

# **SAKHISIZWE**

## **MUNICIPALITY**



[These financial statements have been audited]

## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2017**

AUDITOR - GENERAL  
SOUTH AFRICA

31 AUG 2017

# SAKHISIZWE LOCAL MUNICIPALITY

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# SAKHISIZWE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 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 D.M. Mvulane*

### 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 A.S. Nxosi	Mayor / Exco member
Clr K. Faku	Speaker
Clr M.W. Makohliso	Exco member / Chief Wip
Clr B. Ntsere	Exco member
Clr N. Stofile	Exco member
Clr N.V. Ngebulana	PR (UDM)
Clr A. Lande	PR (EFF)
Clr M. J. Malungisa	PR (DA)
Clr T. Doda	African National Congress
Clr M. Ngqayimbana	African National Congress
Clr T. Hoza	African National Congress
Clr B. E. Ponoshe	African National Congress
Clr Z. A. Mose	African National Congress
Clr A. Sondlo	African National Congress
Clr N. Magandela	African National Congress
Clr N.P. Mkati	African National Congress
Clr Z. Mbasane	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 2017, which are set out on pages 1 to 73 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 2017 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.



D.M. Mbulane  
Municipal Manager

31 August 2017

Date

**SAKHISIZWE LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Notes	2017 R (Actual)	2016 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>189 436 278</b>	<b>179 449 848</b>
Accumulated Surplus		189 436 278	179 449 848
<b>Non-Current Liabilities</b>		<b>21 344 854</b>	<b>20 635 199</b>
Long-term Liabilities	2	2 950 034	3 189 186
Employee benefits	3	2 416 452	2 447 747
Non-Current Provisions	4	15 978 368	14 998 266
<b>Current Liabilities</b>		<b>26 675 173</b>	<b>16 325 978</b>
Consumer Deposits	5	79 477	97 368
Current Employee benefits	6	398 209	396 459
Provisions	7	2 909 962	409 962
Payables from exchange transactions	8	20 008 639	5 988 239
Unspent Conditional Government Grants and Receipts	9	1 853 003	7 632 440
Current Portion of Long-term Liabilities	2	1 425 883	1 801 510
<b>Total Net Assets and Liabilities</b>		<b>237 456 305</b>	<b>216 411 025</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>215 572 326</b>	<b>205 176 305</b>
Property, Plant and Equipment	11	181 740 097	171 154 715
Investment Property	12	33 832 229	34 021 590
<b>Current Assets</b>		<b>21 883 979</b>	<b>11 234 720</b>
Inventory	13	1 014 271	1 014 271
Receivables from exchange transactions	14	2 553 025	1 921 843
Receivables from non-exchange transactions	15	9 929 236	2 705 716
Taxes	10.1	2 210 600	1 056 017
Cash and Cash Equivalents	16	6 176 847	4 536 873
<b>Total Assets</b>		<b>237 456 305</b>	<b>216 411 025</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 (Actual) R	2016 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>84 240 761</b>	<b>90 689 159</b>
<b>Taxation Revenue</b>		<b>5 396 818</b>	<b>5 259 315</b>
Property taxes	17	5 396 818	5 259 315
<b>Transfer Revenue</b>		<b>78 843 943</b>	<b>85 429 844</b>
Government Grants and Subsidies - Capital	18	17 220 544	20 984 136
Government Grants and Subsidies - Operating	18	61 623 399	64 445 708
<b>Revenue from Exchange Transactions</b>		<b>17 883 703</b>	<b>18 953 254</b>
Service Charges	19	7 811 613	10 572 439
Interest Earned - external investments		713 123	975 891
Interest Earned - outstanding debtors		4 966 235	4 375 829
Actuarial Profits	3	82 295	237 950
Other Income	20	4 310 437	2 791 145
<b>Total Revenue</b>		<b>102 124 464</b>	<b>109 642 413</b>
<b>EXPENDITURE</b>			
Employee related costs	21	36 256 328	30 088 100
Remuneration of Councillors	22	5 353 973	5 961 719
Debt Impairment	23	897 991	16 161 863
Depreciation and Amortisation	24	5 827 674	6 193 381
Repairs and Maintenance		2 274 791	1 956 448
Finance Charges	26	672 212	635 157
Bulk Purchases	27	11 047 195	9 833 324
Grants and Subsidies	28	3 462 858	4 460 566
General Expenses	29	26 345 012	25 539 210
<b>Total Expenditure</b>		<b>92 138 034</b>	<b>100 829 768</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>9 986 430</b>	<b>8 812 645</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	Accumulated Surplus/ (Deficit)	Total
Note	R	R
<b>Balance at 1 JULY 2015:</b> as previously reported	<b>170 637 203</b>	<b>170 637 203</b>
<b>Restated Balance at 1 JULY 2015</b>	<b>170 637 203</b>	<b>170 637 203</b>
Prior year adjustments in 2016	-	-
Net Surplus for the year: 2016	8 812 645	8 812 645
<b>Balance at 30 JUNE 2016</b>	<b>179 449 848</b>	<b>179 449 848</b>
Net Surplus for the year: 2017	9 986 430	9 986 430
<b>Balance at 30 JUNE 2017</b>	<b>189 436 278</b>	<b>189 436 278</b>

