Buildings	30
Pedestrian Malls	30	Plant and machinery	5 – 10
Electricity	15 – 50	Motor vehicles	5
		IT Equipment	5 - 7
		Office equipment	5 - 7
		Furniture and fittings	5 - 7
 <u>Community</u>			
Improvements	30		
Recreational Facilities	20 - 30		
Security	5		
 Investment property	30		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of 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.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised, but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-10

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at

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the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 Subsequent Measurement – Cost Model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

<u>Investment property</u>	Years
Property - land	Indefinite
Property - buildings	30 years

1.15.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

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- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.16.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.17. INVENTORIES

1.17.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.17.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.18.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.18.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

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1.18.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.18.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.18.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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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 carried at amortised cost.

1.18.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated 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 Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.18.3 **De-recognition of Financial Instruments**

1.18.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.18.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.18.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19. REVENUE

1.19.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution were met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.19.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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

- The Municipality has transferred to the purchaser 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing

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period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.20. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.21. 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 a 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. 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, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes

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unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.25.1 *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.25.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.25.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.25.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

1.25.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

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- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

1.25.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.25.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions, specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.25.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

1.25.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.25.10 Provision for Performance bonuses

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The provision for performance bonuses represents the best estimate of the obligation at yearend and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.25.11 Pre-paid electricity estimation

Pre-paid electricity is recognised as income when the electricity is sold.

1.25.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.26. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.27. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.28. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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LONG-TERM LIABILITIES

	2014 R	2013 R
Capitalised Lease Liability - At amortised cost	4 692 397	6 038 199
	4 692 397	6 038 199
Current Portion transferred to Current Liabilities	2 972 591	2 488 338
Capitalised Lease Liability - At amortised cost	2 972 591	2 488 338
	1 719 806	3 549 861
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1 719 806	3 549 861

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	3 341 426	3 125 398
Payable within two to five years	1 849 624	3 845 546
Payable after five years	-	-
	5 191 051	6 970 944
Less: Future finance obligations	(498 655)	(932 745)
Present value of lease obligations	4 692 396	6 038 199

There are no leases secured by property, plant and equipment - Note 11

The municipality has plant & equipment assets with a carrying value of R8,274,930 (2013: R7,258,227) subject to a finance lease.

It is the municipality's policy to lease certain motor vehicles, plant & equipment under finance leases. In terms of GRAP 13, when office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The average lease term was 5 years and the average effective borrowing rate was prime for the Wesbank motor vehicles and prime plus 4% fixed for the plant & machinery. No escalation clause is contained in the lease agreements. Ownership on the vehicles will transfer to the municipality at the end of the lease term. Ownership for the office equipment remains with the lessor. No security has been offered by the municipality for the leased assets. Bell Equipment stand security for the plant & equipment.

Total finance costs paid for the current year is R666 420 (2013: R952,140)

3	EMPLOYEE BENEFITS	2014 R	2013 R
	Post Retirement Defined Benefit Plan - Refer to Note 3.1	1 284 649	859 034
	Long Service Awards - Refer to Note 3.2	1 252 763	1 093 924
	Total Non-current Employee Benefit Liabilities	2 537 412	1 952 958
	<u>Post Retirement Defined Benefit Benefits Plan</u>	2014 R	2013 R
	Balance 1 July	923 834	1 161 597
	Contribution for the year	-	-
	Interest Cost	68 205	63 791
	Projected Expenditure for the year	(64 800)	(67 549)
	Expenditure for the year	-	-
	Actuarial Gain	456 806	(234 005)
	Total post retirement benefits 30 June	1 384 045	923 834
	Less: Transfer of Current Portion - Note 6	(99 396)	(64 800)
	Balance 30 June	1 284 649	859 034
	<u>Long Service Awards</u>		
	Balance 1 July	1 397 001	1 211 896
	Contribution for the year	224 535	177 661
	Interest Cost	86 660	75 519
	Projected (Income)/ Expenditure	(303 077)	(166 455)
	(Income)/ Expenditure for the year	-	-
	Actuarial Loss/ (Gain)	(18 720)	98 380
	Total long service 30 June	1 386 399	1 397 001
	Less: Transfer of Current Portion - Note 6	(133 636)	(303 077)
	Balance 30 June	1 252 763	1 093 924
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	2 320 835	2 373 493
	Contribution for the year	224 535	177 661
	Interest cost	154 865	139 310
	Projected (Income)/ Expenditure	(367 877)	(234 004)
	(Income)/ Expenditure for the year	-	-
	Actuarial Loss/(Gain)	438 086	(135 625)
	Total employee benefits 30 June	2 770 444	2 320 835
	Less: Transfer of Current Portion - Note 6	(233 032)	(367 877)
	Balance 30 June	2 537 412	1 952 958
3	EMPLOYEE BENEFITS (CONTINUE)		
3.1	Post Retirement Defined Benefits Medical Aid Plan		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
	Continuation members (e.g. Retirees, widows, orphans)	3	2
	Total Members	3	2
The liability in respect of past service has been estimated to be as follows:			
	Continuation members	1 384 045	923 834
	Total Liability	1 384 045	923 834
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2012 R	2011 R	2010 R
	Continuation members	1 161 597	1 580 836
	Total Liability	1 161 597	1 714 738

The municipality performed their first actuarial valuation on 30 June 2008.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Hosmed
Kei Health
LA Health
Bonitas
SAMWUMED

Key actuarial assumptions used:	2014 %	2013 %
i) Rate of interest		
Discount rate	8.29%	7.65%
Health Care Cost Inflation Rate	7.67%	7.21%
Net Effective Discount Rate	0.58%	0.41%

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.29% per annum has been used. The corresponding index-linked yield at this term is 1.53%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

ii) **Mortality rates**

The post-retirement mortality used in the valuation is PA(90) M for males, and PA(90) F for Females.

iii) **Normal retirement age**

It has been assumed that the normal retirement age of the Sakhisizwe Municipality employees is 60 years for males and 60 years for females.

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 284 649	859 034
Total Liability	1 284 649	859 034

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	923 834	1 161 597
Total expenses	3 405	(3 758)
Current service cost	-	-
Expenditure for the year	-	-
Interest Cost	68 205	63 791
Benefits Paid	(64 800)	(67 549)
Actuarial gains	456 806	(234 005)
Present value of fund obligation at the end of the year	1 384 045	923 834
Less: Transfer of Current Portion - Note 6	(99 396)	(64 800)
Balance 30 June	1 284 649	859 034

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	-	1.384		

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	-	1.515		9%
Health care inflation	-1%	-	1.269		-8%
Post-retirement mortality	-1 yr	-	1.445		4%
Average retirement age					
Withdrawal Rate					

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		-	68 200		
Health care inflation	1%	-	75 100		10%
Health care inflation	-1%	-	62 200		-9%
Post-retirement mortality		-	71 400		

Sakhisizwe Municipality will contribute 70% of the total premium payable, subject to a maximum of R3,372.89 (2012: R3,158). This is an increase of 6.79% (the same as the salary increase granted on 1 July 2014 per the SALGBC bargaining council agreement 3:2014) from the figure of R3,158.43 used in the previous valuation. The municipality only subsidises the employee, spouse or life partner, biological children, and legally adopted children, up to the age of 21 years. An assumption is therefore made that should a child dependant turn 21 years of age, he/she is no longer eligible for subsidy benefits.

