

SAKHISIZWE

MUNICIPALITY



[These financial statements have been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

SAKHISIZWE LOCAL MUNICIPALITY

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SAKHISIZWE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The SAKHISIZWE Municipality includes the following areas:

*Elliot
Cala*

MUNICIPAL MANAGER

Mr T Samuel

CHIEF FINANCIAL OFFICER

Mr P Steyn

REGISTERED OFFICE

Erf 5556, Umthatha Road, Cala, 5455

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

First National Bank, Elliot

RELEVANT LEGISLATION

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

SAKHISIZWE LOCAL MUNICIPALITY

MEMBERS OF THE SAKHISIZWE LOCAL MUNICIPALITY

COUNCILLORS

Clr M. S. Jentile	Mayor / Exco member
Clr N. P. Mananga	Speaker
Clr M. Mxhonywa	Exco member
Clr S. P. Ntakana	Exco member
Clr N. Stofile	Exco member
Clr 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

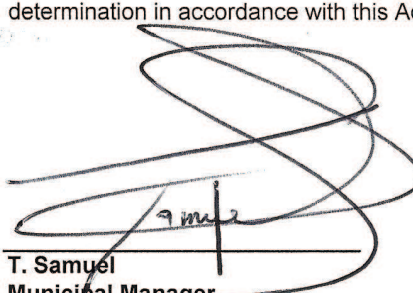
I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 69 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared 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 2016 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 2016

Date

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		179 449 848	170 637 203
Accumulated Surplus		179 449 848	170 637 203
Non-Current Liabilities		20 635 199	15 158 655
Long-term Liabilities	2	3 189 186	596 856
Employee benefits	3	2 447 747	2 605 710
Non-Current Provisions	4	14 998 266	11 956 089
Current Liabilities		16 325 978	16 202 465
Consumer Deposits	5	97 368	121 227
Current Employee benefits	6	396 459	266 169
Provisions	7	(158 611)	745 816
Payables from exchange transactions	8	6 556 812	5 804 937
Unspent Conditional Government Grants and Receipts	9	7 632 440	8 140 385
Current Portion of Long-term Liabilities	2	1 801 510	1 123 931
Total Net Assets and Liabilities		216 411 025	201 998 323
ASSETS			
Non-Current Assets		205 176 305	183 804 135
Property, Plant and Equipment	11	171 154 715	149 593 184
Investment Property	12	34 021 590	34 210 951
Current Assets		11 234 720	18 194 188
Inventory	13	1 014 271	1 014 271
Receivables from exchange transactions	14	1 921 843	2 382 316
Receivables from non-exchange transactions	15	2 705 716	7 913 153
Taxes	10.1	1 056 017	450 055
Cash and Cash Equivalents	16	4 536 873	6 434 393
Total Assets		216 411 025	201 998 323

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		90 689 159	73 867 477
Taxation Revenue		5 259 315	5 119 111
Property taxes	17	5 259 315	5 119 111
Transfer Revenue		85 429 844	68 748 366
Government Grants and Subsidies - Capital	18	20 984 136	13 653 483
Government Grants and Subsidies - Operating	18	64 445 708	55 094 883
Revenue from Exchange Transactions		18 953 254	22 096 119
Service Charges	19	10 572 439	11 860 176
Interest Earned - external investments		975 891	525 890
Interest Earned - outstanding debtors		4 375 829	3 317 377
Actuarial Profits	3	237 950	202 841
Other Income	20	2 791 145	6 189 835
Total Revenue		109 642 413	95 963 596
EXPENDITURE			
Employee related costs	21	30 088 100	28 809 908
Remuneration of Councillors	22	5 961 719	5 490 766
Debt Impairment	23	16 161 863	567 570
Depreciation and Amortisation	24	6 193 381	10 618 427
Repairs and Maintenance		1 956 448	956 166
Actuarial losses	3	-	74 387
Finance Charges	26	635 157	769 082
Bulk Purchases	27	9 833 324	8 619 273
Grants and Subsidies	28	4 460 566	4 297 032
General Expenses	29	25 539 210	19 550 434
Total Expenditure		100 829 768	79 753 045
Loss/ (profit) on disposal of Property, Plant and Equipment		-	(74 323)
NET SURPLUS/(DEFICIT) FOR THE YEAR		8 812 645	16 284 874

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Surplus/ (Deficit)	Total
Note	R	R
Balance at 1 JULY 2014: as previously reported	154 862 892	154 862 892
Restated Balance at 1 JULY 2014	154 862 892	154 862 892
Prior year adjustments in 2015	-	-
Net Surplus for the year: 2015	15 774 311	15 774 311
Balance at 30 JUNE 2015	170 637 203	170 637 203
Net Surplus for the year: 2016	8 812 645	8 812 645
Balance at 30 JUNE 2016	179 449 848	179 449 848

SAKHISIZWE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	30 JUNE 2016 R	30 JUNE 2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		113 196 666	89 913 895
Ratepayers and other		25 269 531	8 535 757
Government		84 921 899	75 005 987
Other receipts		3 005 236	6 372 151
Payments		(91 454 658)	(64 408 702)
Employee costs		(36 077 492)	(34 199 239)
Suppliers costs		(25 102 715)	(25 337 100)
Other payments		(30 274 451)	(4 872 363)
Cash generated by operations	31	21 742 008	25 505 193
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(27 565 551)	(18 317 486)
Purchase of Investment property		-	-
Net Cash from Investing Activities		(27 565 551)	(18 317 486)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance lease payments		3 269 909	(2 971 610)
Interest income		975 891	525 890
Finance costs		(319 777)	(397 851)
Net Cash from Financing Activities		3 926 023	(2 843 571)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 897 520)	4 344 136
Cash and Cash Equivalents at the beginning of the year		6 434 393	2 090 257
Cash and Cash Equivalents at the end of the year	32	4 536 873	6 434 393
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 897 520)	4 344 136