**SAKHISIZWE LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	30 JUNE 2017 R	30 JUNE 2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		86 604 728	113 196 666
Ratepayers and other		9 165 381	25 269 531
Government		73 064 506	84 921 899
Other receipts		4 374 841	3 005 236
<b>Payments</b>		(68 613 316)	(91 454 658)
Employee costs		(41 639 846)	(36 077 492)
Suppliers costs		(12 770 737)	(25 102 715)
Other payments		(14 202 733)	(30 274 451)
<b>Cash generated by operations</b>	<b>31</b>	<b>17 991 412</b>	<b>21 742 008</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>11</b>	(16 223 696)	(27 565 551)
Purchase of Investment property		-	-
<b>Net Cash from Investing Activities</b>		<b>(16 223 696)</b>	<b>(27 565 551)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance lease payments		(614 779)	3 269 909
Interest income		713 123	975 891
Finance costs		(226 087)	(319 777)
<b>Net Cash from Financing Activities</b>		<b>(127 743)</b>	<b>3 926 023</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 639 973</b>	<b>(1 897 520)</b>
Cash and Cash Equivalents at the beginning of the year		4 536 873	6 434 393
Cash and Cash Equivalents at the end of the year	<b>32</b>	6 176 847	4 536 873
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 639 974</b>	<b>(1 897 520)</b>



**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6 176 847	1 000 000	5 176 847
Call investment deposits	12 482 261	10 578 000	1 904 261
Consumer debtors	2 210 600	-	2 210 600
Other Receivables	-	-	-
Current portion of long-term receivables	1 014 271	1 134 000	(119 729)
Inventory	21 883 979	12 712 000	9 171 979
<b>Total current assets</b>	<b>21 883 979</b>	<b>12 712 000</b>	<b>9 171 979</b>
<b>Non current assets</b>			
Long-term receivables	-	-	-
Investments	33 832 229	38 258 000	(4 425 771)
Investment property	181 740 097	167 290 000	14 450 097
Property, plant and equipment	-	-	-
Biological Assets	-	-	-
Intangible Assets	-	-	-
Heritage Assets	-	-	-
<b>Total non current assets</b>	<b>215 572 326</b>	<b>205 548 000</b>	<b>10 024 326</b>
<b>TOTAL ASSETS</b>	<b>237 456 305</b>	<b>218 260 000</b>	<b>19 196 305</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	-	-	-
Borrowing	1 425 883	4 935 000	(3 509 117)
Consumer deposits	79 477	159 000	(79 523)
Trade and other payables	21 861 642	18 852 000	3 009 642
Provisions and Employee Benefits	19 286 539	847 000	18 439 539
<b>Total current liabilities</b>	<b>42 653 541</b>	<b>24 793 000</b>	<b>17 860 541</b>
<b>Non current liabilities</b>			
Borrowing	2 950 034	2 783 000	167 034
Provisions and Employee Benefits	2 416 452	4 383 000	(1 966 548)
<b>Total non current liabilities</b>	<b>5 366 486</b>	<b>7 166 000</b>	<b>(1 799 514)</b>
<b>TOTAL LIABILITIES</b>	<b>48 020 027</b>	<b>31 959 000</b>	<b>16 061 027</b>
<b>NET ASSETS</b>	<b>189 436 278</b>	<b>186 301 000</b>	<b>3 135 278</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus/(Deficit)	189 436 278	-	189 436 278
Reserves	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>237 456 305</b>	<b>237 456 305</b>	<b>237 456 305</b>

**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		-	1 000 000
Call investment deposits	1 000 000	-	1 000 000
Consumer debtors	9 204 000	1 374 000	10 578 000
Other Receivables	-	-	-
Current portion of long-term receivables	-	-	-
Inventory	1 134 000	1 134 000	1 134 000
<b>Total current assets</b>	<b>10 204 000</b>	<b>2 508 000</b>	<b>12 712 000</b>
<b>Non current assets</b>			
Long-term receivables	-	-	-
Investments	-	-	-
Investment property	38 258 000	38 258 000	38 258 000
Property, plant and equipment	167 290 000	-	167 290 000
Biological Assets	-	-	-
Intangible Assets	-	-	-
Heritage Assets	-	-	-
<b>Total non current assets</b>	<b>167 290 000</b>	<b>38 258 000</b>	<b>205 548 000</b>
<b>TOTAL ASSETS</b>	<b>177 494 000</b>	<b>40 766 000</b>	<b>218 260 000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	-	-	-
Borrowing	4 201 000	734 000	4 935 000
Consumer deposits	159 000	159 000	159 000
Trade and other payables	18 852 000	-	18 852 000
Provisions and Employee Benefits	847 000	847 000	847 000
<b>Total current liabilities</b>	<b>23 053 000</b>	<b>1 740 000</b>	<b>24 793 000</b>
<b>Non current liabilities</b>			
Borrowing	2 783 000	-	2 783 000
Provisions and Employee Benefits	4 383 000	-	4 383 000
<b>Total non current liabilities</b>	<b>7 166 000</b>	<b>-</b>	<b>7 166 000</b>
<b>TOTAL LIABILITIES</b>	<b>30 219 000</b>	<b>1 740 000</b>	<b>31 959 000</b>
<b>NET ASSETS</b>	<b>147 275 000</b>	<b>39 026 000</b>	<b>186 301 000</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus/(Deficit)	-	-	-
Reserves	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>REVENUE BY SOURCE</b>			
Property rates	5 396 818	5 752 000	(355 182)
Property rates - penalties & collection charges	-	-	-
Service charges	7 811 613	15 076 000	(7 264 387)
Rental of facilities and equipment	-	1 077 000	(1 077 000)
Interest earned - external investments	713 123	850 000	(136 877)
Interest earned - outstanding debtors	4 966 235	4 500 000	466 235
Dividends received	-	-	-
Fines	-	36 000	(36 000)
Licences and permits	-	-	-
Agency services	82 295	727 000	(644 705)
Government Grants and Subsidies	78 843 943	62 232 000	16 611 943
Other revenue	4 310 437	3 379 000	931 437
Gains on disposal of PPE	-	-	-
<b>Total Operating Revenue</b>	<b>102 124 464</b>	<b>93 629 000</b>	<b>8 495 464</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	36 256 328	37 369 000	(1 112 672)
Remuneration of councillors	5 353 973	6 122 000	(768 027)
Debt impairment	897 991	7 500 000	(6 602 009)
Depreciation & asset impairment	5 827 674	6 788 000	(960 326)
Actuarial losses	-	-	-
Finance charges	672 212	492 000	180 212
Bulk purchases	11 047 195	9 278 000	1 769 195
Other materials	2 274 791	3 498 000	(1 223 209)
Contracted services	-	2 015 000	(2 015 000)
Grants and subsidies paid	3 462 858	-	3 462 858
Other expenditure	26 345 012	24 486 000	1 859 012
Loss on disposal of PPE	-	-	-
<b>Total Operating Expenditure</b>	<b>92 138 034</b>	<b>97 548 000</b>	<b>(5 409 966)</b>
<b>Operating Surplus/(Deficit) for the year</b>	<b>9 986 430</b>	<b>(3 919 000)</b>	<b>13 905 430</b>
Government Grants and Subsidies - Capital	-	-	-
<b>Net Surplus/(Deficit) for the year</b>	<b>9 986 430</b>	<b>(3 919 000)</b>	<b>13 905 430</b>