Membership profile:

The calculation is based on 3 members (2012: 2) with an average age of 67.5 (2013: 68.8), and 0.3 average dependants 2013: 0.5) and an average monthly contribution of R2,761 (R2,700)

Assumptions used at the reporting date: Valuation assumptions

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.29% per annum has been used. The corresponding index-linked yield at this term is 1.53%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

The fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at the average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.67% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.17%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.58% which derives from $((1+8.29\%)/(1+7.67\%))-1$.

The expected inflation assumption of 6.17% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.53%) and those of fixed interest bonds (8.29%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+8.29\%-0.50\%)/(1+1.53\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2015.

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for post-employment benefits.

Post-retirement Mortality

PA(90) ultimate table, adjusted down by one year of age.

Family Profile (retirees)

It has been assumed that husbands will be four years older than their wives. Actual marital status was used and the potential for remarriage was ignored.

Plan Assets

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.88%	7.00%
General Salary Inflation (long-term)	7.12%	6.70%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.71%	0.28%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 252 763	1 093 924
Net liability	1 252 763	1 093 924

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 397 001	1 211 896
Total expenses	8 118	86 725
Current service cost	224 535	177 661
Expenditure for the year	96 660	75 519
Interest Cost	(303 077)	(166 455)
Benefits Paid	(18 720)	98 380
Actuarial losses	1 386 399	1 397 001
Present value of fund obligation at the end of the year	(133 636)	(303 077)
Less: Transfer of Current Portion - Note 6		
Balance 30 June	1 252 763	1 093 924

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1.386	
General salary inflation	1%	1.466	6%
General salary inflation	-1%	1.313	-5%
Average retirement age	- 2 years	1.242	-10%
Average retirement age	+ 2 years	1.630	15%
Withdrawal rates	-50%	1.590	14%

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	2 597 503	2 555 520
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Landfill Sites

Balance 1 July	2 555 520	2 323 200
Balance previously reported	2 555 520	2 323 200
Unwinding of discounted interest	41 983	232 320
Balance previously reported	41 983	232 320
Balance 30 June	2 597 503	2 555 520

Aurecon estimated the rehabilitation costs based on the following assumptions:

- It is assumed that the following information provided by the municipality is correct:
- The Sakhisizwe municipality could not confirm the operational date of the Cala site.
- Thus, the operational date was assumed to be 2005 when the permit for operation was received.
- The Sakhisizwe municipality could not confirm the operational date of either the Elliot site. Thus, the operational date was assumed to be 2012 when the permit for upgrades to the site was received.
- Rehabilitation requirements are guided by Minimum Requirements.

Costing

- Construction cost estimates were based on typical 'civil engineering' rates obtained from various recent contracts and historic pricing data.
- The estimate includes:
 - Contractor Preliminary and General Items at 20% of construction costs;
 - Contingencies at 10% of total construction costs to cover unforeseen costs;
 - Design Fees at 14% of total costs (construction and contingencies); and
 - All costs exclude VAT.
- The May 2014 costs were escalated to the anticipated date of closure based on civil contract price adjustment (CPA) indices (2012 based: June 2014) (4.566%). These indices are based on labour, fuel, material and plant costs. CPA has been calculated as per the other landfills done using Northern Cape (Province) price indices.
- Rehabilitation costs were calculated using criteria for closure detailed in the Minimum Requirements. The costs are based in verified contractor rates.
- The extent of the sites to be rehabilitated was determined from a site visit. A surveyor surveyed the Cala and Elliot sites to determine the lifespan. X, Y and Z co-ordinates were taken at set intervals (20m x 20m) in order to allow for the modeling of the waste body. The extent of the waste disposal sites were considered to be as follows: Cala (5100 m2), Elliot (20100 m2)
 - The approximate height of the Elliot landfill was established by using the existing berms on the site as the top of the landfill varies according to the existing berm heights;
 - The approximate height of the Cala landfill was established by using the highest existing peak according to the survey information;
 - It is assumed that topsoil/cover soil is available near the site.
 - Where sites are not currently fenced, allowance has been made to fence the site. The municipal waste officer recommended that concrete pillars facing be used to secure

5	CONSUMER DEPOSITS		
	Electricity	141 752	358 823
	Total Consumer Deposits	141 752	358 823
	Guarantees held in lieu of Electricity Deposits	-	-
	The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
6	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 3	99 396	64 800
	Current Portion of Long-Service Provisions - Note 3	133 636	303 077
	Total Current Employee Benefits	233 032	367 877
7	CURRENT PROVISIONS		
	Employee costs: Performance Bonus	757 434	1 659 935
	Total Provisions	757 434	1 659 935
8	PAYABLES FROM EXCHANGE TRANSACTIONS	2014 R	2013 R
	Trade Payables	6 293 265	3 694 248
	Accrual for Leave	3 190 293	2 551 467
	Accrued expenses: Provision 13th cheque	901 138	621 097
	Accrued expenses: Provision 14th cheque	-	1 124 721
	Accrued expenses: Workmens compensation	85 083	891 861
	Payments received in advance: Debtors in credit balance	756 261	(892 404)
	Sundry Deposits received: Dam & Hall Deposits	29 781	22 951
	Total Trade Payables	11 255 821	8 013 941
	Payables are being recognised net of any discounts.		
	Not all payables were paid within 30 days as prescribed by the MFMA. Trade Creditors were paid on average after 35 days. This credit period granted is not consistent with the terms used in the public sector, through established practices and legislation, however discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of trade and other payables approximates its fair value.		
	All payables are unsecured.		
	Sundry deposits include dam and hall deposits.		
9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	1 882 764	2 646 604
	National Government Grants	1 000	1 547 523
	Provincial Government Grants	-	900 000
	District Municipality	1 684 618	-
	Other Grant Providers	197 146	199 081
	Total Conditional Grants and Receipts	1 882 764	2 646 604
	See appendix "E" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	The funds will remain a liability as long as the conditions are still to be met. Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
10	TAXES		
	Previously stated		(1 575 338)
	Prior year adjustments		(1 544 864)
10.1	NET VAT RECEIVABLE/(PAYABLE)	(3 361 433)	(3 120 202)
	VAT is receivable/payable on the cash basis.		
11	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		
	Assets pledged as security:	2014 R	2013 R
	There were no assets pledged as security.	-	-

	2014 R	2013 R
12 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	34 589 674	34 779 036
Cost	35 157 760	35 157 760
Accumulated Depreciation	(568 086)	(378 724)
Depreciation for the year	(189 362)	(189 362)
Net Carrying amount at 30 June	34 400 312	34 589 674
Cost	35 157 760	35 157 760
Accumulated Depreciation	(757 448)	(568 086)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

There was no revenue derived from the rental of investment properties.

The market value of Investment Properties are significantly different from their cost disclosed. It is the policy of the municipality to disclose Investment Property on the cost basis, therefore these properties were not revalued to their relevant market values.