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	4 536 873	5 000 000	(463 127)	
Call investment deposits	4 627 559	9 597 000	(4 969 441)	Transfer of water and sewerage debtors to CHDM
Consumer debtors	1 056 017	9 009 000	(7 952 983)	Budget overstated
Other Receivables	-	-	-	
Current portion of long-term receivables	1 014 271	37 000	977 271	Budget understated
Inventory	11 234 720	23 643 000	(12 408 280)	
Total current assets	11 234 720	23 643 000	(12 408 280)	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	34 021 590	38 865 000	(4 843 410)	Budget overstated
Property, plant and equipment	171 154 715	151 600 000	19 554 715	Budget understated
Biological Assets	-	-	-	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	205 176 305	190 465 000	14 711 305	
TOTAL ASSETS	216 411 025	214 108 000	2 303 025	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 801 510	4 000 000	(2 198 490)	New loan for refuse trucks
Consumer deposits	97 368	387 000	(289 632)	Less deposits - Pre Paid Electricity
Trade and other payables	14 189 252	19 700 000	(5 510 748)	More payables at year end
Provisions and Employee Benefits	15 236 114	-	15 236 114	Budget understated
Total current liabilities	31 324 244	24 087 000	7 237 244	
Non current liabilities				
Borrowing	3 189 186	2 796 000	393 186	New loan for refuse trucks
Provisions and Employee Benefits	2 447 747	4 403 000	(1 955 253)	Budget overstated
Total non current liabilities	5 636 933	7 199 000	(1 562 067)	
TOTAL LIABILITIES	36 961 177	31 286 000	5 675 177	
NET ASSETS	179 449 848	182 822 000	(3 372 152)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	179 449 848	182 822 000	(3 372 152)	Budget overstated
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	179 449 848	182 822 000	(3 372 152)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	-	-	-	
Call investment deposits	-	5 000 000	5 000 000	Correction of Call deposits
Consumer debtors	12 679 000	(3 082 000)	9 597 000	correction of Call debtors
Other Receivables	3 717 000	5 292 000	9 009 000	correction of Call debtors
Current portion of long-term receivables	-	-	-	
Inventory	71 000	(34 000)	37 000	
Total current assets	<u>16 467 000</u>	<u>7 176 000</u>	<u>23 643 000</u>	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	34 400 000	4 465 000	38 865 000	Correction of Investment Properties
Property, plant and equipment	136 236 000	15 364 000	151 600 000	Increase of assets
Biological Assets	-	-	-	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	<u>170 636 000</u>	<u>19 829 000</u>	<u>190 465 000</u>	
TOTAL ASSETS	<u><u>187 103 000</u></u>	<u><u>27 005 000</u></u>	<u><u>214 108 000</u></u>	
LIABILITIES				
Current liabilities				
Bank overdraft	6 447 000	(6 447 000)	-	Correction
Borrowing	1 850 000	2 150 000	4 000 000	Correction
Consumer deposits	184 000	203 000	387 000	Correction
Trade and other payables	13 025 000	6 675 000	19 700 000	Correction
Provisions and Employee Benefits	1 092 000	(1 092 000)	-	
Total current liabilities	<u>22 598 000</u>	<u>1 489 000</u>	<u>24 087 000</u>	
Non current liabilities				
Borrowing	-	2 796 000	2 796 000	New Loans
Provisions and Employee Benefits	5 581 000	(1 178 000)	4 403 000	Correction
Total non current liabilities	<u>5 581 000</u>	<u>1 618 000</u>	<u>7 199 000</u>	
TOTAL LIABILITIES	<u><u>28 179 000</u></u>	<u><u>3 107 000</u></u>	<u><u>31 286 000</u></u>	
NET ASSETS	<u>158 924 000</u>	<u>23 898 000</u>	<u>182 822 000</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	158 924 000	23 898 000	182 822 000	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	<u><u>158 924 000</u></u>	<u><u>23 898 000</u></u>	<u><u>182 822 000</u></u>	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	5 259 315	5 126 000	133 315	
Property rates - penalties & collection charges				
Service charges	10 572 439	15 040 600	(4 468 161)	Budget overstated
Rental of facilities and equipment	-	1 076 000	(1 076 000)	Budget overstated
Interest earned - external investments	975 891	456 000	519 891	Budget understated
Interest earned - outstanding debtors	4 375 829	2 375 000	2 000 829	Budget understated
Dividends received	-	-	-	
Fines	-	24 500	(24 500)	
Licences and permits	-	-	-	
Agency services	237 950	899 450	(661 500)	Budget overstated
Government Grants and Subsidies	85 429 844	64 709 000	20 720 844	
Other revenue	2 791 145	3 778 700	(987 555)	Budget overstated
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	109 642 413	93 485 250	16 157 163	
EXPENDITURE BY TYPE				
Employee related costs	30 088 100	32 622 171	(2 534 071)	Saving on Salaries
Remuneration of councillors	5 961 719	6 161 568	(199 849)	
Debt impairment	16 161 863	4 180 120	11 981 743	Budget understated
Depreciation & asset impairment	6 193 381	9 097 000	(2 903 619)	Budget overstated
Actuarial losses	-	-	-	
Finance charges	635 157	276 916	358 241	Budget understated
Bulk purchases	9 833 324	9 293 160	540 164	
Other materials	1 956 448	2 998 000	(1 041 552)	Saving on spending
Contracted services	-	2 015 000	(2 015 000)	Budget overstated
Grants and subsidies paid	4 460 566	4 572 000	(111 434)	
Other expenditure	25 539 210	23 360 772	2 178 438	Budget understated
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	100 829 768	94 576 707	6 253 061	
Operating Surplus/(Deficit) for the year	8 812 645	(1 091 457)	9 904 102	
Government Grants and Subsidies - Capital	-	-	-	
Net Surplus/(Deficit) for the year	8 812 645	(1 091 457)	9 904 102	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	4 735 000	391 000	5 126 000	
Property rates - penalties & collection charges	-	-	-	
Service charges	15 040 600	-	15 040 600	
Rental of facilities and equipment	1 076 000	-	1 076 000	
Interest earned - external investments	456 000	-	456 000	
Interest earned - outstanding debtors	2 375 000	-	2 375 000	
Dividends received	-	-	-	
Fines	24 500	-	24 500	
Licences and permits	-	-	-	
Agency services	899 450	-	899 450	
Government Grants and Subsidies - Operating	64 709 000	-	64 709 000	
Other revenue	3 778 700	-	3 778 700	
Gains on disposal of PPE	118 992	(118 992)	-	Correction of budget
Total Operating Revenue	93 213 242	272 008	93 485 250	
EXPENDITURE BY TYPE				
Employee related costs	32 571 186	50 985	32 622 171	
Remuneration of councillors	5 558 928	602 640	6 161 568	Correction of budget
Debt impairment	4 180 120	-	4 180 120	
Depreciation & asset impairment	9 097 000	-	9 097 000	
Finance charges	396 636	(119 720)	276 916	Correction of budget
Bulk purchases	9 293 160	-	9 293 160	
Other materials	3 298 000	(300 000)	2 998 000	Correction of budget
Contracted services	1 365 000	650 000	2 015 000	Correction of budget
Grants and subsidies paid	4 572 000	-	4 572 000	
Other expenditure	22 232 231	1 128 541	23 360 772	Correction of budget
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	92 564 261	2 012 446	94 576 707	
Operating Surplus/(Deficit) for the year	648 981	(1 740 438)	(1 091 457)	
Government Grants and Subsidies - Capital	-	-	-	
Net Surplus/(Deficit) for the year	648 981	(1 740 438)	(1 091 457)	

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	25 269 531	9 031 000	16 238 531	Budget understated
Government - operating	84 921 899	79 358 000	5 563 899	Actuals combined
Government - capital	-	6 742 000	(6 742 000)	Actuals combined
Interest	-	-	-	
Dividends	-	-	-	
Other Receipts	3 005 236	-	3 005 236	Budget understated
Payments				
Suppliers and Employees	(61 180 207)	(36 183 000)	(24 997 207)	Actuals combined
Finance charges	-	(26 807 000)	26 807 000	Actuals combined
Transfers and Grants	(30 274 451)	(5 155 000)	(25 119 451)	Budget understated
NET CASH FLOW/(USED) OPERATING ACTIVITIES	21 742 008	26 988 000	(5 243 992)	
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	(27 565 551)	(19 380 000)	(8 185 551)	Budget understated
NET CASH FLOW/(USED) INVESTING ACTIVITIES	-27 565 551	(19 380 000)	-8 185 551	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	975 891	(3 144 000)	4 119 891	Budget overstated
Increase/(decrease) in consumer deposits	-	556 000	(556 000)	Budget overstated
Payments				
Repayment of borrowing	2 950 132	(421 000)	-	Budget understated
NET CASH FLOW/(USED) FINANCING ACTIVITIES	3 926 023	(3 009 000)	3 563 891	
NET INCREASE/(DECREASE) IN CASH HELD	-1 897 520	4 597 000	-9 865 652	
Cash and Cash Equivalents at the beginning of the year	6 434 393	6 436 000	(1 607)	
Cash and Cash Equivalents at the end of the year	4 536 873	11 035 000	(6 498 127)	Budget overstated

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R	2016 R	2016 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	2 300 000	6 731 000	9 031 000	
Government - operating	65 608 000	13 750 000	79 358 000	Correction of budget
Government - capital	21 090 000	(14 348 000)	6 742 000	Correction of budget
Interest	1 622 000	(1 622 000)	-	Correction of budget
Dividends	5 983 000	-	-	
Payments				
Suppliers and Employees	4 301 000	-	-	
Finance charges	(76 193 000)	40 010 000	(36 183 000)	Correction of budget
Transfers and Grants	(397 000)	(26 410 000)	(26 807 000)	Correction of budget
	-	(5 155 000)	(5 155 000)	Correction of budget
NET CASH FLOW/(USED) OPERATING ACTIVITIES	<u>24 314 000</u>	<u>12 956 000</u>	<u>26 986 000</u>	
CASH FLOW FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	119 000	(119 000)	-	Correction of budget
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(21 610 000)	2 230 000	(19 380 000)	Correction of budget
	(21 491 000)	2 111 000	(19 380 000)	
NET CASH FLOW/(USED) INVESTING ACTIVITIES	<u>(21 491 000)</u>	<u>2 111 000</u>	<u>(19 380 000)</u>	
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	(3 144 000)	(3 144 000)	Correction of budget
Increase/(decrease) in consumer deposits	7 000	549 000	556 000	Correction of budget
Payments				
Repayment of borrowing	-	(421 000)	(421 000)	Correction of budget
	7 000	(3 016 000)	(3 009 000)	
NET CASH FLOW/(USED) FINANCING ACTIVITIES	<u>7 000</u>	<u>(3 016 000)</u>	<u>(3 009 000)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>2 830 000</u>	<u>12 051 000</u>	<u>4 597 000</u>	
Cash and Cash Equivalents at the beginning of the year	(5 937 000)	12 373 000	6 436 000	Correction of budget
Cash and Cash Equivalents at the end of the year	(6 447 000)	17 482 000	11 035 000	Correction of budget

SAKHISIZWE MUNICIPALITY

ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

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

1.5 AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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

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

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

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p>Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of Service Concession Arrangements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

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

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The interest rate used is the interest rate implicit in the lease or the bank prime interest rate.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

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

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

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1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;

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- the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.12. EMPLOYEE BENEFITS

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

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

1.12.1 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

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1.12.2 Long Service Awards

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

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

1.12.3 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.12.4 Staff Bonuses Accrued

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

1.12.5 Provision for Performance Bonuses

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

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be

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measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

1.13.2 Subsequent Measurement – Cost Model

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

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

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1.13.3 Depreciation and Impairment

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

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

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

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

1.13.4 De-recognition

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

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of

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operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

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

1.14.4 De-recognition

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

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

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

1.15.3 De-recognition

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

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

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

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

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

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to

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- dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

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

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

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

1.16.2 Non-cash-generating assets

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

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

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.

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

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

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

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

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

1.17. INVENTORIES

1.17.1 Initial Recognition

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

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

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

1.17.2 Subsequent Measurement

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

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

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

1.18. FINANCIAL INSTRUMENTS

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

1.18.1 Initial Recognition

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

1.18.2 Subsequent Measurement

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

1.18.2.1 Receivables

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

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

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for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

1.18.2.2 Payables and Annuity Loans

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

1.18.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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

1.18.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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

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

1.18.3 De-recognition of Financial Instruments

1.18.3.1 Financial Assets

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

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

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

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

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

1.18.3.2 Financial Liabilities

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

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

1.18.4 Offsetting of Financial Instruments

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

1.19. REVENUE

1.19.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

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

1.19.2 Revenue from Exchange Transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.20. RELATED PARTIES

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

A related party is a person or an entity:

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

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The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.

