

SAKHISIZWE

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2015

SAKHISIZWE LOCAL MUNICIPALITY

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SAKHISIZWE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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 V. Matishotyana	PR (COPE)
Clr Z. D. Dyonase	PR (APC)
Clr M. J. Andrews	PR (DA)
Clr S. Mxози	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 2015, which are set out on pages 1 to 70 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 2015 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

31 August 2015
Date

SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of SAKHISIZWE LOCAL MUNICIPALITY for the fiscal year 2012/2013

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Ubuntu Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Ubuntu economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 June 2013	30 June 2012
Surplus / (Deficit) for the year before Appropriations	15 774 311	(13 060 560)
Accumulated Surplus / (Deficit) at the end of the Year	170 637 203	154 862 891
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	35.89%	32.23%
Remuneration of Councillors	6.84%	4.86%
Debt Impairment	0.71%	12.12%
Depreciation and Amortisation	13.23%	9.92%
Impairments	0.00%	0.00%
Repairs and Maintenance	1.19%	4.70%
Actuarial losses	0.09%	0.00%
Finance Charges	0.96%	0.78%
Bulk Purchases	10.74%	5.75%
Contracted services	0.00%	0.00%
Grants and Subsidies	5.35%	5.09%
Stock Adjustments	0.00%	0.00%
Operating Grant Expenditure	0.00%	0.00%
General Expenses	24.99%	24.54%
Loss on disposal of Property, Plant and Equipment	0.00%	0.00%
Fair Value Adjustments	0.00%	0.00%
Current Ratio:		
Creditors Days	70	99
Debtors Days	987	1 728.33

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ratio is. It should be noted that the ratio improvement has been achieved despite the massive increases in Eskom charges.

SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	128 313 710	136 518 929	-6.01%	-	-
Operating income for the year (incl. gains in disposal of assets)	95 963 596	101 781 734	-5.72%	110 518 342	-13.17%
Appropriations for the year	-	-	#DIV/0!	-	
	224 277 306	238 300 663	-5.88%	110 518 342	102.93%
Expenditure:					
Operating expenditure for the year	80 263 608	109 986 952	-27.02%	94 952 418	-15.47%
Closing surplus / (deficit)	144 013 698	128 313 710	12.24%	-	-
	224 277 306	238 300 663	-5.88%	94 952 418	136.20%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R ?? (2010/2011: R ??), and in percentage terms amounts to ??% of budget. Full details of Property, Plant and Equipment are disclosed in note number 7 to the Annual Financial Statements.

The capital expenditure of R ?? (2011/12) was financed as follows:

DETAILS	Actual 2011/2012 R	Budgeted 2011/2012 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve				#DIV/0!
External Loans				#DIV/0!
Grants and Subsidies				#DIV/0!
Leased Assets				#DIV/0!
	-	-		100.00%

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

2012 R	2011 R
1 720 787	4 692 397

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

Refer to Note number 3 and Appendix "A" for more detail.

SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	14 827 968	5 367 947
Provision for Post Retirement Benefits	1 469 735	1 384 045
Provision for Ex-Gratia Pension Benefits	-	-
Provision for Long Service Awards	1 402 144	1 386 399
Provision for Rehabilitation of Landfill-sites	11 956 089	2 597 503
Provision for Clearing of Alien Vegetation	-	-
	14 827 968	5 367 947

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 5	121 227	141 752
Current Employee benefits	Note number 6	266 169	233 032
Provisions	Note number 7	745 816	757 434
Payables from exchange transactions	Note number 8	5 804 937	10 709 809
Unspent Conditional Government Grants and Receipts	Note number 9	8 140 385	1 882 764
Taxes	Note number 10.1	-	3 361 433
Operating Lease Liability	Note number *	-	-
Cash and Cash Equivalents	Note number 16	-	-
Current Portion of Long-term Liabilities	Note number 2	1 123 931	2 972 591
		16 202 465	20 058 815

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:

- -

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number * for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

149 593 184 141 630 441

Refer to Note number 11 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :

- -

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number * for more detail.

SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R ??

- -

Refer to Note number * for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note number 13	1 014 271	1 014 271
Receivables from exchange transactions	Note number 14	2 382 316	1 117 426
Receivables from non-exchange transactions	Note number 15	7 913 153	1 228 623
Unpaid Conditional Government Grants and Receipts	Note number 9	-	-
Operating Lease Asset	Note number *	-	-
Taxes	Note number 10.1	450 055	-
Current Portion of Long-term Receivables	Note number *	-	-
Cash and Cash Equivalents	Note number 16	6 434 393	2 090 257
		18 194 188	5 450 577

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 9 and 18 as well as Appendix E for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 41

15. DISCLOSURE ISSUES

On 12 August 2011, Council and the Municipal Manager came to an amicable agreement to part ways. This is not a post-reporting date event but it may become an expenditure issue in the 2011/2012 financials and therefore can be noted.