**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property rates	5 452 000	300 000	5 752 000
Property rates - penalties & collection charges		-	
Service charges	12 272 000	2 804 000	15 076 000
Rental of facilities and equipment	1 076 000	1 000	1 077 000
Interest earned - external investments	456 000	394 000	850 000
Interest earned - outstanding debtors	2 375 000	2 125 000	4 500 000
Dividends received		-	
Fines	25 000	11 000	36 000
Licences and permits		-	
Agency services	877 000	(150 000)	727 000
Government Grants and Subsidies - Operating	62 232 000	-	62 232 000
Other revenue	3 379 000	-	3 379 000
Gains on disposal of PPE		-	
<b>Total Operating Revenue</b>	<b>88 144 000</b>	<b>5 485 000</b>	<b>93 629 000</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	34 309 000	3 060 000	37 369 000
Remuneration of councillors	6 496 000	(374 000)	6 122 000
Debt impairment	4 180 000	3 320 000	7 500 000
Depreciation & asset impairment	9 097 000	(2 309 000)	6 788 000
Finance charges	463 000	29 000	492 000
Bulk purchases	9 278 000	-	9 278 000
Other materials	3 498 000	-	3 498 000
Contracted services	2 015 000	-	2 015 000
Grants and subsidies paid		-	
Other expenditure	23 866 000	620 000	24 486 000
Loss on disposal of PPE		-	
<b>Total Operating Expenditure</b>	<b>93 202 000</b>	<b>4 346 000</b>	<b>97 548 000</b>
<b>Operating Surplus/(Deficit) for the year</b>	<b>(5 058 000)</b>	<b>1 139 000</b>	<b>(3 919 000)</b>
Government Grants and Subsidies - Capital		-	
<b>Net Surplus/(Deficit) for the year</b>	<b>(5 058 000)</b>	<b>1 139 000</b>	<b>(3 919 000)</b>

**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	9 165 381	18 096 000	(8 930 619)
Government - operating	73 064 506	62 232 000	10 832 506
Government - capital	-	7 126 000	(7 126 000)
Interest	-	-	-
Dividends	-	-	-
Other Receipts	4 374 841	-	4 374 841
<b>Payments</b>			
Suppliers and Employees	(54 410 583)	(38 245 000)	(16 165 583)
Finance charges	-	(28 334 000)	28 334 000
Transfers and Grants	(14 202 733)	(5 449 000)	(8 753 733)
<b>NET CASH FLOW/(USED) OPERATING ACTIVITIES</b>	<b>17 991 412</b>	<b>15 428 000</b>	<b>2 565 412</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of Assets	-	-	-
Decrease/(increase) in non-current receivables	-	-	-
Decrease/(increase) in non-current investments	-	-	-
<b>Payments</b>			
Capital assets	(16 223 696)	(20 484 000)	4 260 304
<b>NET CASH FLOW/(USED) INVESTING ACTIVITIES</b>	<b>-16 223 696</b>	<b>(20 484 000)</b>	<b>4 260 304</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Borrowing	713 123	-	713 123
Increase/(decrease) in consumer deposits	-	(445 000)	445 000
<b>Payments</b>			
Repayment of borrowing	(840 866)	(3 323 000)	-
<b>NET CASH FLOW/(USED) FINANCING ACTIVITIES</b>	<b>-127 743</b>	<b>(3 768 000)</b>	<b>1 158 123</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1 639 973</b>	<b>(8 826 000)</b>	<b>7 983 839</b>
Cash and Cash Equivalents at the beginning of the year	4 536 873	43 070 000	(38 533 127)
Cash and Cash Equivalents at the end of the year	6 176 847	34 243 000	(28 066 153)