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

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

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

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

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

Management personnel include:

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

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

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

1.21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

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

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1.24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.25.1 *Post retirement medical obligations and Long service awards*

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

1.25.2 *Impairment of Receivables*

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

1.25.3 *Property, Plant and Equipment*

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

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

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

1.25.4 Intangible Assets

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

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

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

1.25.5 Investment Property

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

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

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

1.25.6 Provisions and Contingent Liabilities

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

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1.25.7 Revenue Recognition

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

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

1.25.8 Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

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

1.25.9 Provision for Staff leave

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

1.25.10 Provision for Performance bonuses

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

1.25.11 Pre-paid electricity estimation

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

1.25.12 Componentisation of Infrastructure assets

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

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1.26. TAXES – VALUE ADDED TAX

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

1.27. CAPITAL COMMITMENTS

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

1.28. EVENTS AFTER REPORTING DATE

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

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

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

	2016 R	(Re-stated) 2015 R
2 LONG-TERM LIABILITIES		
Capitalised Lease Liability - At amortised cost	4 990 696	1 720 787
	4 990 696	1 720 787
Current Portion transferred to Current Liabilities	1 801 510	1 123 931
Capitalised Lease Liability - At amortised cost	1 801 510	1 123 931
	3 189 186	596 856
Total Long-term Liabilities - At amortised cost using the effective interest rate method	3 189 186	596 856

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	2 247 635	1 207 664
Payable within two to five years	3 679 803	646 331
Payable after five years	-	-
	5 927 438	1 853 995
Less: Future finance obligations	(936 743)	(133 208)
Present value of lease obligations	4 990 695	1 720 787

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

The municipality has plant & equipment assets with a carrying value of R3,933,105 (2015: R2,923,352) 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 R315,380 (2015: R371,231)

	2016 R	2015 R	
3 EMPLOYEE BENEFITS			
Post Retirement Defined Benefit Plan - Refer to Note 3.1	1 323 574	1 360 235	
Long Service Awards - Refer to Note 3.2	1 124 173	1 245 475	
Total Non-current Employee Benefit Liabilities	2 447 747	2 605 710	
	2016 R	2015 R	
<u>Post Retirement Defined Benefit Benefits Plan</u>			
Balance 1 July	1 469 735	1 384 045	
Contribution for the year	-	-	
Interest Cost	120 270	110 699	
Projected Expenditure for the year	(109 500)	(99 396)	
Expenditure for the year	-	-	
Actuarial Loss/ (Gain)	(42 691)	74 387	
Total post retirement benefits 30 June	1 437 814	1 469 735	
Less: Transfer of Current Portion - Note 6	(114 240)	(109 500)	
Balance 30 June	1 323 574	1 360 235	
<u>Long Service Awards</u>			
Balance 1 July	1 402 144	1 386 399	
Contribution for the year	252 560	248 085	
Interest Cost	103 616	104 137	
Projected (Income)/ Expenditure	(156 669)	(133 636)	
(Income)/ Expenditure for the year	-	-	
Actuarial Loss/ (Gain)	(195 259)	(202 841)	
Total long service 30 June	1 406 392	1 402 144	
Less: Transfer of Current Portion - Note 6	(282 219)	(156 669)	
Balance 30 June	1 124 173	1 245 475	
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>			
Balance 1 July	2 871 879	2 770 444	
Contribution for the year	252 560	248 085	
Interest cost	223 886	214 836	
Projected (Income)/ Expenditure	(266 169)	(233 032)	
(Income)/ Expenditure for the year	-	-	
Actuarial Loss/(Gain)	(237 950)	(128 454)	
Total employee benefits 30 June	2 844 206	2 871 879	
Less: Transfer of Current Portion - Note 6	(396 459)	(266 169)	
Balance 30 June	2 447 747	2 605 710	
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	1 437 814	1 469 735	
Total Liability	1 437 814	1 469 735	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2014 R	2013 R	2012 R
Continuation members	1 384 045	923 834	1 161 597
Total Liability	1 384 045	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:	2016 %	2015 %
i) Rate of interest		
Discount rate	8.81%	8.49%
Health Care Cost Inflation Rate	7.96%	7.69%
Net Effective Discount Rate	0.79%	0.75%

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 8.81% per annum has been used. The corresponding index-linked yield at this term is 1.74%. 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 2016.

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:	2016 R	2015 R
Present value of fund obligations	1 323 574	1 360 235
Total Liability	1 323 574	1 360 235

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	1 469 735	1 384 045
Total expenses	10 770	11 303
Interest Cost	120 270	110 699
Benefits Paid	(109 500)	(99 396)
Actuarial loss/ (gains)	(42 691)	74 387
Present value of fund obligation at the end of the year	1 437 814	1 469 735
Less: Transfer of Current Portion - Note 6	(114 240)	(109 500)
Balance 30 June	1 323 574	1 360 235

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	-	1.43		

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%	-	1.48		3%
Health care inflation	-1%	-	1.363		-5%
Post-retirement mortality	-	-	1.497		4%
Average retirement age	-1 yr	-			
Withdrawal Rate	-	-			

Assumption	Change	Current-service		Total (R)	% change
		Cost (R)	Interest Cost (R)		
Central Assumption					
Health care inflation	1%	-	120 300		8%
Health care inflation	-1%	-	130 500		-7%
Post-retirement mortality		-	111 300		
		-	125 800		

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 3,871.00 for the year ending 30 June 2017. The annual increases to this maximum amount are periodically specified by the local government bargaining council. It was previously expected that this maximum subsidy amount would increase in line with salary inflation in order that the subsidies would not decrease in real terms. Recent past annual increases lower than salary inflation have resulted in the revision of this assumption to 75% of salary inflation.

Membership profile:

The future salary inflation assumption of 7.46%, was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 5.59% was assumed.

The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2017.

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 8.81% per annum has been used. The corresponding index-linked yield at this term is 1.74%. 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 7.96% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.46%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.79% which derives from $((1+8.81\%)/(1+7.96\%))-1$.

The expected inflation assumption of 6.46% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.74%) and those of fixed interest bonds (8.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+8.81\%-0.50\%)/(1+1.74\%))-1$.

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.

	2016	2015
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	140
Key actuarial assumptions used:	2016	2015
	%	%
i) Rate of interest		
Discount rate	8.35%	7.82%
General Salary Inflation (long-term)	7.02%	7.00%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.24%	0.77%
	2016	2015
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 124 173	1 245 475
Net liability	1 124 173	1 245 475
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 402 144	1 386 399
Total expenses	199 507	218 586
Current service cost	252 560	248 085
Expenditure for the year	103 616	104 137
Interest Cost	(156 669)	(133 636)
Benefits Paid	(195 259)	(202 841)
Actuarial losses	(195 259)	(202 841)
Present value of fund obligation at the end of the year	1 406 392	1 402 144
Less: Transfer of Current Portion - Note 6	(282 219)	(156 669)
Balance 30 June	1 124 173	1 245 475

Sensitivity Analysis on the Unfunded Accrued Liability

	Change	Liability (R)	% change
Assumption			
Central assumptions		1.406	
General salary inflation	1%	1.48	5%
General salary inflation	-1%	1.339	-5%
Average retirement age	- 2 years	1.259	-10%
Average retirement age	+ 2 years	1.616	15%
Withdrawal rates	-50%	1.621	15%
		2016	2015
		R	R

	2016	2015
	R	R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	14 998 266	11 956 089
Landfill Sites		
Balance 1 July	11 956 089	2 597 503
Balance previously reported	11 956 089	2 597 503
Unwinding of discounted interest	3 042 177	9 358 586
Balance previously reported	3 042 177	9 358 586
Total provision 30 June	14 998 266	11 956 089
Balance 30 June	14 998 266	11 956 089

JPCE (Pty)Ltd estimated the rehabilitation costs based on the following assumptions in 2016:

It is assumed that the following information provided by the municipality is correct:
 - The sites under consideration are the Cala and Elliot Disposal Sites. These sites are all still operational. Reportedly, the Elliot Landfill has been issued with a closure licence and the Cala Landfill with Environmental Authorisation, but a copy of neither could not be provided to us at the reporting date.
 - It is assumed that sufficient on-site quantities for the 200mm thick confining layer and 100mm topsoil would be available.
 - The rate for the levelling is based on importing the quantities from commercial sources to ensure good quality materials.
 The closure of a landfill site, regardless if it is licensed/permitted or not, requires a closure licence as well as rehabilitation. The Minimum Requirements states that "In order to close a landfill properly, however, closure must be preceded by rehabilitation, to ensure that the site is environmentally acceptable." For the purposes of this report, due to the fact that the same requirements are set for licensed/permitted and unlicensed/unpermitted sites process to be followed, no distinction in the descriptions of the process were made between licensed/permitted and unlicensed/unpermitted sites. Therefore "closure" describes the process and "rehabilitation" is part of this process.

The actual cost estimates are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using an approximate Consumer Price Index value. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly. Due to the nature of the various construction items which are used to determine the cost estimates, the above method is required. For example, to excavate a trench, the required process is described in SANS 1200. We compare recent rates for this item, which would include labour costs as priced by civil contractors and we can use a good average to use in the calculations. An average must be used, because not one contractor will ask the same price to excavate per meter as the next contractor. This is done for all similar items which are priced in this manner. Items which include material costs such as Geosynthetic Clay Liners (GCL's) and/or geosynthetic materials, are very much dependent on exchange and import rates on top of the material cost as some of these are not necessarily manufactured in South Africa. The combined effect of these various items and escalation in prices will result in the current year's estimate for landfill closure provision not always being exactly in line with CPI, but should be in a similar range. The percentage increase will also differ for each individual landfill site as some landfills will require more material to be imported as per the specific site requirements as well as varying rehabilitation areas.