16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

CHIEF FINANCIAL OFFICER

31 August 2013

Refer attached report

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash			-	
Call investment deposits	6 434 393		6 434 393	Less cash available at year end
Consumer debtors	10 295 469	23 553 000	(13 257 531)	Transfer of water and sewerage debtors to CHDM
Other Receivables		1 094 000	(1 094 000)	
Current portion of long-term receivables			-	
Inventory	1 014 271	72 000	942 271	
Total current assets	17 744 133	24 719 000	(6 974 867)	
Non current assets				
Long-term receivables	-	-	-	
Investments		-	-	
Investment property	34 210 951	34 400 000	(189 049)	
Property, plant and equipment	149 593 184	136 603 000	12 990 184	
Biological Assets			-	
Intangible Assets		-	-	
Heritage Assets		-	-	
Total non current assets	183 804 135	171 003 000	12 801 135	
TOTAL ASSETS	201 548 268	195 722 000	5 826 268	
LIABILITIES				
Current liabilities				
Bank overdraft		5 908 000	(5 908 000)	No overdraft at year end.
Borrowing	1 123 931	3 710 000	(2 586 069)	Redemption of loans
Consumer deposits	121 227	177 000	(55 773)	
Trade and other payables	13 945 322	6 500 000	7 445 322	More payables at year end
Provisions and Employee Benefits	12 968 074	1 092 000	11 876 074	Budget understated
Total current liabilities	28 158 554	17 387 000	10 771 554	
Non current liabilities				
Borrowing	596 856	1 720 000	(1 123 144)	
Provisions and Employee Benefits	2 605 710	5 770 000	(3 164 290)	Budget overstated
Total non current liabilities	3 202 566	7 490 000	(4 287 434)	
TOTAL LIABILITIES	31 361 120	24 877 000	6 484 120	
NET ASSETS	170 187 148	170 845 000	(657 852)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	170 637 203	170 847 000	(209 797)	Budget overstated
Reserves		-	-	
TOTAL COMMUNITY WEALTH/EQUITY	170 637 203	170 847 000	(209 797)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	5 859 000	(5 859 000)		
Call investment deposits	7 949 000	(7 949 000)		
Consumer debtors	668 000	22 885 000	23 553 000	
Other Receivables	5 166 000	(4 072 000)	1 094 000	
Current portion of long-term receivables	-	-		
Inventory	76 000	(4 000)	72 000	
Total current assets	19 718 000	5 001 000	24 719 000	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-		
Investment property	34 590 000	(190 000)	34 400 000	
Property, plant and equipment	137 244 000	(641 000)	136 603 000	
Biological Assets	-	-		
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	171 834 000	(831 000)	171 003 000	
TOTAL ASSETS	191 552 000	4 170 000	195 722 000	
LIABILITIES				
Current liabilities				
Bank overdraft	-	5 908 000	5 908 000	
Borrowing	-	3 710 000	3 710 000	
Consumer deposits	744 000	(567 000)	177 000	
Trade and other payables	3 527 000	2 973 000	6 500 000	
Provisions and Employee Benefits	5 783 000	(4 691 000)	1 092 000	
Total current liabilities	10 054 000	7 333 000	17 387 000	
Non current liabilities				
Borrowing	5 736 000	(4 016 000)	1 720 000	
Provisions and Employee Benefits	5 222 000	548 000	5 770 000	
Total non current liabilities	10 958 000	(3 468 000)	7 490 000	
TOTAL LIABILITIES	21 012 000	3 865 000	24 877 000	
NET ASSETS	170 540 000	305 000	170 845 000	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	170 540 000	307 000	170 847 000	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	170 540 000	307 000	170 847 000	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	5 119 111	4 450 000	669 111	Implementation of new valuation roll
Property rates - penalties & collection charges			-	
Service charges	11 860 176	13 585 000	(1 724 824)	Budget overstated
Rental of facilities and equipment	-	1 076 000	(1 076 000)	
Interest earned - external investments	525 890	456 000	69 890	
Interest earned - outstanding debtors	3 317 377	2 375 000	942 377	Budget understated
Dividends received			-	
Fines	-	24 500	(24 500)	
Licences and permits			-	
Agency services	202 841	1 829 933	(1 627 092)	Transfere of water and sanitation fuction
Government Grants and Subsidies - Operating	68 748 366	76 347 800	(7 599 434)	Not all grants spent at year end.
Other revenue	6 189 835	10 255 117	(4 065 282)	Transfere of water and sanitation fuction
Gains on disposal of PPE		118 992	(118 992)	
Total Operating Revenue	95 963 596	110 518 342	(14 554 746)	
EXPENDITURE BY TYPE				
Employee related costs	28 809 908	32 723 586	(3 913 678)	Transfere of water and sanitation staff
Remuneration of councillors	5 490 766	5 545 752	(54 986)	
Debt impairment	567 570	4 180 120	(3 612 550)	Budget overstated
Depreciation & asset impairment	10 618 427	9 097 000	1 521 427	
Actuarial losses	74 387		74 387	
Finance charges	769 082	396 636	372 446	
Bulk purchases	8 619 273	9 293 160	(673 887)	Saving on bulk purchases
Other materials	956 166	3 454 400	(2 498 234)	Saving on spending
Contracted services	-	1 374 531	(1 374 531)	
Grants and subsidies paid	4 297 032	4 576 000	(278 968)	
Other expenditure	20 060 997	24 311 233	(4 250 236)	Saving on spending
Loss on disposal of PPE		-	-	
Total Operating Expenditure	80 263 608	94 952 418	(14 688 810)	
Operating Surplus for the year	15 699 988	15 565 924	134 064	
Government Grants and Subsidies - Capital	-	-	-	
Net Surplus for the year	15 699 988	15 565 924	134 064	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R	2015 R	2015 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	4 450 000	-	4 450 000	
Property rates - penalties & collection charges		-	-	
Service charges	21 785 000	(8 200 000)	13 585 000	
Rental of facilities and equipment	1 116 000	(40 000)	1 076 000	
Interest earned - external investments	636 000	(180 000)	456 000	
Interest earned - outstanding debtors	4 475 000	(2 100 000)	2 375 000	
Dividends received		-	-	
Fines	24 350	150	24 500	
Licences and permits		-	-	
Agency services	4 889 485	(3 059 552)	1 829 933	
Government Grants and Subsidies - Operating	75 347 800	1 000 000	76 347 800	
Other revenue	17 629 419	(7 374 302)	10 255 117	
Gains on disposal of PPE	118 992	-	118 992	
Total Operating Revenue	130 472 046	(19 953 704)	110 518 342	
EXPENDITURE BY TYPE				
Employee related costs	34 565 454	(1 841 868)	32 723 586	
Remuneration of councillors	5 597 400	(51 648)	5 545 752	
Debt impairment	11 396 120	(7 216 000)	4 180 120	
Depreciation & asset impairment	4 916 000	4 181 000	9 097 000	
Finance charges	396 636	(396 636)	-	
Bulk purchases	9 293 160	(8 896 524)	396 636	
Other materials	6 278 659	3 014 501	9 293 160	
Contracted services	1 515 000	1 939 400	3 454 400	
Grants and subsidies paid	3 576 000	(2 201 469)	1 374 531	
Other expenditure	28 848 857	(24 272 857)	4 576 000	
Loss on disposal of PPE	-	24 311 233	24 311 233	
Total Operating Expenditure	106 383 286	-11 430 868	94 952 418	
Operating Surplus/(Deficit) for the year	24 088 760	(8 522 836)	15 565 924	
Government Grants and Subsidies - Capital		-		
Net Surplus/(Deficit) for the year	24 088 760	(8 522 836)	15 565 924	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	8 535 757	13 158 000	(4 622 243)	Implementation of new valuation roll
Government - operating	75 005 987	63 560 000	11 445 987	
Government - capital		17 218 000	(17 218 000)	Under spending on funds
Interest	-	4 717 000	(4 717 000)	Budget overstated
Dividends			-	
Other Receipts	6 372 151		6 372 151	
Payments				
Suppliers and Employees	(59 536 339)	(23 366 000)	(36 170 339)	Budget understated
Finance charges	-	(397 000)	397 000	
Transfers and Grants	(4 872 363)	(63 560 000)	58 687 637	Budget overstated
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>25 505 193</u>	<u>11 330 000</u>	<u>14 175 193</u>	
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	(18 317 486)	(18 061 000)	(256 486)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>-18 317 486</u>	<u>(18 061 000)</u>	<u>-256 486</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	525 890		525 890	Budget understated
Increase/(decrease) in consumer deposits		35 000	(35 000)	
Payments				
Repayment of borrowing	(3 369 461)		-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>-2 843 571</u>	<u>35 000</u>	<u>490 890</u>	
NET INCREASE/(DECREASE) IN CASH HELD	4 344 136	(6 696 000)	14 409 597	
Cash and Cash Equivalents at the beginning of the year	2 090 257	454 000	1 636 257	
Cash and Cash Equivalents at the end of the year	6 434 393	(5 908 000)	12 342 393	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	42 709 000	(29 551 000)	13 158 000	
Government - operating	53 757 000	9 803 000	63 560 000	
Government - capital	17 464 000	(246 000)	17 218 000	
Interest	1 324 000	3 393 000	4 717 000	
Dividends		-	-	
Payments				
Suppliers and Employees	(85 279 000)	61 913 000	(23 366 000)	
Finance charges	(397 000)	-	(397 000)	
Transfers and Grants	(5 346 000)	(58 214 000)	(63 560 000)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>24 232 000</u>	<u>-12 902 000</u>	<u>11 330 000</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	119 000	(119 000)	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(23 274 000)	5 213 000	(18 061 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(23 155 000)</u>	<u>5 094 000</u>	<u>(18 061 000)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	35 000	-	35 000	
Payments				
Repayment of borrowing	(302 000)	302 000	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>-267 000</u>	<u>302 000</u>	<u>35 000</u>	
NET INCREASE/(DECREASE) IN CASH HELD	810 000	(7 506 000)	(6 696 000)	
Cash and Cash Equivalents at the beginning of the year	12 997 000	(12 543 000)	454 000	
Cash and Cash Equivalents at the end of the year	13 808 000	(19 716 000)	(5 908 000)	

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R (Actual)	2014 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		170 637 203	154 862 891
Accumulated Surplus		170 637 203	154 862 891
Non-Current Liabilities		15 158 655	6 854 721
Long-term Liabilities	2	596 856	1 719 806
Employee benefits	3	2 605 710	2 537 412
Non-Current Provisions	4	11 956 089	2 597 503
Current Liabilities		16 202 465	20 058 815
Consumer Deposits	5	121 227	141 752
Current Employee benefits	6	266 169	233 032
Provisions	7	745 816	757 434
Payables from exchange transaction:	8	5 804 937	10 709 809
Unspent Conditional Government Grants and Receipt	9	8 140 385	1 882 764
Taxes	10.1	-	3 361 433
Current Portion of Long-term Liabilities	2	1 123 931	2 972 591
Total Net Assets and Liabilities		201 998 323	181 776 427
ASSETS			
Non-Current Assets		183 804 135	176 030 753
Property, Plant and Equipment	11	149 593 184	141 630 441
Investment Property	12	34 210 951	34 400 312
Discontinued Operations	47.1	-	295 097
Current Assets		18 194 188	5 450 577
Inventory	13	1 014 271	1 014 271
Receivables from exchange transaction:	14	2 382 316	1 117 426
Receivables from non-exchange transaction	15	7 913 153	1 228 623
Taxes	10.1	450 055	-
Cash and Cash Equivalents	16	6 434 393	2 090 257
Total Assets		201 998 323	181 776 427

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		73 867 477	70 943 195
Taxation Revenue		5 119 111	4 432 300
Property taxes	17	5 119 111	4 432 300
Transfer Revenue		68 748 366	66 510 895
Government Grants and Subsidies - Capital	18	13 653 483	16 563 392
Government Grants and Subsidies - Operating	18	55 094 883	49 947 503
Revenue from Exchange Transactions		22 096 119	30 838 539
Service Charges	19	11 860 176	9 581 950
Interest Earned - external investments		525 890	497 045
Interest Earned - outstanding debtors		3 317 377	5 258 995
Actuarial Profits	3	202 841	18 720
Other Income	20	6 189 835	15 481 829
Total Revenue		95 963 596	101 781 734
EXPENDITURE			
Employee related costs	21	28 809 908	35 447 210
Remuneration of Councillors	22	5 490 766	5 349 231
Debt Impairment	23	567 570	13 335 646
Depreciation and Amortisation	24	10 618 427	10 913 485
Repairs and Maintenance		956 166	5 165 892
Actuarial losses	3	74 387	-
Finance Charges	26	769 082	859 928
Bulk Purchases	27	8 619 273	6 321 512
Grants and Subsidies	28	4 297 032	5 600 113
General Expenses	29	20 060 997	26 993 935
Total Expenditure		80 263 608	109 986 952
Loss/ (profit) on disposal of Property, Plant and Equipment		(74 323)	(267 820)
Discontinued Operations	47.2	-	(5 123 162)
NET SURPLUS/(DEFICIT) FOR THE YEAR		15 774 311	(13 060 560)

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus/ (Deficit)	Total
Note	R	R
Balance at 1 JULY 2013: as previously reported	136 518 929	136 518 929
Restated Balance at 1 JULY 2013	136 518 929	136 518 929
Prior year adjustments in 2014	31 404 524	31 404 524
Net Deficit for the year: 2014	(13 060 560)	(13 060 560)
Balance at 30 JUNE 2014	154 862 892	154 862 892
Net Surplus for the year: 2015	15 774 311	15 774 311
Balance at 30 JUNE 2015	170 637 203	170 637 203