**SAKHISIZWE LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R
	(Approved Budget)	(Adjustments)	(Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	25 884 000	(7 788 000)	18 096 000
Government - operating	62 232 000	-	62 232 000
Government - capital	18 662 000	(11 536 000)	7 126 000
Interest	2 831 000	(2 831 000)	-
Dividends	-	-	-
<b>Payments</b>			
Suppliers and Employees	(76 795 000)	38 550 000	(38 245 000)
Finance charges	(28 334 000)	(28 334 000)	(28 334 000)
Transfers and Grants	(2 667 000)	(2 782 000)	(5 449 000)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<u>30 147 000</u>	<u>-14 721 000</u>	<u>15 426 000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of Assets	-	-	-
Decrease/(increase) in non-current receivables	-	-	-
Decrease/(increase) in non-current investments	-	-	-
<b>Payments</b>			
Capital assets	(19 182 000)	(1 302 000)	(20 484 000)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<u>(19 182 000)</u>	<u>(1 302 000)</u>	<u>(20 484 000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Borrowing	1 091 000	(1 091 000)	-
Increase/(decrease) in consumer deposits	-	(445 000)	(445 000)
<b>Payments</b>			
Repayment of borrowing	(2 017 000)	(1 306 000)	(3 323 000)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<u>-926 000</u>	<u>(2 842 000)</u>	<u>(3 768 000)</u>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<u>10 039 000</u>	<u>(18 865 000)</u>	<u>(8 826 000)</u>
Cash and Cash Equivalents at the beginning of the year	1 000 000	42 070 000	43 070 000
Cash and Cash Equivalents at the end of the year	<u>11 038 000</u>	<u>23 205 000</u>	<u>34 243 000</u>

## *SAKHISIZWE MUNICIPALITY*

### ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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## **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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### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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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 2016 to 30 June 2017. 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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**ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**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:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></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>	<b>Unknown</b>
<b>GRAP 32 (Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></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>	<b>Unknown</b>
<b>GRAP 36</b>	<p><b>Investments in Associates and Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p>	(effective date has not yet been determined)
<b>GRAP 108 (Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></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>	<b>Unknown</b>
<b>GRAP 110</b>	<p><b>Living and Non-Living Resources</b></p> <p>The objective of the standard is to prescribe the accounting and disclosure requirements for</p>	(approved in March 2017, effective date

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**ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	living and non-living resources.	has not yet been determined)
<b>IGRAP 17</b>	<p><b>Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</b></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>	<b>Unknown</b>

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**

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### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

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

#### **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

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

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

#### **1.11. PROVISIONS**

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

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### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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

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

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

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

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

#### **1.12. EMPLOYEE BENEFITS**

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

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

##### **1.12.1 Post Retirement Medical Obligations**

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

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### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

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

#### **1.12.2 Long Service Awards**

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

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

#### **1.12.3 Provision for Staff Leave**

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

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

Accumulated leave is vesting.

#### **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**

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### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

#### **1.13. PROPERTY, PLANT AND EQUIPMENT**

##### **1.13.1 Initial Recognition**

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

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

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

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

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**ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.13.3 Depreciation and Impairment**

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

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
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
<b><u>Community</u></b>			
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**



## SAKHISIZWE MUNICIPALITY

### ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

<b><u>Intangible Assets</u></b>	<b>Years</b>
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.

## SAKHISIZWE MUNICIPALITY

### ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.15.2 Subsequent Measurement – Cost Model**

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

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

#### **1.15.3 De-recognition**

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

### **1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.16.1 Cash-generating assets**

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

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

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

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

## SAKHISIZWE MUNICIPALITY

### ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

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

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

#### **1.16.2 Non-cash-generating assets**

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

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

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

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

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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.

## *SAKHISIZWE MUNICIPALITY*

### **ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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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.



*SAKHISIZWE MUNICIPALITY*

**ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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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.

	2017 R	2016 R
<b>2 LONG-TERM LIABILITIES</b>		
Capitalised Lease Liability - At amortised cost	4 375 917	4 990 696
	<b>4 375 917</b>	<b>4 990 696</b>
Current Portion transferred to Current Liabilities	<b>1 425 883</b>	<b>1 801 510</b>
Capitalised Lease Liability - At amortised cost	1 425 883	1 801 510
	<b>2 950 034</b>	<b>3 189 186</b>
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>2 950 034</b>	<b>3 189 186</b>
The obligations under finance leases are scheduled below:		
	<b>Minimum lease payments</b>	
Amounts payable under finance leases:		
Payable within one year	1 824 731	2 247 635
Payable within two to five years	3 367 992	3 679 803
Payable after five years	-	-
	5 192 723	5 927 438
<b>Less:</b> Future finance obligations	(819 480)	(936 743)
<b>Present value of lease obligations</b>	<b>4 373 243</b>	<b>4 990 695</b>

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

The municipality has plant & equipment assets with a carrying value of 2017: 5,089,231 (2016: R3,933,105) 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 R619,480 (2016: R315,380)

3	<b>EMPLOYEE BENEFITS</b>	2017 R	2016 R
	Post Retirement Defined Benefit Plan - Refer to Note 3.1	1 273 451	1 328 574
	Long Service Awards - Refer to Note 3.2	1 143 001	1 124 173
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>2 416 452</b>	<b>2 447 747</b>
		2017 R	2016 R
	<b><u>Post Retirement Defined Benefit Benefits Plan</u></b>		
	Balance 1 July	1 437 814	1 469 735
	Interest Cost	121 745	120 270
	Projected Expenditure for the year	(114 240)	(109 500)
	Actuarial Loss/ (Gain)	(45 707)	(42 691)
	<b>Total post retirement benefits 30 June</b>	<b>1 399 612</b>	<b>1 437 814</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(126 161)	(114 240)
	<b>Balance 30 June</b>	<b>1 273 451</b>	<b>1 323 574</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	1 406 392	1 402 144
	Contribution for the year	221 523	252 560
	Interest Cost	105 941	103 616
	Projected (Income)/ Expenditure	(282 219)	(156 669)
	Actuarial Loss/ (Gain)	(36 588)	(195 259)
	<b>Total long service 30 June</b>	<b>1 415 049</b>	<b>1 406 392</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(272 048)	(282 219)
	<b>Balance 30 June</b>	<b>1 143 001</b>	<b>1 124 173</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	2 844 206	2 871 879
	Contribution for the year	221 523	252 560
	Interest cost	227 686	223 686
	Projected (Income)/ Expenditure	(398 459)	(236 169)
	Actuarial Loss/(Gain)	(82 295)	(237 950)
	<b>Total employee benefits 30 June</b>	<b>2 814 661</b>	<b>2 844 206</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(398 209)	(396 459)
	<b>Balance 30 June</b>	<b>2 416 452</b>	<b>2 447 747</b>