Previous reports indicate that the Elliot Landfill is not classified and the Cala Landfill is classified G:C where the "G" classification refers to the type of waste that may be received at the site, which in this case is "general waste". General waste is the description given to all domestic waste and all wastes generated from commercial, business and industrial activities that are not hazardous or toxic. Pharmaceutical and medical wastes are also not part of general waste. The "C" classification refers to a volume of waste disposed of less than 25 tonnes per day.

Site lifetimes

Cala

Due to the uncontrolled disposal and scattered waste heaps throughout the site, an accurate determination of remaining available airspace in the developed disposal cell is not possible, as the waste should be moved into the cell and compacted.

It was previously determined by others that the annual airspace usage from 2015 at the Cala Landfill would be approximately 4764 m³, as the waste generated in Elliot would be disposed of at Cala due to Elliot being licensed for closure.

Based on the footprint of the developed disposal cell at Cala, it was estimated to provide approximately 13 500m³ of available airspace. Assuming that the scattered waste outside the cell would occupy the disposal airspace of one year, the remaining airspace in 2016 would be approximately 8700m³. Assuming the same disposal rate in the current cell, the remaining available airspace would be consumed by approximately April 2018, bringing the remaining lifetime of the Cala Landfill to between 1 to 2 years.

Space exists inside the fenced area of the Cala Landfill to develop additional disposal cells in order to extend the remaining lifetime. Any new cells will have to be constructed with engineered Class B base liners. Should this be the case in the future, the remaining lifetime could be extended, but it is not certain.

Elliot

From reported information, the Elliot Landfill has been licensed for closure along with the authorisation to establish a recycling facility and transfer station. The required rehabilitation date is unknown and it was assumed that the site has no remaining lifetime.

5	CONSUMER DEPOSITS		
	Electricity	97 368	121 227
	Total Consumer Deposits	<u>97 368</u>	<u>121 227</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	114 240	109 500
	Current Portion of Long-Service Provisions - Note 3	282 219	156 669
	Total Current Employee Benefits	<u>396 459</u>	<u>266 169</u>
7	CURRENT PROVISIONS		
	Employee costs: Performance Bonus	(158 611)	745 816
	Total Provisions	<u>(158 611)</u>	<u>745 816</u>
8	PAYABLES FROM EXCHANGE TRANSACTIONS	2016	2015
		R	R
	Trade Payables	2 373 181	1 170 038
	Accrual for Leave	3 248 538	2 960 936
	Accrued expenses: Provision 13th cheque	296 079	715 054
	Accrued expenses: Workmens compensation	-	273 197
	Payments received in advance: Debtors in credit balance	604 449	658 781
	Sundry Deposits received: Dam & Hall Deposits	34 565	26 931
	Total Trade Payables	<u>6 556 812</u>	<u>5 804 937</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	7 632 440	8 140 385
	National Government Grants	6 537 731	7 946 287
	Provincial Government Grants	1 000 000	-
	Other Grant Providers	94 709	194 098
	Total Conditional Grants and Receipts	<u>7 632 440</u>	<u>8 140 385</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)	<u>1 056 017</u>	<u>450 055</u>
	VAT is receivable/payable on the cash basis.		

11 **PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

	2016 R	2015 R
Assets pledged as security:		
There were no assets pledged as security.	-	-

12 **INVESTMENT PROPERTY**

	2016 R	2015 R
Net Carrying amount at 1 July	34 210 951	34 400 312
Cost	35 157 760	35 157 760
Accumulated Depreciation	(946 809)	(757 448)
Depreciation for the year	(189 361)	(189 361)
Net Carrying amount at 30 June	34 021 590	34 210 951
Cost	35 157 760	35 157 760
Accumulated Depreciation	(1 136 170)	(946 809)

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
	Total Inventory	1 014 271	1 014 271
14	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	5 886 400	4 808 982
	Refuse	28 150 330	23 632 630
	Other Trade Debtors	164 740	72 707
	Other Receivables	560 045	575 929
	Total Receivables from Exchange Transactions	34 761 515	29 090 248
	Less: Allowance for Doubtful Debts	32 839 672	26 707 932
	Electricity	4 822 378	3 939 458
	Refuse	27 759 471	22 710 651
	Other Trade Debtors	257 823	57 823
	Total Net Receivables from Exchange Transactions	1 921 843	2 382 316
	Electricity	1 064 022	869 524
	Refuse	390 859	921 979
	Other Trade Debtors	(93 083)	14 884
	Other Receivables	560 045	575 929
	Less: Assets associated with Discontinued Operations - Note 47		
	Water		
	Sewerage		
	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:		
	<u>(Electricity): Ageing</u>		
	Current (0 - 30 days)	547 736.75	389 029
	31 - 60 Days	337 774.55	245 601
	61 - 90 Days	159 052.08	136 801
	+ 90 Days	19 459	98 093
	Total	1 064 022	869 524
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	390 859.00	389 214
	31 - 60 Days	-	368 025
	61 - 90 Days	-	358 390
	+ 90 Days	-	(193 650)
	Total	390 859	921 979

(Other Receivables): Ageing

Current (0 - 30 days)	560 045	575 929
Total	560 045	575 929

(Irregular expenditure: Refundable): Ageing

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

(Other Trade Debtors): Ageing

Current (0 - 30 days)	(93 083)	14 884
Total	(93 083)	14 884

(Total): Ageing

Current (0 - 30 days)	1 405 558	1 369 056
31 - 60 Days	337 775	613 625
61 - 90 Days	159 052	495 191
+ 90 Days	19 459	(95 556)
Total	1 921 843	2 382 316

Reconciliation of Provision for Bad Debts

Balance at beginning of year	26 707 932	67 266 131
Contribution to provision	6 131 740	(40 578 199)
Water & Sanitation reallocation from agency account		-
Transferred to Discontinued Operations - note 47		-
Bad Debts Written Off		-
Balance at end of year	32 839 672	26 707 932

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

	2016 R	2015 R
Rates	29 929 964	24 963 868
Chris Hani Debtor: Water and Sanitation	861 246	804 656
Total Receivables from Non-Exchange Transactions	30 791 210	25 768 524
Less: Allowance for Doubtful Debts	(28 085 494)	(17 855 371)
Rates	(28 085 494)	(17 855 371)
Total Net Receivables from Non-Exchange Transactions	2 705 716	7 913 153

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

<u>Assets</u>		
Bank Accounts	1 890 492	363 999
Short-term deposits	2 646 381	6 070 394
Total Cash and Cash Equivalents - Assets	4 536 873	6 434 393

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):	1 890 492	363 999
	1 890 492	363 999

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

Cash book balance at beginning of year	363 999	615 891
Cash book balance at end of year	1 890 492	363 999
Bank statement balance at beginning of year	540 560	892 355
Bank statement balance at end of year	1 849 763	540 560

Short-term Investment Deposits

The Municipality had the following Short-term Investment Accounts

	2016 Bank Statement Balance	2015 Bank Statement Balance	2016 Cash Book Balance	2015 Cash Book Balance
MSP - 6207-652-2294 (FNB Investment Account)	36 876	37 786	36 876	37 787
MIG - 6207-657-7091 (FNB Investment Account)	6 320	3 301 776	6 320	3 301 776
Elliot Housing - 6207-745-0056 (FNB Investment Account)	1 110	1 110	1 110	1 110
Survey Account - 6207-659-621 (FNB Investment Account)	5 087	5 987	5 087	5 987
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
FMS - 6216-538-9464 (FNB Investment Account)	-	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
MSIG - 6216-538-9555 (FNB Investment Account)	-	10 000	-	10 000
PMF review account - 6216-534-1993 (FNB Investment Account)	-	12 640	-	12 640
DME - 6220-960-0776 (FNB Investment Account)	2 537 731	2 544 520	2 537 731	2 544 520
IEC - 6221-924-3418 (FNB Investment Account)	47 423	47 423	47 423	47 423
Skills Development - 6217-582-8189 (FNB Investment Account)	-	31 320	-	31 320
FNB Operating Call Account - 6216-534-1943	7 621	10 000	7 621	10 000
	<u>2 646 379</u>	<u>6 070 393</u>	<u>2 646 381</u>	<u>6 070 394</u>

17 **PROPERTY RATES**

Actual

Rateable Land and Buildings

Residential, Commercial Property, State

Total Assessment Rates

	2016 R	2015 R
	5 259 315	5 119 111
	<u>5 259 315</u>	<u>5 119 111</u>
Total Assessment Rates	<u>5 259 315</u>	<u>5 119 111</u>

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

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

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

18 **GOVERNMENT GRANTS AND SUBSIDIES**

Unconditional Grants

Equitable Share

Conditional Grants

Grants and donations: National

Grants and donations: Other

Total Government Grants and Subsidies Revenue

Grants received:

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

	59 581 000	48 625 000
	<u>59 581 000</u>	<u>48 625 000</u>
	25 848 844	20 123 366
	<u>20 984 136</u>	<u>13 653 483</u>
	<u>4 864 708</u>	<u>6 469 883</u>
Total Government Grants and Subsidies Revenue	<u>85 429 844</u>	<u>68 748 366</u>
	(21 989 000)	(17 464 000)
	<u>(64 480 000)</u>	<u>(51 270 382)</u>
	<u>(86 469 000)</u>	<u>(68 734 382)</u>