SAKHISIZWE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		89 913 895	113 882 650
Ratepayers and other		8 535 757	26 444 455
Government		75 005 987	65 747 055
Interest		-	-
Other receipts		6 372 151	21 691 140
Payments		(64 408 702)	(109 341 224)
Employee costs		(34 199 239)	(40 346 832)
Suppliers costs		(25 337 100)	(25 570 806)
Other payments		(4 872 363)	(43 423 586)
Cash generated by operations	31	25 505 193	4 541 426
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipmen	11	(18 317 486)	(19 274 551)
Purchase of Investment property		-	-
Net Cash from Investing Activities		(18 317 486)	(19 274 551)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance lease payments		(2 971 610)	(1 345 802)
Interest income		525 890	5 258 995
Finance costs		(397 851)	(86 660)
Net Cash from Financing Activities		(2 843 571)	3 826 533
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 344 136	(10 906 593)
Cash and Cash Equivalents at the beginning of the year		2 090 257	12 996 850
Cash and Cash Equivalents - non-cashflow journal		-	-
Cash and Cash Equivalents at the end of the year	32	6 434 393	2 090 257
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 344 136	(10 906 593)

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	(Re-stated) 2014 R
2 LONG-TERM LIABILITIES		
Capitalised Lease Liability - At amortised cost	1 720 787	4 692 397
	1 720 787	4 692 397
Current Portion transferred to Current Liabilities	1 123 931	2 972 591
Capitalised Lease Liability - At amortised cost	1 123 931	2 972 591
	596 856	1 719 806
Total Long-term Liabilities - At amortised cost using the effective interest rate method	596 856	1 719 806
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	1 207 664	3 341 426
Payable within two to five years	646 331	1 849 624
Payable after five years	-	-
	1 853 995	5 191 051
Less: Future finance obligations	(133 208)	(498 655)
Present value of lease obligations	1 720 787	4 692 396

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

The municipality has plant & equipment assets with a carrying value of R2,923,352 (2014: R8,274,930) 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 R371,231 (2014: R428,306)

3	EMPLOYEE BENEFITS	2015 R	2014 R
	Post Retirement Defined Benefit Plan - Refer to Note 3.1	1 360 235	1 284 649
	Long Service Awards - Refer to Note 3.2	1 245 475	1 252 763
	Total Non-current Employee Benefit Liabilities	2 605 710	2 537 412
		2015 R	2014 R
	<u>Post Retirement Defined Benefit Benefits Plan</u>		
	Balance 1 July	1 384 045	923 834
	Contribution for the year	-	-
	Interest Cost	110 699	68 205
	Projected Expenditure for the year	(99 396)	(64 800)
	Expenditure for the year	-	-
	Actuarial Loss/ (Gain)	74 387	456 806
	Total post retirement benefits 30 June	1 469 735	1 384 045
	Less: Transfer of Current Portion - Note 6	(109 500)	(99 396)
	Balance 30 June	1 360 235	1 284 649
	<u>Long Service Awards</u>		
	Balance 1 July	1 386 399	1 397 001
	Contribution for the year	248 085	224 535
	Interest Cost	104 137	86 660
	Projected (Income)/ Expenditure	(133 636)	(303 077)
	(Income)/ Expenditure for the year	-	-
	Actuarial Loss/ (Gain)	(202 841)	(18 720)
	Total long service 30 June	1 402 144	1 386 399
	Less: Transfer of Current Portion - Note 6	(156 669)	(133 636)
	Balance 30 June	1 245 475	1 252 763
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	2 770 444	2 320 835
	Contribution for the year	248 085	224 535
	Interest cost	214 836	154 865
	Projected (Income)/ Expenditure	(233 032)	(367 877)
	(Income)/ Expenditure for the year	-	-
	Actuarial Loss/(Gain)	(128 454)	438 086
	Total employee benefits 30 June	2 871 879	2 770 444
	Less: Transfer of Current Portion - Note 6	(266 169)	(233 032)
	Balance 30 June	2 605 710	2 537 412
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	3
	Total Members	3	3
	The liability in respect of past service has been estimated to be as follows:		
	Continuation members	1 469 735	1 384 045
	Total Liability	1 469 735	1 384 045
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2013 R	2012 R
	Continuation members	923 834	1 161 597
	Total Liability	923 834	1 161 597

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:	2015 %	2014 %
i) Rate of interest		
Discount rate	8.49%	8.29%
Health Care Cost Inflation Rate	7.69%	7.67%
Net Effective Discount Rate	0.75%	0.58%

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 2015.

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.

The amounts recognised in the Statement of Financial Position are as follows:	2015 R	2014 R
Present value of fund obligations	1 360 235	1 284 649
Total Liability	1 360 235	1 284 649

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	1 384 045	923 834
Total expenses	11 303	3 405
Current service cost	-	-
Expenditure for the year	-	-
Interest Cost	110 699	68 205
Benefits Paid	(99 396)	(64 800)
Actuarial loss/ (gains)	74 387	456 806
Present value of fund obligation at the end of the year	1 469 735	1 384 045
Less: Transfer of Current Portion - Note 6	(109 500)	(99 396)
Balance 30 June	1 360 235	1 284 649

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	-	1.47		

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%	-	1.59		8%
Health care inflation	-1%	-	1.364		-7%
Post-retirement mortality	-1 yr	-	1.535		4%
Average retirement age					
Withdrawal Rate					

Assumption	Change	Current-service		Total (R)	% change
		Cost (R)	Interest Cost (R)		
Central Assumption					
Health care inflation	1%	-	110 700		10%
Health care inflation	-1%	-	121 500		-9%
Post-retirement mortality		-	101 200		
			115 700		

Sakhisizwe Municipality will contribute 70% of the total premium payable, subject to a maximum of R3,042 (2014: 3,372.89). 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 (2014: 3) with an average age of 68.5 (2014: 67.5), and 0.3 average dependants 2014: 0.3) and an average monthly contribution of R3,042 (2014: R2,761)

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 8.49% per annum has been used. The corresponding index-linked yield at this term is 1.7%. 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 2015.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield). The three components are as follows.

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 7.69% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.19%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.75% which derives from $((1+8.49\%)/(1+7.69\%))-1$.

The expected inflation assumption of 6.19% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.70%) and those of fixed interest bonds (8.49%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+8.49%-0.50%)/(1+1.70%))-1$.

Demographic Assumptions

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

Post-retirement Mortality

PA(90) ultimate table.

Family Profile (retirees)

It has been assumed that husbands will be four years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

	2015	2014
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.	140	173
	2015	2014
Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	7.82%	7.88%
General Salary Inflation (long-term)	7.00%	7.12%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.77%	0.71%
	2015	2014
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 245 475	1 252 763
Net liability	1 245 475	1 252 763
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 386 399	1 397 001
Total expenses	218 586	8 118
Current service cost	248 085	224 535
Expenditure for the year		
Interest Cost	104 137	86 660
Benefits Paid	(133 636)	(303 077)
Actuarial losses	(202 841)	(18 720)
Present value of fund obligation at the end of the year	1 402 144	1 386 399
Less: Transfer of Current Portion - Note 6	(156 669)	(133 636)
Balance 30 June	1 245 475	1 252 763

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1.402	
General salary inflation	1%	1.478	5%
General salary inflation	-1%	1.333	-5%
Average retirement age	- 2 years	1.251	-11%
Average retirement age	+ 2 years	1.64	17%
Withdrawal rates	-50%	1.609	15%

	2015	2014
	R	R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	11 956 089	2 597 503
Landfill Sites		
Balance 1 July	2 597 503	2 555 520
Balance previously reported	2 597 503	2 555 520
Unwinding of discounted interest	9 358 586	41 983
Balance previously reported	9 358 586	41 983
Total provision 30 June	11 956 089	2 597 503
Balance 30 June	11 956 089	2 597 503

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.
- 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.

Estimated year of closure of the Cala site is 2017 and the Elliot site is 2015

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

There was a significant increase in the provision for the rehabilitation of the landfill sites R9'358'586 in the current year based on the change in the assessment by the Engineer of the remaining useful live of the landfill sites.

5	CONSUMER DEPOSITS		
	Electricity	121 227	141 752
	Total Consumer Deposits	<u>121 227</u>	<u>141 752</u>
	Guarantees held in lieu of Electricity Deposits	<u>-</u>	<u>-</u>
	The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts. The decrease in consumer deposits was largely due to the conversion by consumers to pre-paid electricity meters.		
6	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 3	109 500	99 396
	Current Portion of Long-Service Provisions - Note 3	156 669	133 636
	Total Current Employee Benefits	<u>266 169</u>	<u>233 032</u>
7	CURRENT PROVISIONS		
	Employee costs: Performance Bonus	745 816	757 434
	Total Provisions	<u>745 816</u>	<u>757 434</u>
8	PAYABLES FROM EXCHANGE TRANSACTIONS	2015	2014
		R	R
	Trade Payables	1 170 038	6 293 265
	Accrual for Leave	2 960 936	3 190 293
	Accrued expenses: Provision 13th cheque	715 054	901 138
	Accrued expenses: Workmens compensation	273 197	85 083
	Payments received in advance: Debtors in credit balance	658 781	756 261
	Sundry Deposits received: Dam & Hall Deposits	26 931	29 781
	Total Trade Payables	<u>5 804 937</u>	<u>11 255 821</u>
	Payables are being recognised net of any discounts.		
	All payables were paid within 30 days as prescribed by the MFMA. This credit period granted was consistent with the terms used in the public sector, through established practices and legislation, therefore 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	8 140 382	1 882 764
	National Government Grants	7 946 287	1 000
	Provincial Government Grants	-	-
	District Municipality	-	1 684 618
	Other Grant Providers	194 095	197 146
	Less: Unpaid Grants - current assets	-	-
	National Government Grants	-	-
	Provincial Government Grants	-	-
	District Municipality	-	-
	Other Grant Providers	-	-
	Total Conditional Grants and Receipts	<u>8 140 385</u>	<u>1 882 764</u>
	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		
10.1	NET VAT RECEIVABLE/(PAYABLE)	450 055	(3 361 433)
	VAT is receivable/payable on the cash basis.		