13	INVENTORY		
	Water – at cost	63 815	32 603
	Total Inventory	63 815	32 603
14	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	4 266 613	3 060 524
	Water	29 339 385	21 649 839
	Refuse	19 838 344	16 882 623
	Sewerage	14 707 252	12 655 343
	Other Trade Debtors	61 340	39 075
	Other Receivables	1 063 754	2 062 975
	Total Receivables from Exchange Transactions	69 276 688	56 350 379
	Less: Allowance for Doubtful Debts	67 286 131	49 703 356
	Electricity	3 475 988	1 936 042
	Water	29 339 385	20 575 482
	Refuse	19 710 717	16 149 154
	Sewerage	14 707 253	12 083 346
	Other Trade Debtors	52 788	(1 040 668)
	Total Net Receivables from Exchange Transactions	1 990 557	6 647 023
	Electricity	790 625	1 124 482
	Water	-	1 074 357
	Refuse	127 627	733 469
	Sewerage	(1)	571 997
	Other Trade Debtors	8 552	1 079 743
	Other Receivables	1 063 754	2 062 975
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary			
Ageing of Receivables from Exchange Transactions:			
<u>(Electricity): Ageing</u>			
	Current (0 - 30 days)	391 802	445 274
	31 - 60 Days	403 584	157 293
	61 - 90 Days	50 347	31 147
	+ 90 Days	(55 107)	489 854
	Total	790 626	1 123 568
<u>(Water): Ageing</u>			
	Current (0 - 30 days)	983 537	748 860
	31 - 60 Days	1 068 403	45 114
	61 - 90 Days	593 975	21 488
	+ 90 Days	(2 645 915)	916 223
	Total	-	1 731 685
<u>(Refuse): Ageing</u>			
	Current (0 - 30 days)	320 299	33 111
	31 - 60 Days	297 601	11 362
	61 - 90 Days	290 660	2 965
	+ 90 Days	(780 933)	400 439
	Total	127 627	447 877
<u>(Sewerage): Ageing</u>			
	Current (0 - 30 days)	230 726	29 514
	31 - 60 Days	214 326	10 812
	61 - 90 Days	209 245	3 133
	+ 90 Days	(654 298)	440 398
	Total	(1)	483 857

(Other Receivables): Ageing

Current (0 - 30 days)	-	2 062 975
Total	-	2 062 975

(Irregular expenditure: Refundable): Ageing

Current (0 - 30 days)	-	-
Total	-	-

(Other Trade Debtors): Ageing

Current (0 - 30 days)	8 552	1 079 743
Total	8 552	1 079 743

(Total): Ageing

Current (0 - 30 days)	1 934 916	4 399 477
31 - 60 Days	1 983 914	224 581
61 - 90 Days	1 144 227	58 733
+ 90 Days	(4 136 253)	2 246 914
Total	926 804	6 929 705

Reconciliation of Provision for Bad Debts

Balance at beginning of year	49 703 356	45 713 488
Contribution to provision	17 582 775	3 989 868
Water & Sanitation reallocation from agency account	-	-
Bad Debts Written Off	-	-
Balance at end of year	67 286 131	49 703 356

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014 R	2013 R
Rates	21 032 962	17 136 763
Chris Hani Debtor: Water : previously stated	-	1 865 501
Chris Hani Debtor: Water :prior year adjustment	-	1 227 407
Chris Hani Debtor: Water	951 902	3 092 908
Total Receivables from Non-Exchange Transactions	21 984 864	20 229 671
Less: Allowance for Doubtful Debts	(20 756 241)	(12 574 666)
Rates	(20 756 241)	(12 574 666)
Total Net Receivables from Non-Exchange Transactions	1 228 623	7 655 005

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16 CASH AND CASH EQUIVALENTS**Assets**

Bank Accounts	615 891	837 684
Short-term deposits	1 474 366	12 159 166
Total Cash and Cash Equivalents - Assets	2 090 257	12 996 850

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank account:

Current Accounts

First National Bank - Current Account - 6207-652-3135 (Primary Bank Account):	615 891	837 684
	615 891	837 684

First National Bank - Current Account - 6207-652-3135 (Primary Bank Account):

Cash book balance at beginning of year	837 684	601 857
Cash book balance at end of year	615 891	837 684
Bank statement balance at beginning of year	774 314	949 789
Bank statement balance at end of year	892 355	774 314

Short-term Investment Deposits

The Municipality had the following Short-term Investment Accounts

	2014 Bank Statement Balance	2013 Bank Statement Balance	2014 Cash Book Balance	2013 Cash Book Balance
MSP - 6207-652-2294 (FNB Investment Account)	39 983	40 873	39 983	40 873
MIG - 6207-657-7091 (FNB Investment Account)	2 016	1 526 523	2 016	1 526 523
Elliot Housing - 6207-745-0056 (FNB Investment Account)	1 110	1 110	1 110	1 110
Survey Account - 6207-659-621 (FNB Investment Account)	6 840	7 884	6 840	7 884
Extension 15 - 6207-740-8203 (FNB Investment Account)	2 213	1 000	1 000	1 000
Extension 13&14 - 6207-745-1278 (FNB Investment Account)	1 000	2 213	2 213	2 213
FMG - 6216 - 538 - 9464 (FNB Investment Account)	10 000	10 000	10 000	10 000
Invest: Valuation - 6207-745-0832 (FNB Investment Account)	1 000	1 010	1 000	1 000
IDP plan - 6207-744-9603 (FNB Investment Account)	53 618	53 618	53 618	53 618
MSIG - 6216-538-9555 (FNB Investment Account)	10 000	10 000	10 000	10 000
PMF review account - 6216-534-1993 (FNB Investment Account)	12 640	12 640	12 640	12 640
DME - 6220-960-0776 (FNB Investment Account)	1 000	10 000	1 000	1 000
IEC - 6221-824-3418 (FNB Investment Account)	47 423	47 423	47 423	47 423
Skills Development - 6217-582-8189 (FNB Investment Account)	31 320	31 320	31 320	31 320
FNB Operating Call Account - 6216-534-1943	1 254 203	10 412 562	1 254 203	10 412 562
	1 474 365	12 168 175	1 474 366	12 159 166

17

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State

Total Assessment Rates

2014 R	2013 R
4 432 300	3 683 699
4 432 300	3 683 699
4 432 300	3 683 699

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013.

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

18

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share

Conditional Grants

Grants and donations: National

Grants and donations: Other

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

Finance & Administration: Budget & Treasury
Finance & Administration: Corporate Services
Planning & Development: IPED
Project Management Unit: PMU
Planning & Development
Community Services: Libraries

41 187 000	35 127 000
41 187 000	35 127 000
25 323 895	28 435 241
16 563 392	22 438 761
8 760 503	5 996 480
66 510 895	63 562 241
(16 596 000)	(20 391 374)
(49 819 826)	(39 958 968)
(66 415 826)	(60 350 342)
38 836 000	35 127 000
2 461 935	2 300 000
-	160 124
235 543	193 857
17 393 192	21 219 009
3 400 000	3 369 251
369 000	369 000
62 695 670	62 738 241

The municipality does not expect any significant changes to the level of grants.

18.1 Equitable Share

Opening balance	-	-
Grants received	41 187 000	35 127 000
Conditions met - Operating	(41 187 000)	(35 127 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

18.2 Local Government Financial Management Grant (FMG)

Opening balance	10 000	10 000
Grants received	1 550 000	1 500 000
Conditions met - Operating	(1 560 000)	(1 500 000)
Conditions met - Capital	-	-
Conditions still to be met	-	10 000

Health subsidies was used fund primary health care services in the municipal area.

18.3 Integrated National Electrification Programme (Eskom) Grant

Opening balance	1 000	2 045 152
Grants received	-	-
Conditions met - Operating	-	(2 044 152)
Conditions met - Capital	-	-
Conditions still to be met	1 000	1 000

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

18.4 Municipal Infrastructure Grant (MIG)

Opening balance	702 123	5 625 897
Grants received	16 596 000	16 292 000
Conditions met - Operating	-	-
Conditions met - Capital	(17 298 123)	(20 391 374)
Conditions still to be met	-	1 526 523

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

18.5 Municipal Systems Improvement Grant (MSIG)

Opening balance	10 000	10 000
Grants received	890 000	800 000
Conditions met - Operating	(900 000)	(800 000)
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	10 000

The grant was used to upgrade infrastructure in previously disadvantaged areas.