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

Equitable share	59 581 000	48 625 000
Finance & Administration: Budget & Treasury	2 530 000	2 543 065
Finance & Administration: Corporate Services	12 640	-
Planning & Development: IPED	53 618	1 435 775
Project Management Unit: PMU	21 289 797	14 170 194
Planning & Development	1 593 789	1 605 332
Community Services: Libraries	369 000	369 000
	<u>85 429 844</u>	<u>68 748 366</u>

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

18.1 Equitable Share

Opening balance	-	-
Grants received	59 581 000	48 625 000
Conditions met - Operating	(59 581 000)	(48 625 000)
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	-	-
Grants received	1 600 000	1 600 000
Conditions met - Operating	(1 600 000)	(1 600 000)
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	4 644 511	1 000
Grants received	4 000 000	5 000 000
Grant withheld	(1 512 991)	-
Conditions met - Operating	-	-
Conditions met - Capital	(593 789)	(356 489)
Conditions still to be met	6 537 731	4 644 511

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	3 301 776	-
Grants received	17 989 000	17 464 000
Conditions met - Operating	-	(873 200)
Conditions met - Capital	(21 290 776)	(13 289 024)
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	-	-
Grants received	930 000	934 000
Conditions met - Operating	(930 000)	(934 000)
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	-

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

18.6 EPWP Grant

Opening balance	-	-
Grants received	1 000 000	-
Conditions met - Operating	(1 000 000)	-
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	-

The grant was used to upgrade electricity infrastructure.

18.7 EC Local Government

Opening balance	-	-
Grants received	1 000 000	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	1 000 000	-

The grant was unspent at year end

18.8 Dep of Sport Art & Culture (Libraries)

Opening balance	-	-
Grants received	369 000	-
Conditions met - Operating	(369 000)	-
Conditions met - Capital	-	-
Conditions still to be met	-	-

18.9 Other Grant Providers

Opening balance	194 095	1 881 764
Grants received	-	369 000
Conditions met - Operating	(99 389)	(2 056 669)
Conditions met - Capital	-	-
Conditions still to be met	94 706	194 095

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

18.10 Total Grants

Opening balance	8 140 382	1 882 764
Adjustment	(1 512 991)	-
Grants received	86 469 000	73 992 000
Conditions met - Operating	(63 579 389)	(54 088 869)
Conditions met - Capital	(21 884 565)	(13 645 513)
Conditions still to be met/(Grant expenditure to be recovered)	7 632 437	8 140 382

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	7 632 440	8 140 385
	7 632 440	8 140 385

19 SERVICE CHARGES

Electricity	7 669 130	9 219 862
Water	-	-
Refuse removal	2 903 309	2 647 418
Sewerage and Sanitation Charges	-	(7 104)
Less: Transferred to Discontinued Operations - Note 47	-	-
Total Service Charges associated with continued operations	10 572 439	11 860 176

20 OTHER INCOME

Rental income	959 204	241 289
Traffic department income	954 485	1 373 389
Agency fees	-	3 929 409
Sundry income (detailed in note on Sundry Income below)	877 456	645 748
Total Other Income	2 791 145	6 189 835

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
Commission on collection	67 366	56 082
Building plan & inspection fees	8 270	15 922
Insurance claims	-	50 466
Other income	649 268	414 788
Rates clearance certificates	14 210	11 788
Site payments	125 330	74 360
Trading licences	19 901	31 567
Rental income	(7 189)	(3 685)
	877 156	651 508

21 EMPLOYEE RELATED COSTS

Basic Salaries & Wages	17 000 445	16 245 390
Bonus	304 562	1 151 772
Medical aid: company contributions	1 520 521	1 521 910
UIF	174 776	165 062
SDL	273 307	291 658
Contribution Bargaining Council	11 631	11 050
Workmens Compensation	200 000	188 115
Leave pay provision charge	432 753	(37 248)
Long-service awards	82 104	-
Overtime payments	1 254 990	1 259 903
Post-employment benefits: Defined benefit medical aid	2 551 140	2 305 478
Shift Allowance	11 214	14 513
Telephone allowances	(79 308)	62 400
Transitional & other allowances	582 854	26 367
	24 320 989	23 206 370
Total Employee Related Costs	24 320 989	23 206 370

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 2014 - 2015 were performed and a performance bonus for this year was paid in the current financial year. A formal assessments was done for the year 2015 - 2016 and a provision was raised in accordance with the assessment.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	910 823	1 215 917
Performance Bonuses	159 443	81 404
Car Allowance	84 000	84 000
Housing & telephone allowances	99 708	81 708
Contributions to UIF, Medical, Pension Funds and Bargaining Council	158 215	162 797
Subsistence & other allowances	90 901	90 688
Total	1 503 090	1 716 514

	Remuneration of the Chief Finance Officer (CFO)	
	Annual Remuneration	706 712
	Performance Bonuses	721 171
	Car Allowance	100 887
	Housing & telephone allowances	60 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	12 000
	Subsistence & other allowances	191 138
		173 446
		108 430
		85 558
	Total	1 078 280
		1 141 062
	Remuneration of the Community Services Manager	
	Annual Remuneration	840 587
	Performance Bonuses	790 216
	Travelling Allowance	114 252
	Housing & telephone allowances	38 716
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	8 143
	Subsistence & other allowances	12 000
		48 978
		1 785
		9 535
	Total	1 023 353
		838 860
	Remuneration of the Corporate Services Manager	
	Annual Remuneration	848 066
	Performance Bonuses	812 857
	Car Allowance	114 977
	Housing & telephone allowances	19 999
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	60 000
	Subsistence & other allowances	12 000
		7 690
		11 117
	Total	1 056 715
		905 758
	Remuneration of the IPED Manager	
	Annual Remuneration	-
	Performance Bonuses	-
	Total	-
	Remuneration of the Technical Services Manager	
	Annual Remuneration	898 149
	Performance Bonuses	905 965
	Car Allowance	108 966
	Housing & telephone allowances	60 000
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	12 000
	Subsistence & other allowances	7 799
		1 785
		18 760
		33 594
	Total	1 105 674
		1 001 344
	Remuneration of the Managers (summary)	
	Annual Remuneration	4 204 337
	Performance Bonuses	3 477 521
	Car Allowance	497 638
	Telephone allowance	79 724
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	264 000
	Subsistence & other allowances	263 924
		147 708
		81 708
		411 820
		305 950
		241 608
		224 797
	Total	5 767 111
		5 603 538
22	REMUNERATION OF COUNCILLORS	
	Councillors Salaries	3 694 265
	Mayor Salary	3 107 046
	Speaker's Salary	759 121
	Medical, travel & other allowances	880 683
		627 614
		580 361
		880 719
		922 676
	Total Councillors' Remuneration	5 961 719
		5 490 766
	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	6 762 184
	Trade Receivables from non-exchange transactions - Note 15	-
		11 662 340
	Total Contribution to Debt Impairment recognised in statement of financial performance	647 030
	Less: Portion Relating to VAT	(2 262 661)
	Debt impairment from continued operations recognised in statement of financial performance	(79 460)
		16 161 863
		567 570

24	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	6 004 020	10 429 066
	Investment Property	189 361	189 361
		6 193 381	10 618 427
25	IMPAIRMENTS		
	Property Plant & Equipment	-	-
		-	-
26	FINANCE CHARGES		
	Finance leases	315 380	371 231
	Post Employment Health	120 270	110 699
	Long service awards	199 507	287 152
	Total finance charges	635 157	769 082
27	BULK PURCHASES		
	Electricity	9 833 324	8 619 273
	Total Bulk Purchases	9 833 324	8 619 273
28	EXPENDITURE THROUGH GRANTS AND SUBSIDIES		
	Fund: Finance Management Grant (FMG)	1 600 000	1 600 000
	Fund: MSIG expenditure	930 000	934 000
	Fund: Repairs & Maintenance - Roads	615 496	110 876
	Fund: Repairs & Maintenance - Pounds	7 263	45 906
	Fund: Repairs & Maintenance - Street Lights	6 738	314 088
	Fund: Land Audit		9 967
	Fund: Expanded public works program	1 301 089	1 282 135
	Total Grants and Subsidies	4 460 566	4 297 032
		2016	2015
		R	R
29	GENERAL EXPENSES		
	Advertising	571 763	225 417
	Auditors Remuneration	3 699 738	2 495 538
	Bank Charges	97 511	138 045
	Beautification of towns	2 811 758	3 495 954
	Catering & Entertainment	193 781	123 852
	Consulting & Professional Fees	1 909 054	1 102 570
	Consumables	136 534	209 255
	Crusher expenditure		-
	Sundry expenditure	1 501 012	7 148
	Electricity Purchases	966 002	647 434
	Fuel & Oil	4 171 025	2 292 085
	HIV program	42 000	37 930
	Insurance	557 378	276 494
	IT Expenses	479 785	377 635
	Library week	48 819	69 805
	Licence Fees	574 210	767 119
	Magazines, books & publications	57 000	1 470
	Pound Expenditure	33 057	27 698
	Printing & Stationery	361 526	298 422
	Promotions & Sponsorships	1 087 113	587 650
	Protective Clothing	284 755	289 252
	Public Participation	71 123	99 622
	Refuse Bags	181 120	192 133
	Remuneration Ward Committees	1 052 000	1 047 000
	Rent - office equipment	174 989	124 841
	Security Services	1 952 278	1 759 698
	Subscription & Membership Fees	538 384	525 009
	Telephone, postage & fax	964 943	997 489
	Tools & Accessories - non-capital	20 352	8 958
	Training	133 969	257 989
	Travel Expenses	859 462	1 068 862
	Total General Expenses	25 539 210	19 550 434