11 **PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

	2015 R	2014 R
Assets pledged as security:		
There were no assets pledged as security.	-	-

12 **INVESTMENT PROPERTY**

	2015 R	2014 R
Net Carrying amount at 1 July	34 400 312	34 589 674
Cost	35 157 760	35 157 760
Accumulated Depreciation	(757 448)	(568 086)
Depreciation for the year	(189 361)	(189 362)
Net Carrying amount at 30 June	34 210 951	34 400 312
Cost	35 157 760	35 157 760
Accumulated Depreciation	(946 809)	(757 448)

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		
	Crushed Stone - At net realisable value	1 014 271	1 014 271
	Water – at cost	-	63 815
	Less: Assets associated with Discontinued Operations - Note 47	-	(63 815)
	Total Inventory	1 014 271	1 014 271
14	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	4 808 982	4 266 613
	Water	-	29 339 385
	Refuse	23 632 630	19 838 344
	Sewerage	-	14 707 252
	Other Trade Debtors	72 707	61 340
	Other Receivables	575 929	1 063 754
	Total Receivables from Exchange Transactions	29 090 248	69 276 688
	Less: Assets associated with Discontinued Operations - Note 47		
	Water	-	(29 339 385)
	Sewerage	-	(14 707 252)
	Less: Allowance for Doubtful Debts	26 707 932	67 286 131
	Electricity	3 939 458	3 475 988
	Water	-	29 339 385
	Refuse	22 710 651	19 710 717
	Sewerage	-	14 707 253
	Other Trade Debtors	57 823	52 788
	Less: Assets associated with Discontinued Operations - Note 47		
	Water	-	(29 339 384)
	Sewerage	-	(14 707 253)
	Total Net Receivables from Exchange Transactions	2 382 316	1 990 557
	Electricity	869 524	790 625
	Water	-	-
	Refuse	921 979	127 627
	Sewerage	-	(1)
	Other Trade Debtors	14 884	8 552
	Other Receivables	575 929	1 063 754
	Less: Assets associated with Discontinued Operations - Note 47		
	Water	-	(29 339 384)
	Sewerage	-	(14 707 253)
	Total: Net Assets associated with Continued Operations		

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:

(Electricity): Ageing

Current (0 - 30 days)	389 029	391 802
31 - 60 Days	245 601	403 584
61 - 90 Days	136 801	50 347
+ 90 Days	98 093	(55 107)
Total	869 524	790 626

(Refuse): Ageing

Current (0 - 30 days)	389 214	320 299
31 - 60 Days	368 025	297 601
61 - 90 Days	358 390	290 660
+ 90 Days	(193 650)	(780 933)
Total	921 979	127 627

(Other Receivables): Ageing

Current (0 - 30 days)	575 929	1 063 754
Total	575 929	1 063 754

(Irregular expenditure: Refundable): Ageing

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

(Other Trade Debtors): Ageing

Current (0 - 30 days)	14 884	8 552
Total	14 884	8 552

(Total): Ageing

Current (0 - 30 days)	1 369 056	1 784 407
31 - 60 Days	613 625	701 185
61 - 90 Days	495 191	341 007
+ 90 Days	(95 556)	(836 040)
Total	2 382 316	1 990 559

Reconciliation of Provision for Bad Debts

Balance at beginning of year	67 286 131	49 703 356
Contribution to provision	(40 578 199)	17 582 775
Water & Sanitation reallocation from agency account		-
Transferred to Discontinued Operations - note 47		-
Bad Debts Written Off		-
Balance at end of year	26 707 932	67 286 131

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

	2015 R	2014 R
Rates	24 963 868	21 032 962
Chris Hani Debtor: Water and Sanitation	804 656	951 902
Total Receivables from Non-Exchange Transactions	25 768 524	21 984 864
Less: Allowance for Doubtful Debts	(17 855 371)	(20 756 241)
Rates	(17 855 371)	(20 756 241)
Total Net Receivables from Non-Exchange Transactions	7 913 153	1 228 623

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	363 999	615 891
Short-term deposits	6 070 394	1 474 366
Total Cash and Cash Equivalents - Assets	6 434 393	2 090 257

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):	363 999	615 891
	363 999	615 891

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

Cash book balance at beginning of year	615 891	837 684
Cash book balance at end of year	363 999	615 891
Bank statement balance at beginning of year	892 355	774 314
Bank statement balance at end of year	540 560	892 355

Short-term Investment Deposits

The Municipality had the following Short-term Investment Accounts

	2015 Bank Statement Balance	2014 Bank Statement Balance	2015 Cash Book Balance	2014 Cash Book Balance
MSP - 6207-652-2294 (FNB Investment Account)	37 786	39 983	37 787	39 983
MIG - 6207-657-7091 (FNB Investment Account)	3 301 776	2 016	3 301 776	2 016
Elliot Housing - 6207-745-0056 (FNB Investment Account)	1 110	1 110	1 110	1 110
Survey Account - 6207-659-621 (FNB Investment Account)	5 987	6 840	5 987	6 840
Extension 15 - 6207-740-8203 (FNB Investment Account)	2 213	2 213	1 000	1 000
Extension 13&14 - 6207-745-1278 (FNB Investment Account)	1 000	1 000	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	1 000	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)	2 544 520	1 000	2 544 520	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	10 000	1 254 203	10 000	1 254 203
	6 070 393	1 474 365	6 070 394	1 474 366

17 **PROPERTY RATES**

Actual

Rateable Land and Buildings

Residential, Commercial Property, State	5 119 111	4 432 300
Total Assessment Rates	5 119 111	4 432 300

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	48 625 000	41 187 000
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Conditional Grants

Grants and donations: National	13 653 483	16 563 392
Grants and donations: Other	6 469 883	8 760 503

Total Government Grants and Subsidies

	68 748 366	66 510 895
Government Grants and Subsidies - Capital	(17 464 000)	(16 596 000)
Government Grants and Subsidies - Operating	(51 270 382)	(49 819 826)
	(68 734 382)	(66 415 826)

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

Equitable share	48 625 000	41 187 000
Finance & Administration: Budget & Treasury	2 543 065	2 461 935
Finance & Administration: Corporate Services	-	-
Planning & Development: IPED	1 435 775	1 699 768
Project Management Unit: PMU	14 170 194	17 393 192
Planning & Development	1 605 332	3 400 000
Community Services: Libraries	369 000	369 000
	68 748 366	66 510 895

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

18.1 Equitable Share

Opening balance	-	-
Grants received	48 625 000	41 187 000
Conditions met - Operating	(48 625 000)	(41 187 000)
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
Grants received	1 600 000	1 550 000
Conditions met - Operating	(1 600 000)	(1 560 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

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	1 000
Grants received	5 000 000	-
Conditions met - Operating	-	-
Conditions met - Capital	(356 489)	-
Conditions still to be met	4 644 511	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
Grants received	17 464 000	16 596 000
Conditions met - Operating	(873 200)	-
Conditions met - Capital	(13 289 024)	(17 298 123)
Conditions still to be met	3 301 776	-

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
Grants received	934 000	890 000
Conditions met - Operating	(934 000)	(900 000)
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	-

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

18.6 Other Grant Providers

Opening balance	1 881 764	1 099 081
Grants received	369 000	5 253 386
Conditions met - Operating	(2 056 669)	(4 470 703)
Conditions met - Capital	-	-
Conditions still to be met	194 095	1 881 764

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

18.7 Total Grants

Opening balance	1 882 764	1 822 204
Grants received	73 992 000	65 476 386
Conditions met - Operating	(54 088 869)	(48 117 703)
Conditions met - Capital	(13 645 513)	(17 298 123)
Conditions still to be met/(Grant expenditure to be recovered)	8 140 382	1 882 764

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Disclosed as follows:

	Unspent Conditional Government Grants and Receipts	8 140 385	1 882 764
		<u>8 140 385</u>	<u>1 882 764</u>

19 SERVICE CHARGES

	Electricity	9 219 862	7 545 011
	Water	-	4 377 903
	Refuse removal	2 647 418	2 036 939
	Sewerage and Sanitation Charges	(7 104)	2 925 380
	Less: Transferred to Discontinued Operations - Note 47	-	(7 303 283)
	Total Service Charges associated with continued operations	<u>11 860 176</u>	<u>9 581 950</u>

20 OTHER INCOME

	Rental income	241 289	268 872
	Traffic department income	1 373 389	1 168 205
	Agency fees	3 929 409	729 898
	Sundry income (detailed in note on Sundry Income below)	645 748	13 314 854
	Total Other Income	<u>6 189 835</u>	<u>15 481 829</u>

The reduction in agency fees resulted from the handover of the water and sanitation functions to the Chris Hani District Municipality.