18.6 Other Grant Providers

Opening balance	1 099 081	686 897
Grants received	5 253 386	900 000
Conditions met - Operating	(4 470 703)	(487 816)
Conditions met - Capital	-	-
Conditions still to be met	1 881 764	1 099 081

Various grants were received from other spheres of government (e.g. Skills Development Grant)

18.7 Total Grants

Opening balance	1 822 204	8 377 946
Grants received	65 476 386	54 619 000
Conditions met - Operating	(48 117 703)	(39 958 968)
Conditions met - Capital	(17 298 123)	(21 215 774)
Conditions still to be met/(Grant expenditure to be recovered)	1 882 764	1 822 204

Disclosed as follows:		
Unspent Conditional Government Grants and Receipts		
	1 882 764	2 646 604
	1 882 764	2 646 604
19	SERVICE CHARGES	
	Electricity	7 545 011
	Water	4 377 903
	Refuse removal	2 036 939
	Sewerage and Sanitation Charges	2 925 380
	Total Service Charges	16 885 233
20	OTHER INCOME	
	Rental income	268 872
	Traffic department income	1 168 205
	Agency fees	729 898
	Sundry income (detailed in note on Sundry Income below)	13 314 854
	Total Other Income	15 481 829
	Sundry Income	
	Electricity re-connection fee	11 000
	Commission on collection	57 555
	Building plan & inspection fees	17 432
	Other income	699 593
	Rates clearance certificates	9 450
	Site payments	32 960
	Trading licences	9 363
	Defined Benefit: Medical Aid actuarial gain	-
	Water income	8 808 068
	Sanitation income	3 546 020
	Rental Income	123 413
	13 314 854	10 254 732
21	EMPLOYEE RELATED COSTS	
	Basic Salaries & Wages	20 966 297
	Bonus	1 468 569
	Medical aid: company contributions	1 548 703
	UIF	221 354
	SDL	320 424
	Contribution Bargaining Council	12 776
	Workmens Compensation	85 084
	Leave pay provision charge	781 507
	Long-service awards	-
	Overtime payments	2 010 601
	Post -employment benefits: Defined benefit medical aid	2 813 467
	Shift Allowance	51 420
	Telephone allowances	122 100
	Transitional & other allowances	27 179
	30 429 481	27 570 086
	Total Employee Related Costs	30 429 481
	KEY MANAGEMENT PERSONNEL	
Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.		
No performance assessments had been performed by the municipality for the financial years ended 2009 to 2013. Following the outcome of a court case against the municipality, a decision was made to make a payment for the relevant performance bonuses to all section 57 managers in the financial year ending 30 June 2014. A provision was raised in the 2013 financial year in order to take into account the relevant bonuses paid after year end for the years ended 2009 to 2012, together with a provision for the year ended 2013, for payments anticipated to be made to the Municipal Manager and CFO for the 2013 financial year. The payment due for 2009 to 2013 were made in the 2014 financial year. A provision was raised in the 2014 financial year for all section 57 managers for the 2014 performance bonus, based on an estimated 11% as no assessment had been performed as at year end.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	923 773
	Performance Bonuses: 2009	-
	Performance Bonuses: 2010	-
	Performance Bonuses: 2011	-
	Performance Bonuses: 2012	-
	Performance Bonuses: 2013	-
	Performance Bonuses: 2014	237 865
	Car Allowance	84 000
	Housing & telephone allowances	81 708
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	148 712
	Subsistence & other allowances	86 479
	Total	1 562 537
		1 555 922

	Remuneration of the Chief Finance Officer (CFO)		
	Annual Remuneration	662 862	573 321
	Performance Bonuses: 2009	-	45 972
	Performance Bonuses: 2010	-	64 208
	Performance Bonuses: 2011	-	76 619
	Performance Bonuses: 2012	-	88 666
	Performance Bonuses: 2013	-	94 429
	Performance Bonuses: 2014	86 560	-
	Car Allowance	60 000	60 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	152 776	152 633
	Subsistence & other allowances	80 080	51 126
	Total	1 042 278	1 206 974
	Remuneration of the Community Services Manager		
	Annual Remuneration	740 252	710 282
	Travelling Allowance	29 924	71
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	1 713
	Total	851 685	712 066
	Remuneration of the Corporate Services Manager		
	Annual Remuneration	321 426	619 267
	Performance Bonuses: 2009	-	40 500
	Performance Bonuses: 2010	-	64 208
	Performance Bonuses: 2011	-	76 619
	Performance Bonuses: 2012	-	88 666
	Performance Bonuses: 2013	-	-
	Performance Bonuses: 2014	86 560	-
	Car Allowance	30 000	99 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	892	31 637
	Subsistence & other allowances	12 299	21 196
	Total	451 177	1 041 093
	Remuneration of the IPED Manager		
	Annual Remuneration	-	259 714
	Performance Bonuses: 2009	-	40 500
	Performance Bonuses: 2010	-	64 208
	Performance Bonuses: 2011	-	76 619
	Performance Bonuses: 2012	-	88 666
	Performance Bonuses: 2013	86 560	-
	Performance Bonuses: 2014	-	-
	Car Allowance	-	36 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	5 076
	Subsistence & other allowances	-	12 437
	Total	86 560	583 220
	Remuneration of the Technical Services Manager		
	Annual Remuneration	829 208	280 891
	Performance Bonuses: 2009	-	40 500
	Performance Bonuses: 2010	-	64 208
	Performance Bonuses: 2011	-	76 619
	Performance Bonuses: 2012	-	88 666
	Performance Bonuses: 2013	-	-
	Performance Bonuses: 2014	86 560	-
	Car Allowance	60 000	37 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	672
	Subsistence & other allowances	45 939	9 784
	Total	1 023 492	598 340
	Remuneration of the Managers (summary)		
	Annual Remuneration	3 477 521	3 145 190
	Performance Bonuses: 2009	-	228 672
	Performance Bonuses: 2010	-	339 860
	Performance Bonuses: 2011	-	405 552
	Performance Bonuses: 2012	-	469 317
	Performance Bonuses: 2013	-	216 606
	Performance Bonuses: 2014	79 724	-
	Car Allowance	263 924	316 071
	Telephone allowance	81 708	81 708
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	305 950	341 478
	Subsistence & other allowances	224 797	153 232
	Total	5 017 729	5 697 615
22	REMUNERATION OF COUNCILLORS		
	Councillors Salaries	2 948 446	2 628 788
	Mayor Salary	658 998	542 170
	Speaker's Salary	561 027	382 087
	Medical, travel & other allowances	1 180 760	1 340 057
	Total Councillors' Remuneration	5 349 231	4 893 102
	In-kind Benefits		
	The Executive Mayor is employed full time and does not receive any in-kind benefits.		
23	DEBT IMPAIRMENT		
	Trade Receivables from exchange transactions - Note 14	19 974 141	5 409 057
	Trade Receivables from non-exchange transactions - Note 15	9 394 643	2 347 970
	Trade Receivables from exchange transactions (Bad Debts)	-	-
	Chris Hani Agency Account: Impairment loss	-	-
	Total Contribution to Debt Impairment	29 368 784	7 757 028
	Less: Portion Relating to VAT	(3 606 693)	(952 617)
	Debt impairment recognised in statement of financial performance	25 762 091	6 804 411