	2016 R	2015 R
30	CORRECTION OF ERROR IN TERMS OF GRAP 3	
	There were no material prior year errors identified and corrected in the current year	
31	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	
	8 812 645	16 284 874
	<u>Surplus/(Deficit) for the year</u>	
	<u>Adjustments for:</u>	
	6 004 020	10 429 066
	189 361	189 361
	-	(74 323)
	(975 891)	(525 890)
	(4 375 829)	(3 317 377)
	315 380	371 231
	319 777	397 851
	(27 673)	101 435
	2 137 750	9 346 968
	16 161 863	567 570
	(507 945)	6 257 621
	28 053 458	40 028 387
	(6 311 450)	(14 012 631)
	436 495	(5 276 103)
	-	295 097
	(605 962)	(3 811 488)
	(23 859)	(20 525)
	(11 325 561)	(1 415 952)
	5 207 437	(3 783 660)
	21 742 008	26 015 756
	Cash generated/(absorbed) by operations	

32	CASH AND CASH EQUIVALENTS			
	Cash and cash equivalents included in the cash flow statement comprise the following:			
	Call Investments Deposits - Note 16		2 646 381	6 070 394
	Bank - Note 16		1 890 492	363 999
	Total cash and cash equivalents		4 536 873	6 434 393
33	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES			
	Cash and Cash Equivalents - Note 32		4 536 873	6 434 393
	Less:		4 536 873	6 434 393
	Unspent Committed Conditional Grants - Note 9		7 632 440	8 140 385
	VAT - Note 10		-	-
	Resources available for working capital requirements		(3 095 567)	(1 705 992)
34	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
	Long-term Liabilities - Note 2		4 990 696	1 720 787
	Used to finance property, plant and equipment - at cost		(4 990 696)	(1 720 787)
	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			
		2016	2016	2016
		R	R	R
		(Actual)	(Budget)	(Variance)
				(%)
35.1	Operational			
	Revenue by source			
	Property Rates	5 259 315	5 126 000	133 315
	Government Grants and Subsidies - Capital	20 984 136	21 089 550	(105 414)
	Government Grants and Subsidies - Operating	64 445 708	64 709 000	(263 292)
	Fines	-	24 500	(24 500)
	Service Charges	10 572 439	15 040 600	(4 468 161)
	Rental of Facilities and Equipment	-	1 076 000	(1 076 000)
	Interest Earned - external investments	975 891	456 000	519 891
	Interest Earned - outstanding debtors	4 375 829	2 375 000	2 000 829
	Agency Services	237 950	899 450	(661 500)
	Other Income	2 791 145	3 778 700	(987 555)
		<u>109 642 413</u>	<u>114 574 800</u>	<u>(4 932 387)</u>
	Expenditure by nature			
	Employee Related Costs	30 088 100	32 622 171	2 534 071
	Remuneration of Councillors	5 961 719	6 161 568	199 849
	Debt Impairment	16 161 863	4 180 120	(11 981 743)
	Depreciation and Amortisation	6 193 381	9 097 000	2 903 619
	Repairs and Maintenance	1 956 448	2 998 000	1 041 552
	Finance Charges	635 157	276 916	(358 241)
	Bulk Purchases	9 833 324	9 293 160	(540 164)
	Contracted services	-	2 015 000	2 015 000
	Grants and Subsidies	4 460 566	4 572 000	111 434
	General Expenses	25 539 210	23 360 772	(2 178 438)
		<u>100 829 768</u>	<u>94 576 707</u>	<u>(6 253 061)</u>
	Net Surplus for the year	8 812 645	19 998 093	(11 185 448)

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
35.2 Expenditure by Vote				
Executive & Council	18 667 553	20 435 341	(1 767 788)	-9%
Budget & Treasury	30 778 563	24 694 454	6 084 109	25%
Planning & Development	6 482 100	5 158 814	1 323 286	26%
Community & Social Services	2 863 669	3 219 371	(355 702)	-11%
Housing	436 530	467 207	(30 677)	-7%
Public Safety	2 800 376	3 055 925	(255 549)	-8%
Sport & Recreation	42 051	159 556	(117 505)	-74%
Waste Management	12 352 812	8 912 214	3 440 598	39%
Road Transport	12 698 015	13 722 132	(1 024 117)	-7%
Electricity	13 708 099	14 751 693	(1 043 594)	-7%
Less Inter-Departmental Charges			-	0%
	100 829 768	94 576 707	6 253 061	7%
	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.3 Capital expenditure by vote				
Executive & Council	4 954 349	100 000	4 854 349	4854%
Budget & Treasury	-	526 000	(526 000)	-100%
Public Safety	-	735 500	(735 500)	-100%
Waste Management	3 333 370		3 333 370	100%
Road Transport	9 992 924	17 099 550	(7 106 626)	-42%
Electricity	1 252 120	4 390 000	(3 137 880)	-71%
	19 532 763	22 851 050	(3 318 287)	-15%
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2016 R	2015 R
36.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			16 770 574	52 349 771
Unauthorised expenditure current year - capital			8 187 719	9 136 866
Unauthorised expenditure current year - operating			10 847 993	2 803 490
Written off by council			-	(47 519 553)
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			35 806 286	16 770 574

Unauthorised expenditure in 2016 for R19'035'712 (2015: R11'940'356) was due mainly to the overspending on the budget budget vote due to under budgeting of depreciation and debt impairment charges.

Included in the above unauthorised expenditure for 2016 is an amount of R4 million of the INEP Grant and R1 million of the EC Local Government Grant that was not invested at year end. This R5 million was utilised for operating expenses for the month of June 2016 and the amount was replaced in the investment fund in July 2016. The utilisation of the grant funds were not in line with the purpose for which the grant was received.

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	18 667 553	20 435 341	(1 767 788)	-
Budget & Treasury	30 778 563	24 694 454	6 084 109	6 084 109
Planning & Development	6 482 100	5 158 814	1 323 286	1 323 286
Community & Social Services	2 863 669	3 219 371	(355 702)	-
Housing	436 530	467 207	(30 677)	-
Public Safety	2 800 376	3 055 925	(255 549)	-
Sport & Recreation	42 051	159 556	(117 505)	-
Waste Management	12 352 812	8 912 214	3 440 598	3 440 598
Road Transport	12 698 015	13 722 132	(1 024 117)	-
Electricity	13 708 099	14 751 693	(1 043 594)	-
	100 829 768	94 576 707	6 253 061	10 847 993
Unauthorised expenditure current year - capital				
Executive & Council	4 954 349	100 000	4 854 349	4 854 349
Budget & Treasury	-	526 000	(526 000)	-
Public Safety	-	735 500	(735 500)	-
Waste Management	3 333 370	-	3 333 370	3 333 370
Road Transport	9 992 924	17 099 550	(7 106 626)	-
Electricity	1 252 120	4 390 000	(3 137 880)	-
	19 532 763	22 851 050	(3 318 287)	8 187 719

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)				
36.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance			814 832	794 526
Fruitless and wasteful expenditure current year			-	20 306
Written off by council			-	-
Transfer to receivables for recovery			-	-
Fruitless and wasteful expenditure awaiting further action			814 832	814 832

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 surty 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.

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
36.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance			18 794 661	34 997 157
Prior year restatement			-	-
Irregular expenditure current year			12 405 025	17 228 331
Irregular expenditure - Performance Bonuses			-	-
Written off by council			-	(33 430 827)
Transfer to receivables for recovery			-	-
Irregular expenditure awaiting further action			31 199 686	18 794 661
Irregular expenditure awaiting condonement from National Treasury			-	-

Expenditure to the value of R 12'405'025 (2015: R 17'228'331) 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.

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.
A balance of Irregular Expenditure totalling R 29 234 634 still needs to be written off by Council.

36.4 **Material Losses**

Electricity distribution losses		
- Units purchased (Kwh)	8 819 120	-
- Units lost during distribution (Kwh)	1 523 903	-
- Electricity lost during distribution	1 811 700	-
- Percentage lost during distribution	17,28%	-

Electricity losses: as at the time of the submission of the financial statements for 2015, 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. Electricity losses were calculated for the current financial year.