Sundry Income

	Electricity re-connection fee	220	11 000
	Commission on collection	56 082	57 555
	Building plan & inspection fees	15 922	17 432
	Insurance claims	50 466	-
	Other income	414 788	699 593
	Rates clearance certificates	11 788	9 450
	Site payments	74 360	32 960
	Trading licences	31 567	9 363
	Defined Benefit: Medical Aid actuarial gain	-	-
	Water income	-	8 808 068
	Sanitation income	-	3 546 020
	Rental Income	(3 685)	123 413
		<u>651 508</u>	<u>13 314 854</u>

21 EMPLOYEE RELATED COSTS

	Basic Salaries & Wages	16 245 390	20 966 297
	Bonus	1 151 772	1 468 569
	Medical aid: company contributions	1 521 910	1 548 703
	UIF	165 062	221 354
	SDL	291 658	320 424
	Contribution Bargaining Council	11 050	12 776
	Workmens Compensation	188 115	85 084
	Leave pay provision charge	(37 248)	781 507
	Overtime payments	1 259 903	2 010 601
	Post -employment benefits: Defined benefit medical aid	2 305 478	2 356 661
	Shift Allowance	14 513	51 420
	Telephone allowances	62 400	122 100
	Transitional & other allowances	26 367	27 179
		<u>23 206 370</u>	<u>29 972 675</u>
	Total Employee Related Costs	<u>23 206 370</u>	<u>29 972 675</u>

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.

Formal assessments for the financial year 2013 - 2014 were performed. Performance bonus for this year was paid in the financial year 2014 - 2015. A provision were raised in the year 2014 - 2015 for the performance bonuses for the year 2013 - 2014. No formal assessments were done for the year 2014 - 2015 and no provision was raised.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

	Annual Remuneration	1 215 917	923 773
	Performance Bonuses: 2014	81 404	237 865
	Car Allowance	84 000	84 000
	Housing & telephone allowances	81 708	81 708
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	162 797	148 712
	Subsistence & other allowances	90 688	86 479
	Total	<u>1 716 514</u>	<u>1 562 537</u>

	Remuneration of the Chief Finance Officer (CFO)		
	Annual Remuneration	721 171	662 862
	Performance Bonuses: 2014	100 887	86 560
	Car Allowance	60 000	60 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	173 446	152 776
	Subsistence & other allowances	85 558	80 080
	Total	1 141 062	1 042 278
	Remuneration of the Community Services Manager		
	Annual Remuneration	790 216	740 252
	Performance Bonuses	38 716	79 724
	Travelling Allowance	8 143	29 924
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	1 785
	Total	838 860	851 685
	Remuneration of the Corporate Services Manager		
	Annual Remuneration	812 857	321 426
	Performance Bonuses: 2014	19 999	86 560
	Car Allowance	60 000	30 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	892
	Subsistence & other allowances	11 117	12 299
	Total	905 758	451 177
	Remuneration of the IPED Manager		
	Annual Remuneration	-	-
	Performance Bonuses: 2014	-	86 560
	Total	-	86 560
	Remuneration of the Technical Services Manager		
	Annual Remuneration	905 965	829 208
	Performance Bonuses: 2014	-	86 560
	Car Allowance	60 000	60 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	1 785
	Subsistence & other allowances	33 594	45 939
	Total	1 001 344	1 023 492
	Remuneration of the Managers (summary)		
	Annual Remuneration	4 446 126	3 477 521
	Performance Bonuses: 2014	241 006	79 724
	Car Allowance	272 143	263 924
	Telephone allowance	81 708	81 708
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	341 598	305 950
	Subsistence & other allowances	220 957	224 797
	Total	5 603 538	5 017 729
22	REMUNERATION OF COUNCILLORS		
	Councillors Salaries	3 107 046	2 948 446
	Mayor Salary	880 683	658 998
	Speaker's Salary	580 361	561 027
	Medical, travel & other allowances	922 676	1 180 760
	Total Councillors' Remuneration	5 490 766	5 349 231
	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
	Trade Receivables from non-exchange transactions - Note 15	647 030	9 394 643
	Trade Receivables from exchange transactions (Bad Debts)	-	-
	Total Contribution to Debt Impairment recognised in statement of financial performance	647 030	29 368 784
	Less: Portion Relating to VAT	(79 460)	(3 606 693)
	Less: Transferred to Discontinued Operations - Note 47	-	(12 426 445)
	Debt impairment from continued operations recognised in statement of financial performance	567 570	13 335 646

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	10 429 066	10 724 123
	Investment Property	189 361	189 362
		10 618 427	10 913 485
25	IMPAIRMENTS		
	Property Plant & Equipment	-	-
		-	-
26	FINANCE CHARGES		
	Finance leases	371 231	666 420
	Post Employment Health	110 699	68 205
	Long service awards	287 152	125 303
	Total finance charges	769 082	859 928
27	BULK PURCHASES		
	Electricity	8 619 273	6 321 512
	Water	-	-
	Total Bulk Purchases	8 619 273	6 321 512
28	EXPENDITURE THROUGH GRANTS AND SUBSIDIES		
	Fund: Finance Management Grant (FMG)	1 600 000	1 550 000
	Fund: MSIG expenditure	934 000	940 078
	Fund: MIG	-	97 868
	Fund: Repairs & Maintenance - Roads	110 876	27 128
	Fund: Repairs & Maintenance - Pounds	45 906	2 353
	Fund: Repairs & Maintenance - Street Lights	314 088	37 403
	Fund: DEDEA	-	100 550
	Fund: IDP	-	-
	Fund: Disaster Support	-	-
	Fund: Land Audit	9 967	-
	Fund: MSP	-	-
	Fund: General Valuation	-	-
	Fund: Expanded public works program	1 282 195	2 597 063
	Fund: Environmental Affairs	-	247 670
	Fund: Performance Management	-	-
	Total Grants and Subsidies	4 297 032	5 600 113
		2015	2014
		R	R
29	GENERAL EXPENSES		
	Advertising	225 417	363 251
	Water operating expenditure	-	1 914 671
	Auditors Remuneration	2 495 598	1 976 616
	Bank Charges	136 045	139 700
	Beautification of towns	3 495 954	564 225
	Catering & Entertainment	123 852	195 566
	Consulting & Professional Fees	1 102 570	929 672
	Consumables	209 255	278 258
	Sundry expenditure	7 148	4 566 875
	Electricity Purchases	647 434	466 291
	Fuel & Oil	2 292 085	3 285 508
	HIV program	37 930	104 257
	Insurance	276 494	533 898
	IT Expenses	377 635	551 137
	Library week	69 805	-
	Licence Fees	767 119	356 732
	Magazines, books & publications	1 470	10 846
	Opening new offices	-	391 557
	Pound Expenditure	27 698	11 443
	Printing & Stationery	298 422	392 743
	Promotions & Sponsorships	587 650	1 580 870
	Protective Clothing	289 252	220 607
	Public Participation	99 622	36 347
	Refuse Bags	192 133	62 293
	Registration fees	-	17 244
	Remuneration Ward Committees	1 047 000	1 084 000
	Rent - office equipment	124 841	112 139
	Security Services	1 759 698	533 228
	Subscription & Membership Fees	525 009	32 000
	Telephone, postage & fax	997 489	1 077 975
	Tools & Accessories - non-capital	8 958	238 147
	Training	257 989	380 084
	Travel Expenses	1 579 425	3 000 571
	Valuation Roll	-	622 186
	VIP Suckage	-	360 000
	Water Cartage	-	54 000
	Water Purification	-	1 060 973
	Water week expenditure	-	502 296
	Total General Expenses	20 060 997	28 008 206

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2014	
		R	
30	CORRECTION OF ERROR IN TERMS OF GRAP 3		
30.1	Payables from exchange transactions		
	Adjustments made to Creditors		(546 012)
	Corrections were made to prior year amounts incorrectly stated in 2014		<u>(546 012)</u>
	Adjustment to prior year Creditors balance incorrectly disclosed as creditors. Payment was received before year end.		
30.2	Property Plant & Equipment		
	Adjustments made to property Plant and Equipment depreciation		(47 126 052)
	Adjustments made to property Plant and Equipment in terms of the unbundling process		<u>(47 126 052)</u>
	Adjustment to Furniture in prior year (R34'627)		
	Backdated Acc Depr for take on of newly identified assets R53'632'901		
	Depr for take on of newly identified assets R1'635'453		
	Take on of newly identified assets (R65'387'580)		
	Unbundling of Infrastructure assets opening balance (R4'721'374)		
	Unknown difference R157'504		
	Write off of assets not verified over past few years R281'863		
30.3	Receivables from exchange and non-exchange		
	Receivables from exchange transactions		873 131
	Correction of unknown differences in prior year Debtors balances		<u>873 131</u>
30.4	Inventory		
	Inventory		<u>1 014 271</u>
	Capitalisation of inventory for crushed stone not capitalised in the prior year when expenditure was incurred.		
30.5	Accumulated surplus/ (Deficit)		
	Prior year adjustment to VAT		546 012
	Prior year adjustment to Inventory		(1 014 271)
	Prior year adjustment to Receivables		(873 131)
	Prior year adjustment to Depreciation		<u>47 126 052</u>
			<u>45 784 662</u>
30.6	STATEMENT OF FINANCIAL PERFORMANCE		
	Expenditure		(546 012)
	Depreciation		(47 126 052)
	Revenue		1 887 402
	Total		<u>(45 784 662)</u>
		2015	2014
		R	R
31	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	15 774 311	(13 060 560)
	Adjustments for:		
	Depreciation	10 429 066	10 724 123
	Depreciation on Investment Property	189 361	189 362
	Profit/ (loss) on disposal of property, plant and equipment	(74 323)	(267 820)
	Interest income (cash)	(525 890)	(497 045)
	Interest income (non-cash)	(3 317 377)	(5 258 995)
	Finance costs (cash)	371 231	773 288
	Finance costs (non-cash)	397 851	86 660
	Movement in retirement benefit assets and liabilities	101 435	449 609
	Movement in provisions	9 346 968	(860 518)
	Discontinued Operations - Assets and Liabilities Transferred	-	(5 123 162)
	Debt Impairment	567 570	13 335 646
	Unspent conditional grants and receipts	6 257 621	(763 840)
	Operating Surplus/(Deficit) before changes in working capital	<u>39 517 824</u>	<u>(273 272)</u>
	Changes in working capital	(14 012 631)	4 814 698
	Increase/(Decrease) in Trade and Other Payables	(5 276 103)	2 468 612
	Discontinued Operations - Assets and Liabilities Transferred	295 097	295 097
	Increase/(Decrease) in Taxes	(3 811 488)	241 231
	(Increase)/Decrease in Inventory	-	(31 212)
	Consumer deposits	(20 525)	(217 071)
	(Increase)/Decrease in Trade and other receivables (exchange)	(1 415 952)	(4 368 341)
	(Increase)/Decrease in Trade and other receivables (non-exchange)	(3 783 660)	6 426 382
	Cash generated/(absorbed) by operations	<u>25 505 193</u>	<u>4 541 426</u>