24	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	8 762 093	8 762 093
	Investment Property	189 362	189 362
		10 913 485	8 951 455
25	IMPAIRMENTS		
	Property Plant & Equipment	-	-
		-	-
26	FINANCE CHARGES		
	Finance leases	666 420	952 140
	Post Employment Health	68 205	63 791
	Long service awards	125 303	145 102
	Other interest paid	-	(5 337)
	Total finance charges	859 928	1 155 696
27	BULK PURCHASES		
	Electricity	6 321 512	6 038 685
	Total Bulk Purchases	6 321 512	6 038 685
28	EXPENDITURE THROUGH GRANTS AND SUBSIDIES		
	Fund: Finance Management Grant (FMG)	1 550 000	1 062 423
	Fund: MSIG expenditure	940 078	1 093 379
	Fund: MIG	97 868	-
	Fund: Repairs & Maintenance - Roads	27 128	23 668
	Fund: Repairs & Maintenance - Pounds	2 353	23 827
	Fund: Repairs & Maintenance - Street Lights	37 403	72 400
	Fund: DEDEA	100 550	428 675
	Fund: IDP	-	103 137
	Fund: Disaster Support	-	-
	Fund: Skills Development	-	700
	Fund: MSP	-	9 700
	Fund: General Valuation	-	853
	Fund: Expanded public works program	2 597 063	2 767 195
	Fund: Environmental Affairs	247 670	-
	Fund: Performance Management	-	140 460
	Total Grants and Subsidies	5 600 113	5 726 417
		2014	2013
		R	R
29	GENERAL EXPENSES		
	Advertising	363 251	312 147
	Water operating expenditure	1 914 671	822 810
	Auditors Remuneration	1 976 616	1 666 999
	Bank Charges	139 700	137 243
	Catering & Entertainment	195 566	204 302
	Consulting & Professional Fees	929 672	123 086
	Consumables	278 258	139 975
	Sundry expenditure	5 131 100	664
	Electricity Purchases	466 291	160 412
	Fuel & Oil	3 285 508	2 283 231
	HIV program	104 257	-
	Insurance	533 898	460 099
	IT Expenses	551 137	131 855
	Licence Fees	356 732	600 689
	Magazines, books & publications	10 846	3 717
	Mayors Fund	-	3 500
	Opening new offices	391 557	-
	Pound Expenditure	11 443	64 673
	Printing & Stationery	392 743	320 821
	Promotions & Sponsorships	1 580 870	548 822
	Protective Clothing	220 607	261 202
	Public Participation	36 347	117 923
	Refuse Bags	62 293	11 723
	Registration fees	17 244	68 975
	Remuneration Ward Committees	1 084 000	1 098 000
	Rent - office equipment	112 139	81 414
	Security Services	533 228	844 546
	Subscription & Membership Fees	32 000	841 967
	Telephone, postage & fax	1 077 975	632 673
	Tools & Accessories - non-capital	238 147	192 466
	Training	380 084	552 623
	Travel Expenses	3 000 571	1 985 073
	Valuation Roll	622 186	612 308
	VIP Suckage	360 000	215 580
	Water Cartage	54 000	-
	Water Purification	1 060 973	418 865
	Water week expenditure	502 296	97 396
	Total General Expenses	28 008 206	16 017 779

			2013 R
30	CORRECTION OF ERROR IN TERMS OF GRAP 3		
30.1	Payables from exchange transactions		
	Adjustments made to VAT	(1 544 866)	
	Corrections were made to prior year amounts incorrectly stated in 2013	(1 544 866)	
30.2	Property Plant & Equipment		
	Adjustments made to property Plant and Equipment depreciation	977 060	
	Adjustments made to property Plant and Equipment in terms of the unbundling process	977 060	
30.3	Employee Benefits: Long Service Bonuses		
	Adjustment to prior year Long Service Bonus provision	329 713	
	Adjustment to prior year Long Service Bonus provision due to inaccurate information used in calculation	329 713	
30.4	Receivables from exchange and non-exchange		
	Receivables from exchange transactions	183 097	
	Receivables from non-exchange transactions	359 342	
	Adjustments made to Chris Hani agency account fees	1 227 407	
		1 769 846	
30.5	Accumulated surplus/ (Deficit)		
	Prior year adjustment to VAT	1 544 866	
	Prior year adjustment to Chris Hani Agency Fees	(1 227 407)	
	Prior year adjustment to Receivables	(1 769 846)	
	Prior year adjustment to Depreciation	(977 060)	
	Prior year adjustment to Long-service bonuses	(329 713)	
		(2 759 160)	
30.6	STATEMENT OF FINANCIAL PERFORMANCE		
	Long service bonus Interest, Service costs & Actuarial gains/losses	329 713	
	Depreciation	977 060	
	Revenue	2 997 253	
	Total	4 304 026	
		2014 R	2013 R
31	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	(14 074 831)	12 735 707
	Adjustments for:		
	Depreciation	10 913 485	8 951 455
	Amortisation of Intangible Assets	-	-
	Profit/ (loss) on disposal of property, plant and equipment	(267 820)	-
	Loss on disposal of property, plant and equipment	-	-
	Interest income (cash)	(497 045)	(530 330)
	Interest income (non-cash)	(5 258 995)	(4 238 688)
	Finance costs (cash)	773 268	952 140
	Finance costs (non-cash)	86 660	208 893
	Movement in retirement benefit assets and liabilities	449 609	(173 646)
	Movement in provisions	(860 518)	1 892 255
	Impairment of assets	-	-
	Prior year adjustments	-	-
	Unspent conditional grants and receipts	(763 840)	(5 731 342)
	Operating Surplus/(Deficit) before changes in working capital	(9 500 027)	14 066 444
	Changes in working capital	14 041 453	7 397 848
	Increase/(Decrease) in Trade and Other Payables	2 468 612	1 895 951
	Increase/(Decrease) in Taxes	241 231	3 644 211
	(Increase)/Decrease in Inventory	(31 212)	(10 854)
	Consumer deposits	(217 071)	14 354
	Unspent conditional grants and receipts	-	-
	(Increase)/Decrease in Trade and other receivables (exchange)	5 153 511	1 972 968
	(Increase)/Decrease in Trade and other receivables (non-exchange)	6 426 382	(118 782)
	Cash generated/(absorbed) by operations	4 541 426	21 464 292