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
<b>Total Members</b>	<b>3</b>	<b>3</b>

The liability in respect of past service has been estimated to be as follows:

Continuation members	1 399 612	1 437 814
<b>Total Liability</b>	<b>1 399 612</b>	<b>1 437 814</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015 R	2014 R	2013 R
Continuation members	1 469 735	1 384 045	923 834
<b>Total Liability</b>	<b>1 469 735</b>	<b>1 384 045</b>	<b>923 834</b>

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  
Kai Health  
LA Health  
Bonitas  
SAMWUMED

**Key actuarial assumptions used:**

	2017 %	2016 %
<b>i) Rate of interest</b>		
Discount rate	8.75%	8.81%
Health Care Cost Inflation Rate	7.06%	7.96%
Net Effective Discount Rate	1.58%	0.79%

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 8.75% per annum has been used. The corresponding index-linked yield at this term is 2.54%. 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 2017.

**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.

	2017 R	2016 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 273 451	1 323 574
<b>Total Liability</b>	<b>1 273 451</b>	<b>1 323 574</b>

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	1 437 814	1 469 735
Total expenses	7 505	10 770
Interest Cost	121 745	120 270
Benefits Paid	(114 240)	(109 500)
Actuarial loss/ (gains)	(45 707)	(42 691)
Present value of fund obligation at the end of the year	1 399 612	1 437 814
<b>Less:</b> Transfer of Current Portion - Note 6	(126 161)	(114 240)
<b>Balance 30 June</b>	<b>1 273 451</b>	<b>1 323 574</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	-	1.438		

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%	-	1.426		2%
Health care inflation	-1%	-	1.345		-4%
Post-retirement mortality	-1 yr	-	1.454		4%
Average retirement age					
Withdrawal Rate					

Assumption	Change	Current-service		Total (R)	% change
		Cost (R)	Interest Cost (R)		
Central Assumption		-	121 700		
Health care inflation	1%	-	125 700		3%
Health care inflation	-1%	-	115 100		-5%
Post-retirement mortality		-	127 000		

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 3,942.23 for the year ending 30 June 2018. 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 balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation.

**Membership profile:**

The future salary inflation assumption of 6.56%, was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 4.92% was assumed.

The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2018.

**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 government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.75% per annum has been used. The corresponding index-linked yield at this term is 2.54%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

**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**

It has been assumed that female spouses will be four years younger than their male counterparts. Actual marital status was used and the potential for remarriage was ignored.

		2017 R	2016 R
3.2	<b>Long Service Bonuses</b>		
	The Long Service Bonus plans are defined benefit plans.		
	As at year end, the following number of employees were eligible for Long Service Bonuses.	150	140
	Key actuarial assumptions used:	2017 %	2016 %
	<b>i) Rate of interest</b>		
	Discount rate	8.30%	8.35%
	General Salary Inflation (long-term)	6.12%	7.02%
	Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%	1.24%
	<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	2017 R	2016 R
	Present value of fund obligations	1 143 001	1 124 173
	<b>Net liability</b>	<b>1 143 001</b>	<b>1 124 173</b>
	<b>Reconciliation of present value of fund obligation:</b>		
	Present value of fund obligation at the beginning of the year	1 406 392	1 402 144
	Total expenses	45 245	199 507
	Current service cost	221 523	252 560
	Interest Cost	105 941	103 616
	Benefits Paid	(282 219)	(156 669)
	Actuarial losses	(36 588)	(195 259)
	Present value of fund obligation at the end of the year	1 415 049	1 406 392
	<b>Less:</b> Transfer of Current Portion - Note 6	(272 048)	(282 219)
	<b>Balance 30 June</b>	<b>1 143 001</b>	<b>1 124 173</b>
	<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>		
	<b>Assumption</b>	<b>Change</b>	<b>Liability (R)</b>
	Central assumptions		1,415
	General salary inflation	1%	1,49
	General salary inflation	-1%	1,347
	Average retirement age	- 2 years	1,261
	Average retirement age	+ 2 years	1,641
	Withdrawal rates	-50%	1,649
			% change
			5%
			-5%
			-11%
			16%
			17%
4	<b>NON-CURRENT PROVISIONS</b>	2017 R	2016 R
	Provision for Rehabilitation of Landfill-sites	15 978 368	14 998 266
	<b>Landfill Sites</b>		
	Balance 1 July	14 998 266	11 956 089
	Balance previously reported	14 998 266	11 956 089
	Unwinding of discounted interest	980 102	3 042 177
	Balance previously reported	980 102	3 042 177
	<b>Total provision 30 June</b>	<b>15 978 368</b>	<b>14 998 266</b>
	<b>Balance 30 June</b>	<b>15 978 368</b>	<b>14 998 266</b>

**JPCE (Pty)Ltd estimated the rehabilitation costs based on the following assumptions in 2017:**  
It is assumed that the footprints that require rehabilitation as described and indicated in Section 2 is correct and will be verified by the relevant local authority.

- 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.
- Clay replaced by GCL in design estimate, due to unlikelihood of sufficient quality and quantity clay being available on-site or nearby.