	2016 R	2015 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	519 000	524 000
Amount paid - current year	(519 000)	(524 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
	2016 R	2015 R
37.2 Audit fees - (MFMA 125 (1)(c))		
Opening balance	-	-
Current year audit fee	3 699 738	2 495 598
External Audit - Auditor-General	3 663 758	2 409 022
Audit Committee	35 980	86 576
Amount paid - current year	(3 699 738)	(2 495 598)
Balance unpaid (included in creditors)	-	-
37.3 Councillor's arrear consumer accounts - (MFMA 124 (1)(b))		
There were no Councillors with arrear accounts for more than 90 days as at 30 June 2016		
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	2016 R	2015 R
	Commitments in respect of capital expenditure:		
	Approved:	5 886 934	9 513 067
	Total commitments consist out of the following:		
	- Property, plant & equipment	5 886 934	9 513 067
		<u>5 886 934</u>	<u>9 513 067</u>
	This expenditure will be financed from:		
	Government Grants	5 886 934	9 513 067
		<u>5 886 934</u>	<u>9 513 067</u>
	Commitments in respect of operating expenditure:		
	Approved and contracted for:	832 280	64 471
	Total commitments consist out of the following:		
	- Trade Creditors	832 280	64 471
		<u>832 280</u>	<u>64 471</u>
	This expenditure will be financed from:		
	Equitable Share	832 280	64 471
		<u>832 280</u>	<u>64 471</u>

39	FINANCIAL RISK MANAGEMENT	2016 R	2015 R
----	---------------------------	-----------	-----------

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	(251 112)	47 136
0.5% (2014 - 0.5%) Decrease in interest rates	125 556	(23 568)

(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:

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:

	2016 R	2015 R
Receivables from exchange transactions	1 921 843	2 382 316
Cash and Cash Equivalents	4 536 873	6 434 393
	<u>6 458 716</u>	<u>8 816 709</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
2016				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Long Term liabilities - Finance Lease Liability	2 247 635	3 679 803	-	-
Finance lease repayments	2 247 635	3 679 803	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	2 703 825	-	-	-
Unspent conditional government grants and receipts	7 632 440	-	-	-
Cash and Cash Equivalents	-	-	-	-
	12 583 900	3 679 803	-	-
	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	-	-	-	-
	12 678 781	1 849 624	-	-

40	FINANCIAL INSTRUMENTS	2016 R	2015 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
40.1	Financial Assets		
	Receivables		
	Receivables from exchange transactions	1 921 843	2 382 316
	Financial instruments at amortised cost		
	Short-term Investment Deposits		
	Call Deposits	2 646 381	6 070 394
	Financial instruments at amortised cost		
	Bank Balances and Cash		
	Bank Balances	1 890 492	363 999
	Financial instruments at amortised cost		
		<u>6 458 716</u>	<u>8 816 709</u>
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	6 458 716	8 816 709
	At amortised cost	<u>6 458 716</u>	<u>8 816 709</u>

40.2	Financial Liability	2016 R	2015 R
	FINANCIAL INSTRUMENTS (CONTINUE)		
	Long-term Liabilities		
	Capitalised Lease Liability	3 189 186	596 856
	Financial instruments at amortised cost		
	Payables from exchange transactions		
	Trade creditors	2 373 181	1 170 038
	Deposits	34 565	26 931
	Financial instruments at amortised cost		
	Other Payables		
	Unspent Government Subsidies and Grants	7 632 440	8 140 385
	Financial instruments at amortised cost		
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	1 801 510	1 123 931
	Financial instruments at amortised cost		
		<u>15 030 882</u>	<u>11 058 141</u>
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	15 030 882	11 058 141

41 **EVENTS AFTER THE REPORTING DATE**
There were no material events which occurred after reporting date during the financial year ended 2015/2016.

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 R3'435'063, 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.

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 deficit of R 1'1091'457 for the 2016 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 2016, the municipality had an accumulated surplus of R 179'449'848 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

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation of Carrying Value	Opening Balance		Additions		Cost Adjustments/ Disposals/ Take - on		Closing Balance		Accumulated Depreciation and Impairment Losses Adjustments/ Disposals/ Transfers/ Take - on		Closing Balance		Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	9 551 331	-	-	-	9 551 331	-1 144 681.00	-288 944	-	-1 433 625			8 117 706	
Land	883 000	-	-	-	883 000	-	-	-	-			883 000	
Buildings	8 668 331	-	-	-	8 668 331	-1 144 681.00	-288 944	-	-1 433 625			7 234 706	
Infrastructure	139 301 270	6 192 381	1 507 450	-	147 001 101	-64 467 986.00	-3 673 277	-	-68 141 263			78 859 838	
Stormwater and Roads	130 205 564	6 192 381	1 507 450	-	137 905 395	-61 713 845.00	-3 450 126	-	-65 163 971			72 741 424	
Sewerage	-	-	-	-	-	-	-	-	-			-	
Electricity	9 095 706	-	-	-	9 095 706	-2 754 141.00	-223 151	-	-2 977 292			6 118 414	
Water	-	-	-	-	-	-	-	-	-			-	
Community Assets	10 082 546	143 270	-	-	10 225 816	-2 172 597.00	-331 362	-	-2 503 959			7 721 857	
Community Centres	7 173 773	-	-	-	7 173 773	-649 032.00	-241 968	-	-891 000			6 282 773	
Taxi Ranks & Hawker Stalls	22 827	143 270	-	-	166 097	-4 566.00	-2 283	-	-6 849			159 248	
Landfill Sites	2 055 175	-	-	-	2 055 175	-1 460 981.00	-59 419	-	-1 520 400			534 775	
Cemetery	830 771	-	-	-	830 771	-58 018.00	-27 692	-	-85 710			745 061	
Other Assets	26 159 692	4 954 349	-	-	31 114 041	-19 636 293.52	-1 710 436	-	-21 346 730			9 767 311	
Office Equipment	410 148	-	-	-	410 148	-274 345.00	-25 872	-	-300 217			109 931	
Furniture & Fittings	2 937 161	30 522	-	-	2 967 683	-1 584 097.00	-268 396	-	-1 852 493			1 115 190	
Motor vehicles	3 450 838	514 229	-	-	3 965 067	-1 956 367.00	-303 495	-	-2 259 862			1 705 205	
Plant & Equipment	18 081 388	4 400 798	-	-	22 482 186	-14 993 512.00	-986 496	-	-15 980 008			6 502 178	
Computer equipment	1 276 631	8 800	-	-	1 285 431	-826 118.52	-125 823	-	-951 942			333 489	
Emergency Equipment	3 526	-	-	-	3 526	-1 854.00	-354	-	-2 208			1 318	
Abattoir	-	-	-	-	-	-	-	-	-			-	
Work in Progress	185 094 839	11 290 000	1 507 450	-	197 892 289	-87 421 557.52	-6 004 019	-	-93 425 577			104 466 712	
Cemetery: WIP	39 545	-	-	-	39 545	-	-	-	-			39 545	
Roads: WIP	20 911 022	9 992 924	-1 507 450	-	29 396 496	-	-	-	-			29 396 496	
Water: WIP	-	-	-	-	-	-	-	-	-			-	
Electricity: WIP	6 445 062	1 252 120	-	-	7 697 182	-	-	-	-			7 697 182	
Landfill Sites: WIP	19 198 835	3 333 370	-	-	22 532 205	-	-	-	-			22 532 205	
Hawkers stalls: WIP	-	1 697 136	-	-	1 697 136	-	-	-	-			1 697 136	
Community Halls: WIP	5 325 439	-	-	-	5 325 439	-	-	-	-			5 325 439	
Total	237 014 742	27 565 550	-	-	264 580 292	-87 421 557.52	-6 004 019	-	-93 425 577			171 154 715	