32	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 16		1 474 366	12 159 166	
	Bank - Note 16		615 891	837 684	
	Total cash and cash equivalents		2 090 257	12 996 850	
33	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 32		2 090 257	12 996 850	
	Less:		2 090 257	12 996 850	
			5 244 197	5 766 806	
	Unspent Committed Conditional Grants - Note 9		1 882 764	2 646 604	
	VAT - Note 10		3 361 433	3 120 202	
	Resources available for working capital requirements		(3 153 940)	7 230 044	
34	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 2		4 692 397	6 038 199	
	Used to finance property, plant and equipment - at cost		(4 692 397)	(6 038 199)	
	Cash invested for repayment of long-term liabilities		-	-	
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
35	BUDGET COMPARISONS				
		2014	2014	2014	2014
		R	R	R	
		(Actual)	(Budget)	(Variance)	(%)
35.1	Operational				
	Revenue by source				
	Property Rates	4 432 300	4 200 000	232 300	6%
	Government Grants and Subsidies - Capital	16 563 392	15 766 200	797 192	5%
	Government Grants and Subsidies - Operating	49 947 503	47 652 000	2 295 503	5%
	Fines	-	24 350	(24 350)	-100%
	Service Charges	16 885 233	21 100 000	(4 214 767)	-20%
	Rental of Facilities and Equipment	-	1 116 000	(1 116 000)	-100%
	Interest Earned - external investments	497 045	636 000	(138 955)	-22%
	Interest Earned - outstanding debtors	5 258 995	4 475 000	783 995	18%
	Agency Services	-	4 615 099	(4 615 099)	-100%
	Other Income	15 481 829	17 629 421	(2 147 592)	-12%
	Gain on disposal of Property, Plant and Equipment	267 820	118 992	148 828	125%
		109 334 117	117 333 062	(7 998 945)	-7%
	Expenditure by nature				
	Employee Related Costs	35 447 210	32 517 186	(2 930 024)	9%
	Remuneration of Councillors	5 349 231	5 335 800	(13 431)	0%
	Debt Impairment	25 762 091	11 110 120	(14 651 971)	132%
	Depreciation and Amortisation	10 913 485	4 639 200	(6 274 285)	135%
	Actuarial losses	(18 720)	-	18 720	-100%
	Repairs and Maintenance	5 165 892	4 895 169	(270 723)	6%
	Finance Charges	859 928	732 764	(127 164)	17%
	Bulk Purchases	6 321 512	8 600 000	2 278 488	-26%
	Contracted services	-	1 215 000	(1 215 000)	-100%
	Grants and Subsidies	5 600 113	4 382 000	(1 218 113)	28%
	General Expenses	28 008 206	28 587 653	579 447	-2%
		123 408 948	102 014 892	(21 394 056)	21%
	Net Surplus for the year	(14 074 831)	15 318 170	(29 393 001)	-192%

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
35.2 Expenditure by Vote				
Executive & Council	20 793 596	18 193 182	2 600 414	14%
Budget & Treasury	26 730 433	20 026 369	6 704 064	33%
Planning & Development	3 629 906	3 915 455	(285 549)	-7%
Community & Social Services	1 839 403	2 696 951	(857 548)	-32%
Housing	375 955	420 663	(44 708)	-11%
Public Safety	2 031 651	2 732 156	(700 505)	-26%
Sport & Recreation	125 107	148 709	(23 602)	-16%
Waste Management	10 058 835	8 384 239	1 674 596	20%
Waste Water Management	5 872 067	7 812 000	(1 939 933)	-25%
Road Transport	17 674 544	8 374 646	9 299 898	111%
Water	23 627 807	16 341 720	7 286 087	45%
Electricity	10 649 644	12 968 801	(2 319 157)	-18%
Less Inter-Departmental Charges				0%
	123 408 948	102 014 891	21 394 057	21%
	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
35.3 Capital expenditure by vote				
Executive & Council	1 818 429	600 000	1 218 429	203%
Budget & Treasury	-	100 000	(100 000)	-100%
Community & Social Services	840 165	2 791 060	(1 950 895)	-70%
Waste Management	3 867 524	3 650 000	217 524	6%
Road Transport	10 709 805	9 375 140	1 334 665	14%
Water	-	-	-	0%
Electricity	2 157 792	2 500 000	(342 208)	-14%
	19 393 715	19 016 200	377 515	2%
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2014 R	2013 R
36.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			22 014 094	10 417 460
Unauthorised expenditure current year - capital			2 770 618	3 595 175
Unauthorised expenditure current year - operating			27 565 059	8 001 459
Written off by council			-	-
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			52 349 771	22 014 094

Unauthorised expenditure in 2014 for R30'335'676 (2013: R11'596'634) was due mainly to the overspending on the budget budget vote due to under budgeting of depreciation and debt impairment charges.

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	20 793 596	18 193 182	2 600 414	2 600 414
Budget & Treasury	26 730 433	20 026 369	6 704 064	6 704 064
Planning & Development	3 629 906	3 915 455	(285 549)	-
Community & Social Services	1 839 403	2 696 951	(857 548)	-
Housing	375 955	420 663	(44 708)	-
Public Safety	2 031 651	2 732 156	(700 505)	-
Sport & Recreation	125 107	148 709	(23 602)	-
Waste Management	10 058 835	8 384 239	1 674 596	1 674 596
Waste Water Management	5 872 067	7 812 000	(1 939 933)	-
Road Transport	17 674 544	8 374 646	9 299 898	9 299 898
Water	23 627 807	16 341 720	7 286 087	7 286 087
Electricity	10 649 644	12 968 801	(2 319 157)	-
	123 408 948	102 014 891	21 394 057	27 565 059

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Unauthorised expenditure current year - capital				
Executive & Council	1 818 429	600 000	1 218 429	1 218 429
Budget & Treasury	-	100 000	(100 000)	-
Community & Social Services	840 165	2 791 060	(1 950 895)	-
Waste Management	3 867 524	3 650 000	217 524	217 524
Road Transport	10 709 805	9 375 140	1 334 665	1 334 665
Water	-	-	-	-
Electricity	2 157 792	2 500 000	(342 208)	-
	19 393 715	19 016 200	377 515	2 770 618

	2014 R	2013 R
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**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
(CONTINUE)**

36.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	769 292	769 292
Fruitless and wasteful expenditure current year	25 234	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	794 526	769 292

Included in the opening balance is an amount identified in 2012 for a contract entered into between MTN Cellular Service Provider and Sakhisizwe Municipality, whereby the municipality stands as surety for numerous cellphone contracts for unknown users of the cellphones. The original agreement between the service provider and the municipality was not conducted and signed by an authorised municipal official, neither have the costs been recovered from the users of the cellphones. The payment to MTN in the current financial year is regarded as fruitless and wasteful expenditure. An amount of R6 000 was overpaid to a supplier due to a casting error on their invoice submitted. An amount of R56,430 was overpaid to the supplier for car hire.

Included in the opening balance is an amount identified in 2011 for licencing & service fees totalling R23,138 were incurred in 2010 by the Traffic department on licencing & service fees paid to TCS (Pty)Ltd for the use of a system which is no longer in use by the Traffic department, but for which no notice has been given to the relevant company to cancel the contract. No attempt has been made to recover the fruitless expenditure. No criminal or disciplinary steps were considered necessary in relation to the expenditure. The expense had not been condoned as at 30 June 2014.

Fruitless expenditure of R25,234 was incurred in 2014 due to interest incurred on outstanding Eskom and Telkom accounts.

36.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	28 581 481	22 077 021
Irregular expenditure current year	4 791 081	6 504 460
Irregular expenditure - Performance Bonuses	1 566 330	-
Condonement supported by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	34 938 892	28 581 481

Irregular expenditure awaiting condonement from National Treasury	-	-
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2011: During the 2011 financial year it was noted that under banking to the amount of R14,807 (2010: R21,713) occurred at the Cala Receipting office. No explanation could be provided and no authorisation was given for the under banking of the cash receipts. The relevant amounts have not been condoned by council and are included in the opening balance disclosed in the current year.

Expenditure to the value of R 4'791'081 (2013: R 6,504,460) was incurred during the current financial year, for which three quotations were not obtained for the expenditure in order to comply to the relevant SCM regulations, however the goods and services were received for this expenditure. As a result, the expenditure is considered irregular and it will be investigated further by management.

Included in the irregular expenditure, is an amount of R1 566 330 for Performance Bonuses paid to management for which no performance assessments had been performed by the municipality for the financial years ended 2009 to 2013. The payment for the 2009 to 2013 financial years were made in the 2014 financial year.