**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 m<sup>3</sup>, as the waste generated in Elliot would be disposed of at Cala due to Elliot being licensed for closure. The escalated annual airspace usage is currently assumed to be the same, as the StatsSA population growth rate for the Sakhisizwe Municipality is indicated as -0.44%. The remaining airspace was estimated to be 8700m<sup>3</sup> in 2016, based on the developed disposal cell, the surveyed airspace usage and the assumption that the waste located outside the developed cell would occupy the airspace of approximately one year. Therefore, the remaining airspace from 2017 would be approximately 3963m<sup>3</sup>. 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 approximately one year. 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



5	<b>CONSUMER DEPOSITS</b>		
	Electricity	79 477	97 368
	<b>Total Consumer Deposits</b>	<u>79 477</u>	<u>97 368</u>
	<b>Guarantees held in lieu of Electricity Deposits</b>	-	-
	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	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Current Portion of Post Retirement Benefits - Note 3	126 161	114 240
	Current Portion of Long-Service Provisions - Note 3	272 048	282 219
	<b>Total Current Employee Benefits</b>	<u>398 209</u>	<u>396 459</u>
7	<b>CURRENT PROVISIONS</b>		
	Employee costs: Performance Bonus	409 962	409 962
	Provision: Current: Litigation	2 500 000	-
	<b>Total Provisions</b>	<u>2 909 962</u>	<u>409 962</u>
8	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2017</b>	<b>2016</b>
		R	R
	Trade Payables	10 717 668	2 373 181
	Accrual for Leave	2 862 869	3 248 538
	Accrued expenses: Provision 13th cheque	729 906	(272 494)
	Short-term loans	5 000 000	-
	Payments received in advance: Debtors in credit balance	664 341	604 449
	Sundry Deposits received: Dam & Hall Deposits	33 665	34 565
	<b>Total Trade Payables</b>	<u>20 008 639</u>	<u>5 988 239</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	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	<b>Unspent Grants</b>	2 085 383	7 632 440
	National Government Grants	2 081 060	6 537 731
	Provincial Government Grants	-	1 000 000
	Other Grant Providers	4 323	94 709
	<b>Total Conditional Grants and Receipts</b>	<u>1 853 003</u>	<u>7 632 440</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	<b>TAXES</b>		
10.1	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	2 210 600	1 056 017
	VAT is receivable/payable on the cash basis.		

11	PROPERTY, PLANT AND EQUIPMENT	2017 R	2016 R
	<u>See attached sheet</u>		
	<b>Assets pledged as security:</b>		
	There were no assets pledged as security.	-	-
12	INVESTMENT PROPERTY		
	<b>Net Carrying amount at 1 July</b>	<b>34 021 590</b>	<b>34 210 951</b>
	Cost	35 157 760	35 157 760
	Accumulated Depreciation	(1 136 170)	(946 809)
	Acquisitions	-	-
	Disposals	-	-
	Depreciation for the year	(189 361)	(189 361)
	<b>Net Carrying amount at 30 June</b>	<b>33 832 229</b>	<b>34 021 590</b>
	Cost	35 157 760	35 157 760
	Accumulated Depreciation	(1 325 531)	(1 136 170)

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.

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	<b>INVENTORY</b>		
	Crushed Stone - At net realisable value	1 014 271	1 014 271
	<b>Total Inventory</b>	<b>1 014 271</b>	<b>1 014 271</b>
14	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Electricity	5 070 937	5 886 400
	Refuse	32 497 681	28 150 330
	Other Trade Debtors	72 866	164 740
	Other Receivables	1 344 356	560 045
	<b>Total Receivables from Exchange Transactions</b>	<b>38 985 840</b>	<b>34 761 515</b>
	Less: Allowance for Doubtful Debts	<b>36 432 815</b>	<b>32 839 672</b>
	Electricity	4 224 344	4 822 378
	Refuse	31 950 647	27 759 471
	Other Trade Debtors	257 824	257 823
	<b>Total Net Receivables from Exchange Transactions</b>	<b>2 553 025</b>	<b>1 921 843</b>
	Electricity	846 593	1 064 022
	Refuse	547 034	390 859
	Other Trade Debtors	(184 958)	(93 983)
	Other Receivables	1 344 356	560 045

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)	502 896	547 736.75
31 - 60 Days	309 223	337 774.55
61 - 90 Days	34 474	159 052.08
+ 90 Days	-	19 459
<b>Total</b>	<b>846 593</b>	<b>1 064 022</b>

**(Refuse): Ageing**

Current (0 - 30 days)	446 230	390 859
31 - 60 Days	100 804	-
<b>Total</b>	<b>547 034</b>	<b>390 859</b>

**(Other Receivables): Ageing**

Current (0 - 30 days)	1 344 356	560 045
<b>Total</b>	<b>1 344 356</b>	<b>560 045</b>

**(Irregular expenditure: Refundable): Ageing**

Current (0 - 30 days)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**(Other Trade Debtors): Ageing**

Current (0 - 30 days)	(184 958)	(93 083)
<b>Total</b>	<b>(184 958)</b>	<b>(93 083)</b>

**(Total): Ageing**

Current (0 - 30 days)	2 108 524	1 405 558
31 - 60 Days	410 027	337 775
61 - 90 Days	34 474	159 052
+ 90 Days	-	19 459
<b>Total</b>	<b>2 553 025</b>	<b>1 921 843</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	32 839 672	26 707 932
Contribution to provision	3 593 143	6 131 740
Bad Debts Written Off	-	-
<b>Balance at end of year</b>	<b>36 432 815</b>	<b>32 839 672</b>