32 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 16	6 070 394	1 474 366
Bank - Note 16	363 999	615 891
Total cash and cash equivalents	6 434 393	2 090 257

33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 32	6 434 393	2 090 257
Less:	6 434 393	2 090 257
Unspent Committed Conditional Grants - Note 9	8 140 385	5 244 197
VAT - Note 10	8 140 385	1 882 764
	-	3 361 433
Resources available for working capital requirements	(1 705 992)	(3 153 940)

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	1 720 787	4 692 397
Used to finance property, plant and equipment - at cost	(1 720 787)	(4 692 397)
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

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.1 Operational				
Revenue by source				
Property Rates	5 119 111	4 450 000	669 111	15%
Government Grants and Subsidies - Capital	13 653 483	21 590 800	(7 937 317)	-37%
Government Grants and Subsidies - Operating	55 094 883	54 757 000	337 883	1%
Fines	-	24 500	(24 500)	-100%
Service Charges	11 860 176	13 585 000	(1 724 824)	-13%
Rental of Facilities and Equipment	-	1 076 000	(1 076 000)	-100%
Interest Earned - external investments	525 890	456 000	69 890	15%
Interest Earned - outstanding debtors	3 317 377	2 375 000	942 377	40%
Agency Services	202 841	1 829 933	(1 627 092)	-89%
Other Income	6 189 835	10 255 117	(4 065 282)	-40%
Gain on disposal of Property, Plant and Equipment	74 323	118 992	(44 669)	-38%
	96 037 919	110 518 342	(14 480 423)	-13%
Expenditure by nature				
Employee Related Costs	28 809 908	32 723 586	3 913 678	-12%
Remuneration of Councillors	5 490 766	5 545 752	54 986	-1%
Debt Impairment	567 570	4 180 120	3 612 550	-86%
Depreciation and Amortisation	10 618 427	9 097 000	(1 521 427)	17%
Actuarial losses	74 387	-	(74 387)	-100%
Repairs and Maintenance	956 166	3 454 400	2 498 234	-72%
Finance Charges	769 082	396 636	(372 446)	94%
Bulk Purchases	8 619 273	9 293 160	673 887	-7%
Contracted services	-	1 374 531	1 374 531	-100%
Grants and Subsidies	4 297 032	4 576 000	278 968	-6%
General Expenses	20 060 997	24 311 233	4 250 236	-17%
	80 263 608	94 952 418	14 688 810	-15%
Net Surplus for the year	15 774 311	15 565 924	208 387	1%

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.2 Expenditure by Vote				
Executive & Council	17 275 236	18 236 922	(961 686)	-5%
Budget & Treasury	18 285 215	23 032 855	(4 747 640)	-21%
Planning & Development	7 009 243	4 681 843	2 327 400	50%
Community & Social Services	3 598 681	3 122 591	476 090	15%
Housing	401 561	426 375	(24 814)	-6%
Public Safety	2 483 317	3 229 060	(745 743)	-23%
Sport & Recreation	65 433	159 741	(94 308)	-59%
Waste Management	7 010 427	8 340 359	(1 329 932)	-16%
Waste Water Management	-	2 669 677	(2 669 677)	-100%
Road Transport	11 659 248	12 736 306	(1 077 058)	-8%
Water	-	3 806 740	(3 806 740)	-100%
Electricity	12 475 247	14 509 949	(2 034 702)	-14%
Less Inter-Departmental Charges	-	-	-	0%
	80 263 608	94 952 418	(14 688 810)	-15%
	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.3 Capital expenditure by vote				
Executive & Council	99 278	100 000	(722)	-1%
Budget & Treasury	-	230 000	(230 000)	-100%
Community & Social Services	1 662 337	4 036 970	(2 374 633)	-59%
Waste Management	9 358 586	221 720	9 136 866	4121%
Road Transport	5 018 321	12 342 110	(7 323 789)	-59%
Water	-	-	-	0%
Electricity	-	5 760 000	(5 760 000)	-100%
	16 138 522	22 690 800	(6 552 278)	-29%
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2015 R	2014 R
36.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			52 349 771	22 014 094
Unauthorised expenditure current year - capital			9 136 866	2 770 618
Unauthorised expenditure current year - operating			2 803 490	27 565 059
Written off by council			(47 519 553)	-
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			16 770 574	52 349 771

Unauthorised expenditure in 2015 for R11'940'356 (2014: R30'335'676) was due mainly to the overspending on the budget budget vote due to under budgeting of depreciation and debt impairment charges.

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	17 275 236	18 236 922	(961 686)	-
Budget & Treasury	18 285 215	23 032 855	(4 747 640)	-
Planning & Development	7 009 243	4 681 843	2 327 400	2 327 400
Community & Social Services	3 598 681	3 122 591	476 090	476 090
Housing	401 561	426 375	(24 814)	-
Public Safety	2 483 317	3 229 060	(745 743)	-
Sport & Recreation	65 433	159 741	(94 308)	-
Waste Management	7 010 427	8 340 359	(1 329 932)	-
Waste Water Management	-	2 669 677	(2 669 677)	-
Road Transport	11 659 248	12 736 306	(1 077 058)	-
Water	-	3 806 740	(3 806 740)	-
Electricity	12 475 247	14 509 949	(2 034 702)	-
	80 263 608	94 952 418	(14 688 810)	2 803 490

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Unauthorised expenditure current year - capital				
Executive & Council	99 278	100 000	(722)	-
Budget & Treasury	-	230 000	(230 000)	-
Community & Social Services	1 662 337	4 036 970	(2 374 633)	-
Waste Management	9 358 586	221 720	9 136 866	9 136 866
Road Transport	5 018 321	12 342 110	(7 323 789)	-
Water	-	-	-	-
Electricity	-	5 760 000	(5 760 000)	-
	16 138 522	22 690 800	(6 552 278)	9 136 866

	2015 R	2014 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)		

36.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	794 526	769 292
Fruitless and wasteful expenditure current year	20 306	25 234
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	814 832	794 526

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.

2015: VAT penalties of R20'306 were incurred with SARS.

36.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	34 997 157	28 667 722
Prior year restatement	-	-
Irregular expenditure current year	17 228 331	4 763 106
Irregular expenditure - Performance Bonuses	-	1 566 330
Written off by council	(33 430 827)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	18 794 661	34 997 157

Irregular expenditure awaiting condonement from National Treasury

-	-
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Expenditure to the value of R 17 115 733 (2014: R 4 791 081) 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.

The municipality restated the prior balances of Irregular Expenditure with the following amounts:

2015: R 6'130'842

2014: (R 868'764)

2013: R 86'241

The total Irregular Expenditure written off by Council in 2015 was adjusted by R 19'464'587.

The municipality reviewed the supporting documentation for all expenditure for the 2013 till 2015 financial years. The management letters issued by the Auditor General for the related years were reviewed for misstatements detected by the Auditor General. It was not practical to go back further in the investigation by the municipality to restate the irregular expenditure as the documentation has subsequently been misplaced.

A balance of Irregular Expenditure totalling R 24'812'905 still needs to be written off by Council. The amount comprises Performance Bonuses of R1'566'330 for 2014 and R 23'246'575 for the current financial year.

36.4 Material Losses

Electricity distribution losses

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

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.