SAKHISIZWE MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 JUNE 2015

Reconciliation of Carrying Value	Opening Balance		Additions		Cost Adjustments/ Disposals/ Transfers/ Take -on		Closing Balance		Opening Balance		Depreciation Charge		Accumulated Depreciation and Impairment Losses Adjustments/ Disposals/ Transfers/ Take -on		Closing Balance		Carrying Value		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	9 551 331.00	-	-	-	9 551 331.00	-	-	9 551 331.00	-888 346.00	-288 944.00	32 609.00	-1 144 681.00	-	-	-	-	-	8 406 650.00	
Land	883 000.00	-	-	-	883 000.00	-	-	883 000.00	-	-	-	-	-	-	-	-	-	883 000.00	
Buildings	8 668 331.00	-	-	-	8 668 331.00	-	-	8 668 331.00	-888 346.00	-288 944.00	32 609.00	-1 144 681.00	-	-	-	-	-	7 523 650.00	
Infrastructure	135 189 053.00	4 112 217.00	-	-	139 301 270.00	-	-	139 301 270.00	-58 152 155.00	-6 315 831.00	-	-64 467 986.00	-	-	-	-	-	74 833 284.00	
Stormwater and Roads	126 093 347.00	4 112 217.00	-	-	130 205 564.00	-	-	130 205 564.00	-55 648 920.00	-6 064 925.00	-	-61 713 845.00	-	-	-	-	-	68 491 719.00	
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity	9 095 706.00	-	-	-	9 095 706.00	-	-	9 095 706.00	-2 503 235.00	-250 906.00	-	-2 754 141.00	-	-	-	-	-	6 341 565.00	
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Assets	10 082 546.00	-	-	-	10 082 546.00	-	-	10 082 546.00	-1 627 385.00	-512 603.00	-32 609.00	-2 172 597.00	-	-	-	-	-	7 909 949.00	
Community Centres	7 173 773.00	-	-	-	7 173 773.00	-	-	7 173 773.00	-409 904.00	-239 128.00	-	-649 032.00	-	-	-	-	-	6 524 741.00	
Taxi Ranks & Hawker Stalls	22 827.00	-	-	-	22 827.00	-	-	22 827.00	-	-2 283.00	-2 283.00	-4 566.00	-	-	-	-	-	18 261.00	
Landfill Sites	2 055 175.00	-	-	-	2 055 175.00	-	-	2 055 175.00	-1 217 481.00	-243 500.00	-	-1 460 981.00	-	-	-	-	-	594 194.00	
Cemetery	830 771.00	-	-	-	830 771.00	-	-	830 771.00	-	-27 692.00	-30 326.00	-58 018.00	-	-	-	-	-	772 753.00	
Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Assets	26 365 021.00	99 278.00	-304 607.00	-	26 159 692.00	-304 607.00	-	26 159 692.00	-16 629 210.00	-3 311 693.00	304 609.00	-19 636 294.00	-	-	-	-	-	6 523 398.00	
Office Equipment	396 724.00	13 424.00	-	-	410 148.00	-	-	410 148.00	-283 929.00	-25 044.00	34 628.00	-274 345.00	-	-	-	-	-	135 803.00	
Furniture & Fittings	2 909 309.00	28 075.00	-223.00	-	2 937 161.00	-223.00	-	2 937 161.00	-1 406 606.00	-257 952.00	80 461.00	-1 584 097.00	-	-	-	-	-	1 353 064.00	
Motor vehicles	3 450 838.00	-	-	-	3 450 838.00	-	-	3 450 838.00	-1 706 866.00	-249 501.00	-0.00	-1 956 367.00	-	-	-	-	-	1 494 471.00	
Plant & Equipment	18 081 388.00	-	-	-	18 081 388.00	-	-	18 081 388.00	-12 350 435.00	-2 643 077.00	0.00	-14 993 512.00	-	-	-	-	-	3 087 876.00	
Computer equipment	1 474 081.00	57 779.00	-255 229.00	-	1 276 631.00	-255 229.00	-	1 276 631.00	-830 818.00	-135 666.00	140 365.00	-826 119.00	-	-	-	-	-	450 512.00	
Emergency Equipment	52 681.00	-	-49 155.00	-	3 526.00	-49 155.00	-	3 526.00	-50 556.00	-453.00	49 155.00	-1 854.00	-	-	-	-	-	1 672.00	
Work in Progress	181 187 951.00	4 211 495.00	-304 607.00	-	185 094 839.00	-304 607.00	-	185 094 839.00	-77 297 096.00	-10 429 071.00	304 609.00	-87 421 558.00	-	-	-	-	-	97 673 281.00	
	37 970 869.00	16 039 244.00	-2 090 210.00	-	51 919 903.00	-2 090 210.00	-	51 919 903.00	-	-	-	-	-	-	-	-	-	51 919 903.00	
Cemetery: WIP	39 545.00	-	-	-	39 545.00	-	-	39 545.00	-	-	-	-	-	-	-	-	-	39 545.00	
Roads: WIP	17 751 629.00	5 018 321.00	-1 858 928.00	-	20 911 022.00	-1 858 928.00	-	20 911 022.00	-	-	-	-	-	-	-	-	-	20 911 022.00	
Water: WIP	231 282.00	-	-231 282.00	-	-	-231 282.00	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity: WIP	6 445 062.00	-	-	-	6 445 062.00	-	-	6 445 062.00	-	-	-	-	-	-	-	-	-	6 445 062.00	
Landfill Sites: WIP	9 840 249.00	9 358 586.00	-	-	19 198 835.00	-	-	19 198 835.00	-	-	-	-	-	-	-	-	-	19 198 835.00	
Community Halls: WIP	3 663 102.00	1 862 337.00	-	-	5 325 439.00	-	-	5 325 439.00	-	-	-	-	-	-	-	-	-	5 325 439.00	
Total	219 158 820.00	20 250 739.00	-2 394 817.00	-	237 014 742.00	-2 394 817.00	-	237 014 742.00	-77 297 096.00	-10 429 071.00	304 609.00	-87 421 558.00	-	-	-	-	-	149 593 184.00	

APPENDIX B - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2015	Correction	Balance at 30 JUNE 2015 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2016
ANNUITY LOANS									
Annuity loans					-	-	-	-	-
Total Annuity Loans				-	-	-	-	-	-
LEASE LIABILITY									
HD 1023 Excavator		0002E		96 220		96 220		96 220	-
315 SJ 4 X 4 TLB		0003B		35 923		35 923		35 923	-
BELL 670G MOTOR GRADER		0004A		117 864		117 864		117 864	-
BELL BOMAG BW 212 D-40		0005T		49 014		49 014		49 014	-
S BELL DOZER		0006S		103 348		103 348		103 348	-
BELL B20D ADT 6 X 4		0007L		95 162		95 162		95 162	-
BELL B20D ADT 6 X 4		0008K		95 162		95 162		95 162	-
BELL B18D ADT 6X4 Water Tanker		0009J		245 923		245 923		245 923	-
Isuzu KB250D-Teq LE P/U DC		0010A		268 049		268 049		86 066	181 983
Isuzu KB250D Fleetside DTEQ		0002T		186 136		186 136		59 766	126 371
CHEV Sonic 1.6 LS		0003S		142 662		142 662		45 806	96 855
CHEV Sonic 1.6 LS		0004L		142 662		142 662		45 806	96 855
CHEV Sonic 1.6 LS		0005K		142 662		142 662		45 806	96 855
Isuzu Reuse Truck		0006J					2 132 782	181 936	1 950 846
Isuzu Reuse Truck		0007H					2 132 782	181 936	1 950 846
Isuzu D/C 4 X 4		0008E					525 656	35 571	490 085
Total Lease Liabilities				1 720 787	-	1 720 787	4 791 220	1 521 311	4 990 695
TOTAL EXTERNAL LOANS				1 720 787	-	1 720 787	4 791 220	1 521 311	4 990 695

APPENDIX D - Unaudited
SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
-	17 275 236	17 275 236	Executive & Council	(3 100 000)	18 667 553	15 567 553
(61 264 417)	18 285 215	(42 979 202)	Budget & Treasury	(68 082 461)	30 778 563	(37 303 898)
-	-	-	Corporate Services			-
(17 255 137)	7 009 243	(10 245 894)	Planning & Development	(22 937 204)	6 482 100	(16 455 104)
-	-	-	Health			-
(512 700)	3 598 681	3 085 981	Community & Social Services	(424 022)	2 863 669	2 439 647
(74 360)	401 561	327 201	Housing	(125 330)	436 530	311 200
(1 373 972)	2 483 317	1 109 345	Public Safety	(954 485)	2 800 376	1 845 891
(4 811)	65 433	60 622	Sport & Recreation		42 051	42 051
-	-	-	Environmental Protection			-
(4 717 249)	7 010 427	2 293 178	Waste Management	(5 395 758)	12 352 812	6 957 054
-	-	-	Waste Water Management			-
(30 154)	11 659 248	11 629 094	Road Transport	(858 223)	12 698 015	11 839 792
-	-	-	Water			-
(10 805 119)	12 475 247	1 670 128	Electricity	(7 764 930)	13 708 099	5 943 169
(96 037 919)	80 263 608	(15 774 311)	Total	(109 642 413)	100 829 768	(8 812 645)

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

Grant Description	Balance 1 JULY 2015	Correction of error	Balance 1 JULY 2015	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2016	Unspent 30 JUNE 2016 (Creditor)	Unpaid 30 JUNE 2016 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share	-	-	-	59 581 000	59 581 000	-	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	1 600 000	1 600 000	-	-	-	-
Integrated National Electrification Programme (Eskom) Grant	4 644 511	(1 512 991)	3 131 520	4 000 000	-	593 789	6 537 731	6 537 731	-
- DME Projects	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	3 301 776	-	3 301 776	17 989 000	-	21 290 776	-	-	-
- General MIG Fund	3 301 776	-	3 301 776	17 989 000	-	21 290 776	-	-	-
- EPWP	-	-	-	1 000 000	1 000 000	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	930 000	930 000	-	-	-	-
Total National Government Grants	7 946 287	(1 512 991)	6 433 296	85 100 000	63 111 000	21 884 565	6 537 731	6 537 731	-
Provincial Government Grants									
Other Provincial Government Grants	-	-	-	-	-	-	-	-	-
East Cape Local Government LED	-	-	-	-	-	-	-	-	-
East Cape Local Government LED	-	-	-	1 000 000	-	-	1 000 000	1 000 000	-
EC Local Government	-	-	-	369 000	369 000	-	-	-	-
Dep of Sport Art & Culture (Libraries)	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	-	-	-	1 369 000	369 000	-	1 000 000	1 000 000	-
District Municipality Grants									
Other District Municipality Grants	-	-	-	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
Beautification of Towns	-	-	-	-	-	-	-	-	-
Eagle Eye	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	-	-	-	-	-	-	-	-	-
Other Grant Providers									
(MSP) MUNICIPAL SUPPORT PROGRAMME	37 787	-	37 787	-	911	-	36 876	36 876	-
ELLIOT HOUSING	1 110	-	1 110	-	-	-	1 110	1 110	-
SURVEY ACCOUNT	5 987	-	5 987	-	900	-	5 087	5 087	-
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	-	-	-	-
PMF REVIEW ACCOUNT	12 640	-	12 640	-	12 640	-	-	-	-
IEC - ELECTION	47 423	-	47 423	-	-	-	47 423	47 423	-
SKILLS DEVELOPEMENT	31 320	-	31 320	-	31 320	-	-	-	-
EPWP Unspent Grant/ Fund	-	-	-	-	-	-	-	-	-
LED	-	-	-	-	-	-	-	-	-
CHDM Libraries	-	-	-	-	-	-	-	-	-
Total Other Grant Providers	194 098	-	194 098	-	99 389	-	94 709	94 709	-
Total	8 140 385	(1 512 991)	6 627 394	86 469 000	63 579 389	21 884 565	7 632 440	7 632 440	-