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	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<table border="0"> <tr> <td style="text-align: center;"><b>2017</b></td> <td style="text-align: center;"><b>2016</b></td> </tr> <tr> <td style="text-align: center;">R</td> <td style="text-align: center;">R</td> </tr> <tr> <td>Rates</td> <td style="text-align: right;">29 856 360</td> </tr> <tr> <td>Chris Hani Debtor: Water and Sanitation</td> <td style="text-align: right;">934 850</td> </tr> <tr> <td><b>Total Receivables from Non-Exchange Transactions</b></td> <td style="text-align: right;"><b>30 791 210</b></td> </tr> <tr> <td>Less: Allowance for Doubtful Debts</td> <td style="text-align: right;">(28 085 494)</td> </tr> <tr> <td style="border: 1px solid black;">Rates</td> <td style="text-align: right; border: 1px solid black;">(28 085 494)</td> </tr> <tr> <td><b>Total Net Receivables from Non-Exchange Transactions</b></td> <td style="text-align: right;"><b>2 705 716</b></td> </tr> </table>	<b>2017</b>	<b>2016</b>	R	R	Rates	29 856 360	Chris Hani Debtor: Water and Sanitation	934 850	<b>Total Receivables from Non-Exchange Transactions</b>	<b>30 791 210</b>	Less: Allowance for Doubtful Debts	(28 085 494)	Rates	(28 085 494)	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>2 705 716</b>
<b>2017</b>	<b>2016</b>																	
R	R																	
Rates	29 856 360																	
Chris Hani Debtor: Water and Sanitation	934 850																	
<b>Total Receivables from Non-Exchange Transactions</b>	<b>30 791 210</b>																	
Less: Allowance for Doubtful Debts	(28 085 494)																	
Rates	(28 085 494)																	
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>2 705 716</b>																	

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.

Ageing of Receivables from Non-Exchange Transactions:

**(Rates): Ageing**

Current (0 - 30 days)	224 571	215 367
31 - 60 Days	480 401	424 882
61 - 90 Days	468 166	408 961
+ 90 Days	8 756 098	721 656
<b>Total</b>	<b>9 929 236</b>	<b>1 770 866</b>

**(Chris Hani Debtor: Water and Sanitation): Ageing**

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	934 850
<b>Total</b>	<b>-</b>	<b>934 850</b>

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	<b>CASH AND CASH EQUIVALENTS</b>	<table border="0"> <tr> <td colspan="2"><b><u>Assets</u></b></td> </tr> <tr> <td>Bank Accounts</td> <td style="text-align: right;">1 890 492</td> </tr> <tr> <td>Short-term deposits</td> <td style="text-align: right;">2 646 381</td> </tr> <tr> <td><b>Total Cash and Cash Equivalents - Assets</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>4 536 873</b></td> </tr> </table>	<b><u>Assets</u></b>		Bank Accounts	1 890 492	Short-term deposits	2 646 381	<b>Total Cash and Cash Equivalents - Assets</b>	<b>4 536 873</b>
<b><u>Assets</u></b>										
Bank Accounts	1 890 492									
Short-term deposits	2 646 381									
<b>Total Cash and Cash Equivalents - Assets</b>	<b>4 536 873</b>									

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
	<b>1 890 492</b>

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

Cash book balance at beginning of year	1 890 492	363 999
Cash book balance at end of year	6 157 746	1 890 492
Bank statement balance at beginning of year	1 849 763	540 560
Bank statement balance at end of year	1 849 763	1 849 763

**Short-term Investment Deposits**

The Municipality had the following Short-term Investment Accounts

	2017 Bank Statement Balance	2016 Bank Statement Balance	2017 Cash Book Balance	2016 Cash Book Balance
MSP - 6207-652-2294 (FNB Investment Account)	-	36 876	(38)	36 876
MIG - 6207-657-7091 (FNB Investment Account)	12 644	6 320	12 644	6 320
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	-	5 087
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	2 236	2 213
FMG - 6216 - 538 - 9464 (FNB Investment Account)	-	-	505	-
Invest: Valuation - 6207-745-0832 (FNB Investment Account)	-	1 000	-	1 000
DME - 6220-960-0776 (FNB Investment Account)	-	2 537 731	-	2 537 731
IEC - 6221-824-3418 (FNB Investment Account)	-	47 423	-	47 423
FNB Operating Call Account - 6216-534-1943	-	7 621	1 644	7 621
	16 967	2 646 379	19 101	2 646 381

17

**PROPERTY RATES**

**Actual**

	2017 R	2016 R
<b>Rateable Land and Buildings</b>	5 396 818	5 259 315
Residential, Commercial Property, State	5 396 818	5 259 315
Less: Rebates	-	-
<b>Total Assessment Rates</b>	<b>5 396 818</b>	<b>5 259 315</b>

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	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>57 906 000</b>	<b>59 581 000</b>
	Equitable Share	57 906 000	59 581 000
	<b>Conditional Grants</b>	<b>20 937 943</b>	<b>25 848 844</b>
	Grants and donations: National	17 220 544	20 984 136
	Grants and donations: Other	3 717 399	4 864 708
	<b>Total Government Grants and Subsidies Revenue</b>	<b>78 843 943</b>	<b>85 429 844</b>
	<b>Grants received:</b>		
	Government Grants and Subsidies - Capital	(16 539 000)	(21 989 000)
	Government Grants and Subsidies - Operating	(61 028 000)	(64 480 000)
		<b>(77 567 000)</b>	<b>(86 469 000)</b>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	57 906 000	59 581 000
	Finance & Administration: Budget & Treasury	1 898 862	2 530 000
	Finance & Administration: Corporate Services	-	12 640
	Planning & Development: IPED	1 047 550	53 618
	Project Management Unit: PMU	14 537 860	21 289 797
	Planning & Development	3 073 671	1 593 789
	Community Services: Libraries	380 000	369 000
		<b>78 843 943</b>	<b>85 429 844</b>

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

18.1	<b>Equitable Share</b>		
	Opening balance	-	-
	Grants received	57 906 000	59 581 000
	Conditions met - Operating	(57 906 000)	(59 581 000)
	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	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	-	-
	Grants received	1 625 000	1 600 000
	Conditions met - Operating	(1 625 000)	(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	<b>Integrated National Electrification Programme (Eskom) Grant</b>		
	Opening balance	6 537 731	4 644 511
	Grants received	2 000 000	4 000 000
	Grant withheld	-	(1 512 991)
	Conditions met - Operating	-	-
	Conditions met - Capital	(6 456 671)	(593 789)
	Conditions still to be met	<b>2 081 060</b>	<b>6 537 731</b>

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).