	2015 R	2014 R
37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
37.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	524 000	26 000
Amount paid - current year	(524 000)	(26 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
	2015 R	2014 R
37.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	-	(199 181)
Current year audit fee	2 495 598	1 976 616
External Audit - Auditor-General	2 409 022	1 924 120
Internal Audit	-	-
Audit Committee	86 576	52 496
Amount paid - current year	(2 495 598)	(1 976 616)
Amount (paid)/ refunded - previous year	-	199 181
Balance unpaid (included in creditors)	-	-
37.3 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:		
	2015 R Outstanding more than 90 days	2014 R Outstanding more than 90 days
Councillor SP Ntakana	-	949
Councillor TT Doda	-	10 983
Councillor MS Jentile	-	2 663
Councillor BE Ponoshe	-	5 080
Total Councillor Arrear Consumer Accounts	-	19 674
37.4 Other non-compliance (MFMA 125(2)(a))		

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	2015 R	2014 R
	Commitments in respect of capital expenditure:		
	Approved:	9 513 067	11 814 661
	Total commitments consist out of the following:		
	- Property, plant & equipment	9 513 067	11 814 661
		<u>9 513 067</u>	<u>11 814 661</u>
	This expenditure will be financed from:		
	Government Grants	9 513 067	11 814 661
		<u>9 513 067</u>	<u>11 814 661</u>
	Commitments in respect of operating expenditure:		
	Approved and contracted for:	64 471	970 661
	Total commitments consist out of the following:		
	- Trade Creditors	64 471	970 661
		<u>64 471</u>	<u>970 661</u>
	This expenditure will be financed from:		
	Equitable Share	64 471	970 661
		<u>64 471</u>	<u>970 661</u>
		2015 R	2014 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 % (2014 - 1%) Increase in interest rates	47 136	(26 021)
0.5% (2014 - 0.5%) Decrease in interest rates	(23 568)	13 011

(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:

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	23.58%	20 756 241	20.19%	12 574 666
<u>Exchange Receivables</u>				
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:

	2015 R	2014 R
Receivables from exchange transactions	2 382 316	1 117 426
Cash and Cash Equivalents	6 434 393	2 090 257
	<u>8 816 709</u>	<u>3 207 683</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
2015				
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	1 196 969	-	-	-
Unspent conditional government grants and receipts	8 140 385	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>12 678 781</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
2014				
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	6 323 046	-	-	-
Unspent conditional government grants and receipts	1 882 764	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>8 205 810</u>	<u>3 162 390</u>	<u>-</u>	<u>-</u>

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40	FINANCIAL INSTRUMENTS	2015 R	2014 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
40.1	Financial Assets		
	Classification		
	Receivables		
	Receivables from exchange transactions	2 382 316	1 117 426
	Short-term Investment Deposits		
	Call Deposits	6 070 394	1 474 366
	Bank Balances and Cash		
	Bank Balances	363 999	615 891
		<u>8 816 709</u>	<u>3 207 683</u>
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	8 816 709	3 207 683
	At amortised cost	<u>8 816 709</u>	<u>3 207 683</u>

FINANCIAL INSTRUMENTS (CONTINUE)

40.2	Financial Liability	2015 R	2014 R
	Classification		
	Long-term Liabilities		
	Capitalised Lease Liability	596 856	1 719 806
	Payables from exchange transactions		
	Trade creditors	1 170 038	6 293 265
	Deposits	26 931	29 781
	Other Payables		
	Unspent Government Subsidies and Grants	8 140 382	1 882 764
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	1 123 931	2 972 591
		<u>11 058 138</u>	<u>12 898 207</u>
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	11 058 138	12 898 207

41 EVENTS AFTER THE REPORTING DATE

There were no material events which occurred after reporting date during the financial year ended 2014/2015.

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

Pending litigation exists against the municipality totalling approximately R3'769'409, comprising of the following pending cases:

- Xabane Civils CC has instituted action in the Grahamstown High Court for payment allegedly due to it in the sum of R 168 189.94 relating to a tender for construction of a road;
- Bay Drive Trading 151 (Pty) Ltd has instituted action in the Grahamstown High Court for payment in the sum of R 1 857 330.00, being allegedly due to it relating to a tender for crushed rock;
- Bavuka Trading has instituted action in the Mthatha High Court for payment allegedly due to it in the sum of R 372 900.00 relating to a tender for ablation facilities;
- Mr Dalasile has instituted action in the Cala Magistrate Court for alleged damages he suffered in the sum of R 12 000.00 for his impounded bull;
- Barend Jakobus du Randt has launched an eviction application against Mr Khaka and eight others including the municipality;
- 3 Sixty Precast Concrete (Pty)Ltd obtained default judgment against the municipality in the Cala Magistrate Court for the sum of R 28 233.90, which is allegedly due to it for goods sold and delivered.
- Kate Lombaard (30-Sep-13): Outstanding account subscription fee for advertisement services for R64 651.00.
- Mr W Pretorius (31-Oct-13): Setting aside arbitration of commissioner T Ncethezo for R900 000.
- M.I Peterson (03-Apr-15): Payment of services for 22 757.72.
- V. Nosindwa (22-Jun-15): Loyiso Nyembe, compensation for the death of a cow for an estimated R9 000.

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 15'565'924 for the 2015 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 2015, the municipality had an accumulated surplus of R 170'637'203 and that the municipality's total assets exceed its liabilities.

Other Indicators

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

47 **DISCONTINUED OPERATIONS**

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Chris Hani District Municipality. The Water Service Authority resolved to resume full accountability for the Revenue functions as from 1 July 2014.

47.1 **ASSETS**

	2015 R	2014 R
Inventory		
Water		63 815
Property plant and equipment		
Water infrastructure: WIP		231 282
Trade Receivables from exchange transactions		
Water		29 339 385
Sewerage		14 707 252
Total: Trade receivables from exchange transactions (before provision)		<u>44 046 637</u>
Less: Provision for Impairments		
Water		(29 339 384)
Sewerage		(14 707 253)
VAT		
Total: Trade receivables from exchange transactions (after provision)		<u>(44 046 637)</u>
VAT		
Total: Assets associated with Discontinued Operations		<u><u>295 097</u></u>

47.2 **STATEMENT OF FINANCIAL PERFORMANCE**

Revenue from Exchange Transactions

Service Charges	7 303 283
Less: Rebates	
Total Service Charges	<u>7 303 283</u>

Interest Earned - Outstanding Debtors

Total Revenue	<u><u>7 303 283</u></u>
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EXPENDITURE

Debt Impairment

Water	(9 802 540)
Sewerage	(2 623 905)
Total Expenditure	<u>(12 426 445)</u>

NET SURPLUS / (DEFECIT) FOR THE YEAR	<u><u>(5 123 162)</u></u>
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11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance	Additions	Adjustments/ Disposals/ Transfers/ Take -on	Closing Balance	Opening Balance	Depreciation Charge	Adjustments/ Disposals/ Transfers/ Take -	Closing Balance	
	R	R	R	R	R	R	on R	R	R
Land and Buildings	9 551 331	-	-	9 551 331	-888 346	-288 944	32 609	-1 144 681	8 406 650
Land	883 000	-	-	883 000	-	-	-	-	883 000
Buildings	8 668 331	-	-	8 668 331	-888 346	-288 944	32 609	-1 144 681	7 523 650
Infrastructure	135 189 053	4 112 217	-0	139 301 270	-58 152 155	-6 315 831	0	-64 467 986	74 833 284
Stormwater and Roads	126 093 347	4 112 217	-0	130 205 564	-55 648 920	-6 064 925	0	-61 713 845	68 491 719
Sewerage	-	-	-	-	-	-	-	-	-
Electricity	9 095 706	-	-	9 095 706	-2 503 235	-250 906	-0	-2 754 141	6 341 565
Water	-	-	-	-	-	-	-	-	-
Community Assets	10 082 546	-	-	10 082 546	-1 627 385	-512 603	-32 609	-2 172 597	7 909 949
Community Centres	7 173 773	-	-	7 173 773	-409 904	-239 128	-	-649 032	6 524 741
Taxi Ranks & Hawker Stalls	22 827	-	-	22 827	-	-2 283	-2 283	-4 566	18 261
Landfill Sites	2 055 175	-	-	2 055 175	-1 217 481	-243 500	-	-1 460 981	594 194
Cemetery	830 771	-	-	830 771	-	-27 692	-30 326	-58 018	772 753
Other Assets	26 365 021	99 278	-304 607	26 159 692	-16 629 210	-3 311 693	304 609	-19 636 294	6 523 398
Office Equipment	396 724	13 424	-	410 148	-283 929	-25 044	34 628	-274 345	135 803
Furniture & Fittings	2 909 309	28 075	-223	2 937 161	-1 406 606	-257 952	80 461	-1 584 097	1 353 064
Motor vehicles	3 450 838	-	-	3 450 838	-1 706 866	-249 501	-0	-1 956 367	1 494 471
Plant & Equipment	18 081 388	-	-	18 081 388	-12 350 435	-2 643 077	0	-14 993 512	3 087 876
Computer equipment	1 474 081	57 779	-255 229	1 276 631	-830 818	-135 666	140 365	-826 119	450 512
Emergency Equipment	52 681	-	-49 155	3 526	-50 556	-453	49 155	-1 854	1 672
Abattoir	-	-	-	-	-	-	-	-	-
	181 187 952	4 211 495	-304 608	185 094 839	-77 297 096	-10 429 071	304 609	-87 421 558	97 673 281
Work in Progress	37 970 869	16 039 244	-2 090 210	51 919 903	-	-	-	-	51 919 903
Cemetery: WIP	39 545	-	-	39 545	-	-	-	-	39 545
Roads: WIP	17 751 629	5 018 321	-1 858 928	20 911 022	-	-	-	-	20 911 022
Water: WIP	231 282	-	-231 282	-	-	-	-	-	-
Electricity: WIP	6 445 062	-	-	6 445 062	-	-	-	-	6 445 062
Landfill Sites: WIP	9 840 249	9 358 586	-	19 198 835	-	-	-	-	19 198 835
Community Halls: WIP	3 663 102	1 662 337	-	5 325 439	-	-	-	-	5 325 439
Total	219 158 821	20 250 739	-2 394 818	237 014 742	-77 297 096	-10 429 071	304 609	-87 421 558	149 593 184