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

36.4 Material Losses

Water distribution losses

- Kilo litres disinfected/purified/purchased -
- Kilo litres lost during distribution -
- Percentage lost during distribution -

Electricity distribution losses

- Units purchased (Kwh) -
- Units lost during distribution (Kwh) -
- Percentage lost during distribution -

Water losses: In terms of the Water Service Agreement between Chris Hani District Municipality and Sakhisizwe Local Municipality, the water assets are the responsibility of Chris Hani District Municipality. Sakhisizwe Local Municipality is responsible for the maintenance thereof, and any expenditure incurred thereon will be reimbursed by Chris Hani District Municipality. Any potential losses which could exist would be immaterial.

Electricity losses: as at the time of the submission of the financial statements, the municipality was unable to determine electricity losses as no bulk meters or other systems are currently in place to identify and quantify electricity distribution losses. The installation of bulk electricity meters is in its planning stage.

	2014 R	2013 R
37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
37.1 <u>Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS</u>		
Opening balance	-	-
Council subscriptions	26 000	826 282
Amount paid - current year	(26 000)	(826 282)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
	2014 R	2013 R
37.2 <u>Audit fees - (MFMA 125 (1)(c))</u>		
Opening balance	(199 181)	2 415 494
Current year audit fee	1 976 616	1 467 818
External Audit - Auditor-General	1 924 120	1 374 758
Internal Audit	-	16 932
Audit Committee	52 496	76 128
Amount paid - current year	(1 976 616)	(1 666 999)
Amount (paid)/ refunded - previous year	199 181	(2 415 494)
Balance unpaid (included in creditors)	-	(199 181)
37.3 <u>Councillor's arrear consumer accounts - (MFMA 124 (1)(b))</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2014:		
	2014 R Outstanding more than 90 days	2013 R Outstanding more than 90 days
Councillor SP Ntswana	949	1 681
Councillor TT Doda	10 983	16 241
Councillor MS Jentile	2 663	-
Councillor BE Ponoshe	5 080	-
Total Councillor Arrear Consumer Accounts	19 674	17 922
37.4 <u>Other non-compliance (MFMA 125(2)(a))</u>		

Section 9(a) of the MFMA requires the accounting officer of a municipality to submit to the relevant provincial treasury and the Auditor General, in writing within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account. There were no new accounts opened during the current financial year.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

38	COMMITMENTS	2014 R	2013 R
	Commitments in respect of capital expenditure:		
	Approved:	11 814 661	4 663 941
	Total commitments consist out of the following:		
	- Property, plant & equipment	11 814 661	4 663 941
		11 814 661	4 663 941
	This expenditure will be financed from: Government Grants	11 814 661 11 814 661	4 663 941 4 663 941
	Commitments in respect of operating expenditure:		
	Approved and contracted for:	970 661	-
	Total commitments consist out of the following:		
	- Trade Creditors	970 661	-
		970 661	-
	This expenditure will be financed from: Equitable Share	970 661 970 661	- -
		2014 R	2013 R

39 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

1 % (2013 - 1%) Increase in interest rates	(26 021)	69 587
0.5% (2013 - 0.5%) Decrease in interest rates	13 011	(34 793)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. The municipality only deposits cash with major banks with high quality credit standing and limited exposure to any one counter-party.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers, however customers cannot be refused basic services, therefore in practice this is difficult to apply and this constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but the risk is largely dependent on the political will for execution to control the credit risk.

All rates and services are payable within 30 days from invoice date. Refer to note 14 and 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 and 15 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 14 and 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

2014 %	2014 R	2013 %	2013 R
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Non-Exchange Receivables

Rates	23.58%	20 756 241	20.19%	12 574 666
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Exchange Receivables

Electricity	3.95%	3 475 988	3.11%	1 936 042
Water	33.32%	29 339 385	33.04%	20 575 482
Refuse	22.39%	19 710 717	25.93%	16 149 154
Sewerage	16.70%	14 707 252	19.40%	12 083 346
Other	0.06%	52 788	-1.67%	(1 040 668)
	100%	88 042 371	100%	62 278 022

The provision for bad debts could be allocated between the different categories of debtors as follows:

Government	9.26%	7 810 083	0.00%	-
Industrial	4.46%	3 758 265	0.00%	-
Municipal	0.00%	-	0.00%	-
Residential	86.29%	72 791 391	100.00%	62 278 022
Indigents	0.00%	-	0.00%	-
Other	4.27%	3 600 975	0.00%	-
	100.00%	84 359 740	100.00%	62 278 022

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2014 R	2013 R
Receivables from exchange transactions	1 990 557	6 647 023
Cash and Cash Equivalents	2 090 257	12 996 850
	<u>4 080 814</u>	<u>19 643 873</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow and available borrowing facilities are monitored.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments			-	-
Interest			-	-
Long Term liabilities - Finance Lease Liability	3 341 427	1 849 624	-	-
Capital repayments	2 972 591	1 719 805	-	-
Interest	368 836	129 819	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	6 323 046	-	-	-
Unspent conditional government grants and receipts	1 882 764	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>11 547 237</u>	<u>1 849 624</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments			-	-
Interest			-	-
Long Term liabilities - Finance Lease Liability	-	3 162 390	-	-
Capital repayments		2 209 361	-	-
Interest		953 029	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	3 717 199	-	-	-
Unspent conditional government grants and receipts	2 646 604	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>6 363 803</u>	<u>3 162 390</u>	<u>-</u>	<u>-</u>

			2014 R	2013 R
40	FINANCIAL INSTRUMENTS			
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
40.1	<u>Financial Assets</u>	<u>Classification</u>		
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	1 990 557	6 647 023
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	1 474 366	837 684
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	615 891	12 159 166
			4 080 814	19 643 873
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		4 080 814	19 643 873
	At amortised cost		4 080 814	19 643 873
	FINANCIAL INSTRUMENTS (CONTINUE)			
40.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	1 719 806	3 549 861
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	6 293 265	3 694 248
	Deposits	Financial instruments at amortised cost	29 781	22 951
	Other Payables			
	Unspent Government Subsidies and Grants	Financial instruments at amortised cost	1 882 764	2 646 604
	Current Portion of Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	2 972 591	2 488 338
			12 898 207	12 402 002
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		12 898 207	12 402 002
41	EVENTS AFTER THE REPORTING DATE			
	The municipality had the following material events which occurred after reporting date during the financial year ended 2013/2014:			
	- Water and Sanitation revenue and expenditure is expected to be transferred to the Chris Hani District Municipality from 1 July 2014, however no formal agreement had been signed as at the date of the issuing of the audit report.			
42	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
43	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
44	CONTINGENT LIABILITY			
	Workmens Compensation:			
	The municipality has not yet submitted the required assessments to the Department of Labour relating to Compensation for Occupational Health and Safety for the 2006, 2007, 2009 and 2010 financial years. The municipality is currently in the process of negotiating payment terms, however it was not possible to quantify the amount owed for the 2006 to 2010 financial years, nor was it possible to quantify the amount that will be due by the municipality for penalties and interest. All outstanding returns and payments have been made in the current and 2013 financial years.			
	Pending litigation exists against the municipality totalling approximately R2'310'499.26, comprising of the following pending cases:			
	- Kate Lombard: outstanding account subscription fee for advertisement servicesfor R54 651.60			
	- Mr W Pretorius: setting aside arbitration of commissioner T Noethezofofor claim R700 000.00			
	- C Bodlani: termination of servicesfor claim R980 000.00			
	- M.I Peterson: payment of servicesfor R22 757.72			
	- Michael van der Veen: Sakhisizwe/Lukhanji construction/Mr M.M Malotana for R168 189.94			
	- Makhanya: payment for alleged abultion servicesfor R 372 900.00			
	- Songelwa & Associates: repayment of impounded and then released bull for R12 000.00			
	ESKOM: under billing of electricity is disclosed as a contingent liability as electricity sales are approximately 497'087 (2013: 1.5 million) units more than units purchased from Eskom, as it has been determined that Eskom has possibly under billed the municipality for electricity consumed during the 2013 and 2014 financial year. A contingent liability has been disclosed for electricity consumed, but not paid for by the municipality as Eskom could bill the municipality for the amount under billed by Eskom.			