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Adjustments/ Disposals/ Transfers/ Take -on R	Closing Balance R	Opening Balance R	Depreciation Charge R	Adjustments/ Disposals/ Transfers/ Take - on R	Closing Balance R	
Land and Buildings	9 574 158	-	-22 827	9 551 331	(569 427)	(321 553)	2 634.00	(888 346)	8 662 985
Land	883 000	-	-	883 000	-	-	-	-	883 000
Buildings	8 691 158	-	-22 827	8 668 331	(569 427)	(321 553)	2 634.00	(888 346)	7 779 985
Infrastructure	76 169 022	-	59 020 031	135 189 053	(18 244 447)	(5 868 320)	-34 039 387.65	(58 152 155)	77 036 899
Stormwater and Roads	66 029 261	-	60 064 086	126 093 347	(16 186 444)	(5 232 469)	-34 230 006.65	(55 648 920)	70 444 427
Sewerage	-	-	-	-	-	-	-	-	-
Electricity	9 908 479	-	-812 773	9 095 706	(2 058 003)	(635 851)	190 619.00	(2 503 235)	6 592 471
Water	231 282	-	-231 282	-	-	-	-	-	-
Community Assets	15 543 770	-	-5 461 224	10 082 546	(1 144 761)	(327 744)	-154 880.00	(1 627 385)	8 455 161
Community Centres	7 173 773	-	-	7 173 773	(170 776)	(239 128)	-	(409 904)	6 763 869
Taxi Ranks & Hawker Stalls	-	-	22 827	22 827	0	0	-	0	22 827
Landfill Sites	7 539 226	-	-5 484 051	2 055 175	(973 985)	(88 616)	-154 880.00	(1 217 481)	837 694
Cemetery	830 771	-	-	830 771	-	-	-	-	830 771
Lease Assets	-	-	-	-	0	0	0	0	-
Office Equipment	-	-	-	-	0	0	0	0	-
Heritage Assets	-	-	-	-	0	0	0	0	-
Buildings	-	-	-	-	0	0	0	0	-
Other Assets	25 290 699	1 818 429	-744 106	26 365 021	(14 241 838)	(3 299 344)	911 971.29	(16 629 211)	9 735 811
Office Equipment	401 724	-	-5 000	396 724	(214 309)	(74 620)	5 000.04	(283 929)	112 795
Furniture & Fittings	2 485 440	479 226	-55 357	2 909 309	(1 194 336)	(300 461)	88 190.72	(1 406 606)	1 502 703
Motor vehicles	2 886 149	1 016 703	-452 014	3 450 838	(2 046 636)	(118 963)	458 732.92	(1 706 866)	1 743 972
Plant & Equipment	17 851 388	285 000	-55 000	18 081 388	(9 757 472)	(2 674 521)	81 558.04	(12 350 435)	5 730 953
Computer equipment	1 610 626	37 500	-174 045	1 474 081	(983 164)	(130 326)	282 671.56	(830 818)	643 263
Emergency Equipment	55 372	-	-2 691	52 681	(45 921)	(453)	(4 182)	(50 556)	2 125
	126 577 649	1 818 429	52 791 873	181 187 952	(34 200 473)	(9 816 961)	-33 279 662.36	(77 297 096)	103 890 855
Work in Progress	8 934 657	17 575 286	11 229 644	37 739 587	-	-	-	-	37 739 587
Cemetery: WIP	678 630	-	-639 085.00	39 545	-	-	-	-	39 545
Roads: WIP	2 109 001	10 709 805.00	4 932 823.00	17 751 629	-	-	-	-	17 751 629
Water: WIP	-	-	-	-	-	-	-	-	-
Electricity: WIP	3 474 497	2 157 792.00	812 773.00	6 445 062	-	-	-	-	6 445 062
Landfill Sites: WIP	488 674	3 867 524.00	5 484 051.00	9 840 249	-	-	-	-	9 840 249
Community Halls: WIP	2 183 855	840 165.00	639 082.00	3 663 102	-	-	-	-	3 663 102
Less: Transferred to Discontinued Operations	135 512 306	19 393 715	64 021 517	218 927 539	-34 200 473	-9 816 961	-33 279 662	-77 297 096	141 630 442
Water: WIP	-	-	231 282.00	231 282	-	-	-	-	231 282
Total	135 512 306	19 393 715	64 252 799	219 158 821	-34 200 473	-9 816 961	-33 279 662	-77 297 096	141 861 724

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

Grant Description	Balance	Correction	Balance	Grants	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2014	of error	1 JULY 2014	Received	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 JUNE 2015	30 JUNE 2015 (Creditor)	30 JUNE 2015 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share	-	-	-	48 625 000	48 625 000	-	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	1 600 000	1 600 000	-	-	-	-
Integrated National Electrification Programme (Eskom) Grant	1 000	-	1 000	5 000 000	-	356 489	4 644 511	4 644 511	-
- DME Projects	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	-	17 464 000	873 200	13 289 024	3 301 776	3 301 776	-
- General MIG Fund	-	-	-	17 464 000	873 200	13 289 024	3 301 776	3 301 776	-
- EPWP	-	-	-	1 000 000	1 000 000	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	934 000	934 000	-	-	-	-
Total National Government Grants	1 000	-	1 000	74 623 000	53 032 200	13 645 513	7 946 287	7 946 287	-
Provincial Government Grants									
Other Provincial Government Grants	-	-	-	-	-	-	-	-	-
East Cape Local Government LED	-	-	-	-	-	-	-	-	-
East Cape Local Government LED Waste Management	-	-	-	-	-	-	-	-	-
Dep of Sport Art & Culture (Libraries)	-	-	-	369 000	369 000	-	-	-	-
Total Provincial Government Grants	-	-	-	369 000	369 000	-	-	-	-
District Municipality Grants									
Other District Municipality Grants	-	-	-	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
Beautification of Towns	1 435 775	-	1 435 775	-	1 435 775	-	-	-	-
Eagle Eye	248 843	-	248 843	-	248 843	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	1 684 618	-	1 684 618	-	1 684 618	-	-	-	-
Other Grant Providers									
(MSP) MUNICIPAL SUPPORT PROGRAMME	39 983	-	39 983	-	2 197	-	37 786	37 786	-
ELLIOT HOUSING	1 109	-	1 109	-	-	-	1 109	1 109	-
SURVEY ACCOUNT	6 840	-	6 840	-	854	-	5 986	5 986	-
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	197 146	-	197 146	-	3 051	-	194 095	194 095	-
Total	1 882 764	-	1 882 764	74 992 000	55 088 869	13 645 513	8 140 382	8 140 382	-

APPENDIX D - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
(4 706 341)	20 793 596	16 087 255	Executive & Council	-	17 275 236	17 275 236
(48 322 784)	26 730 433	(21 592 350)	Budget & Treasury	(61 264 417)	18 285 215	(42 979 202)
-	-	-	Corporate Services	-	-	-
(18 995 898)	3 629 906	(15 365 992)	Planning & Development	(17 255 137)	7 009 243	(10 245 894)
-	-	-	Health	-	-	-
(429 707)	1 839 403	1 409 697	Community & Social Services	(512 700)	3 598 681	3 085 981
(32 960)	375 955	342 996	Housing	(74 360)	401 561	327 201
(1 168 205)	2 031 651	863 446	Public Safety	(1 373 972)	2 483 317	1 109 345
(4 150)	125 107	120 957	Sport & Recreation	(4 811)	65 433	60 622
-	-	-	Environmental Protection	-	-	-
(3 880 982)	10 058 835	6 177 853	Waste Management	(4 717 249)	7 010 427	2 293 178
(5 977 794)	5 872 067	(105 727)	Waste Water Management	-	-	-
(667 270)	17 674 544	17 007 273	Road Transport	(30 154)	11 659 248	11 629 094
(17 319 119)	23 627 807	6 308 689	Water	-	-	-
(7 828 909)	10 649 644	2 820 736	Electricity	(10 805 119)	12 475 247	1 670 128
(109 334 117)	123 408 948	14 074 831	Total	(96 037 919)	80 263 608	(15 774 311)

APPENDIX B - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2014	Correction	Balance at 30 JUNE 2014 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS									
Annuity loans					-	-	-	-	-
Total Annuity Loans				-	-	-	-	-	-
LEASE LIABILITY									
Bell Bomag BW212D-40		0010E		387 865		387 865		387 865	-
HD 1023 Excavator		0002E		360 334		360 334		264 114	96 220
315 SJ 4 X 4 TLB		0003B		134 528		134 528		98 605	35 923
BELL 670G MOTOR GRADER		0004A		440 341		440 341		322 477	117 864
BELL BOMAG BW 212 D-40		0005T		228 860		228 860		179 846	49 014
S BELL DOZER		0006S		482 565		482 565		379 217	103 348
BELL B20D ADT 6 X 4		0007L		444 342		444 342		349 180	95 162
BELL B20D ADT 6 X 4		0008K		444 342		444 342		349 180	95 162
BELL B18D ADT 6X4 Water Tanker		0009J		626 683		626 683		380 760	245 923
Isuzu KB250D-Teq LE P/U DC		0010A		347 161		347 161		79 112	268 049
Isuzu KB250D Fleetside DTEQ		0002T		241 073		241 073		54 937	186 136
CHEV Sonic 1.6 LS		0003S		184 767		184 767		42 105	142 662
CHEV Sonic 1.6 LS		0004L		184 767		184 767		42 105	142 662
CHEV Sonic 1.6 LS		0005K		184 767		184 767		42 105	142 662
Total Lease Liabilities				4 692 396	-	4 692 396	-	2 971 610	1 720 787
TOTAL EXTERNAL LOANS				4 692 396	-	4 692 396	-	2 971 610	1 720 787