45 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

45.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. No loans have been granted by the municipality prior or subsequent to this date.

45.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 21 to the Annual Financial Statements.

45.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

46 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The municipality have budgeted for a surplus of R 15,318,170 for the 2014 financial year. These deficit will be covered by surplus cash in the Municipality.

Sakhisizwe Municipality do not have any overdraft facility arrangements with the bank.

We draw attention to the fact that as at 30 June 2014, the municipality had an accumulated surplus of R 125'723'178 and that the municipality's total assets exceed its liabilities by R 155'781'667

Other Indicators

Possible outflow of resources due to the contingent liability are disclosed in note 44

APPENDIX B - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Correction	Balance at 30 JUNE 2013 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS									
Annuity loans					-	-	-	-	-
Total Annuity Loans				-	-	-	-	-	-
LEASE LIABILITY									
Bell Bomag BW212D-40		0010E		849 866		849 866		462 001	387 865
HD 1023 Excavator		0002E		591 268		591 268		230 934	360 334
315 SJ 4 X 4 TLB		0003B		220 746		220 746		86 218	134 528
BELL 670G MOTOR GRADER		0004A		720 916		720 916		280 574	440 341
BELL BOMAG BW 212 D-40		0005T		385 338		385 338		156 478	228 860
S BELL DOZER		0006S		812 507		812 507		329 942	482 565
BELL B20D ADT 6 X 4		0007L		748 150		748 150		303 808	444 342
BELL B20D ADT 6 X 4		0008K		748 150		748 150		303 808	444 342
BELL B18D ADT 6X4 Water Tanker		0009J		961 258		961 258		334 576	626 683
Isuzu KB250D-Teq LE P/U DC		0010A				-	359 706	12 544	347 161
Isuzu KB250D Fleetside DTEQ		0002T				-	249 784	8 711	241 073
CHEV Sonic 1.6 LS		0003S				-	191 444	9 574	181 869
CHEV Sonic 1.6 LS		0004L				-	191 444	9 574	181 869
CHEV Sonic 1.6 LS		0005K				-	191 444	9 574	181 869
Total Lease Liabilities				6 038 199	-	6 038 199	-	2 519 168	3 549 861
TOTAL EXTERNAL LOANS				6 038 199	-	6 038 199	-	2 519 168	3 549 861

APPENDIX D - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
(2 100 000)	16 757 372	14 657 372	Executive & Council	(4 706 341)	20 793 596	16 087 255
(41 494 793)	18 446 409	(23 048 384)	Budget & Treasury	(48 322 784)	26 730 433	(21 592 350)
-	-	-	Corporate Services	-	-	-
(22 014 922)	2 736 602	(19 278 320)	Planning & Development	(18 995 898)	3 629 906	(15 365 992)
-	-	-	Health	-	-	-
(421 341)	1 552 230	1 130 889	Community & Social Services	(429 707)	1 839 403	1 409 697
(60 295)	313 115	252 820	Housing	(32 960)	375 955	342 996
(1 834 229)	2 208 474	374 245	Public Safety	(1 168 205)	2 031 651	863 446
(9 022)	145 652	136 630	Sport & Recreation	(4 150)	125 107	120 957
-	-	-	Environmental Protection	-	-	-
(2 487 976)	5 926 466	3 438 490	Waste Management	(3 880 982)	10 058 835	6 177 853
(5 005 535)	4 601 059	(404 476)	Waste Water Management	(5 977 794)	5 872 067	(105 727)
(9 188)	11 904 199	11 895 011	Road Transport	(667 270)	17 674 544	17 007 273
(9 826 724)	9 138 559	(688 165)	Water	(17 319 119)	23 627 807	6 308 689
(7 594 074)	9 376 057	1 781 983	Electricity	(7 828 909)	10 649 644	2 820 736
(92 858 099)	83 106 194	(9 751 905)	Total	(109 334 117)	123 408 948	14 074 831

APPENDIX E - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014	Unspent 30 JUNE 2014 (Creditor)	Unpaid 30 JUNE 2014 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share		-	-	41 187 000	41 187 000	-	-	-	-
Local Government Financial Management Grant (FMG)	10 000	-	10 000	1 550 000	1 560 000	-	-	-	-
Integrated National Electrification Programme (Eskom) Grant	1 000	-	1 000				1 000	1 000	-
- DME Projects			-				-	-	-
Municipal Infrastructure Grant (MIG)	702 123	-	702 123	16 596 000	-	17 298 123	-	-	-
- General MIG Fund	702 123		702 123	16 596 000		17 298 123	-	-	-
- EPWP				1 000 000	1 000 000			-	-
Municipal Systems Improvement Grant (MSIG)	10 000		10 000	890 000	900 000		-	-	-
Total National Government Grants	723 123	-	723 123	61 223 000	44 647 000	17 298 123	1 000	1 000	-
Provincial Government Grants									
Other Provincial Government Grants							-	-	-
East Cape Local Government LED				117 400	117 400		-	-	-
East Cape Local Government LED				112 000	112 000		-	-	-
Waste Management	900 000		900 000		900 000		-	-	-
Dep of Sport Art & Culture (Libraries)				369 000	369 000		-	-	-
Total Provincial Government Grants	900 000	-	900 000	598 400	1 498 400	-	-	-	-
District Municipality Grants									
Other District Municipality Grants							-	-	-
EPWP				2 400 000	2 400 000		-	-	-
Beautification of Towns				2 000 000	564 225		1 435 775	1 435 775	-
Eagle Eye				254 986	6 143		248 843	248 843	-
							-	-	-
							-	-	-
Total District Municipality Grants	-	-	-	4 654 986	2 970 368	-	1 684 618	1 684 618	-
Other Grant Providers									
(MSP) MUNICIPAL SUPPORT PROGRAMME	40 873		40 873		890		39 983	39 983	-
ELLIOT HOUSING	1 109		1 109				1 109	1 109	-
SURVEY ACCOUNT	7 885		7 885		1 045		6 840	6 840	-
EXTENTION 13 & 14	1 000		1 000				1 000	1 000	-
EXTENTION 15	2 213		2 213				2 213	2 213	-
GENERAL VALUATION	1 000		1 000				1 000	1 000	-
IDP PLAN	53 618		53 618				53 618	53 618	-
PMF REVIEW ACCOUNT	12 640		12 640				12 640	12 640	-
IEC - ELECTION	47 423		47 423				47 423	47 423	-
SKILLS DEVELOPEMENT	31 320		31 320				31 320	31 320	-
EPWP Unspent Grant/ Fund	-		-				-	-	-
LED	-		-				-	-	-
CHDM Libraries	-		-				-	-	-
Total Other Grant Providers	199 081	-	199 081	-	1 935	-	197 146	197 146	-
Total	1 822 204	-	1 822 204	66 476 386	49 117 703	17 298 123	1 882 764	1 882 764	-