<b>18.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	3 301 776
Grants received	14 539 000	17 989 000
Conditions met - Capital	(14 539 000)	(21 290 776)
Conditions still to be met	-	-
	<u>-</u>	<u>-</u>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>18.5 Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	-	-
Grants received	-	930 000
Conditions met - Operating	-	(930 000)
Grant expenditure to be recovered	-	-
	<u>-</u>	<u>-</u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>18.6 EPWP Grant</b>		
Opening balance	-	-
Grants received	1 117 000	1 000 000
Conditions met - Operating	-	(1 000 000)
Grant expenditure to be recovered	1 117 000	-
	<u>1 117 000</u>	<u>-</u>
The grant was used to upgrade electricity infrastructure.		
<b>18.7 EC Local Government</b>		
Opening balance	-	-
Grants received	-	1 000 000
Conditions still to be met	-	1 000 000
	<u>-</u>	<u>1 000 000</u>
The grant was unspent at year end		
<b>18.8 Dep of Sport Art &amp; Culture (Libraries)</b>		
Opening balance	-	-
Grants received	380 000	369 000
Conditions met - Operating	(380 000)	(369 000)
Conditions still to be met	-	-
	<u>-</u>	<u>-</u>
<b>18.9 Other Grant Providers</b>		
Opening balance	94 706	194 095
Grants received	-	-
Conditions met - Operating	(90 386)	(99 389)
Conditions still to be met	4 320	94 706
	<u>4 320</u>	<u>94 706</u>
Various grants were received from other spheres of government (e.g. Skills Development Grant)		
<b>18.10 Total Grants</b>		
Opening balance	7 632 437	8 140 382
Adjustment	-	(1 512 991)
Grants received	77 567 000	86 469 000
Conditions met - Operating	(67 458 057)	(63 579 389)
Conditions met - Capital	(15 656 000)	(21 894 565)
Conditions still to be met/(Grant expenditure to be recovered)	<u>2 085 380</u>	<u>7 632 437</u>



	Disclosed as follows:	
	Unspent Conditional Government Grants and Receipts	1 853 003      7 632 440
		<b>1 853 003      7 632 440</b>
<b>19</b>	<b>SERVICE CHARGES</b>	
	Electricity	5 431 026      7 669 130
	Refuse removal	2 380 587      2 903 309
	<b>Total Service Charges associated with continued operations</b>	<b>7 811 613      10 572 439</b>
<b>20</b>	<b>OTHER INCOME</b>	
	Rental income	2 411 400      959 204
	Traffic department income	1 153 740      954 485
	Sundry income (detailed in note on Sundry Income below)	745 297      877 456
	<b>Total Other Income</b>	<b>4 310 437      2 791 145</b>
	<b>Sundry Income</b>	
	Electricity re-connection fee	200      -
	Commission on collection	63 171      67 366
	Building plan & inspection fees	4 110      8 270
	Other income	531 006      649 268
	Rates clearance certificates	11 285      14 210
	Site payments	122 349      125 330
	Trading licences	13 177      19 901
	Rental Income	-      (7 189)
		<b>745 297      877 156</b>
<b>21</b>	<b>EMPLOYEE RELATED COSTS</b>	
	Basic Salaries & Wages	19 776 154      17 000 445
	Bonus	2 430 958      304 562
	Medical aid: company contributions	1 471 402      1 520 521
	UIF	206 048      174 776
	SDL	317 938      273 307
	Contribution Bargaining Council	13 233      11 631
	Workmens Compensation	-      200 000
	Leave pay provision charge	(325 939)      432 753
	Long-service awards	(5 239)      82 104
	Overtime payments	1 510 562      1 254 990
	Post-employment benefits: Defined benefit medical aid	3 961 520      2 551 140
	Shift Allowance	-      11 214
	Telephone allowances	56 236      (79 308)
	Transitional & other allowances	291 222      582 854
	<b>Total Employee Related Costs</b>	<b>29 704 095      24 320 989</b>

## 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. The provision is still payable as at 30 June 2017. A decision was made to not raise a provision for 2017 and no assessment was performed for the current year.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	535 653	910 823
Leave Pay	349 382	-
Ex Gratia payment	1 638 272	-
Performance Bonuses	-	159 443
Car Allowance	42 000	84 000
Housing & telephone allowances	49 854	99 708
Contributions to UIF, Medical, Pension Funds and Bargaining Council	74 552	158 215
Subsistence & other allowances	6 851	90 301
<b>Total</b>	<b>2 696 564</b>	<b>1 503 090</b>
<b>Remuneration of the Chief Finance Officer (CFO)</b>		
Annual Remuneration	780 147	706 712
Car Allowance	60 000	60 000
Housing & telephone allowances	12 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	173 491	191 138
Subsistence & other allowances	117 404	108 430
<b>Total</b>	<b>1 143 042</b>	<b>1 078 280</b>
<b>Remuneration of the Community Services Manager</b>		
Annual Remuneration	445 024	840 587
Performance Bonuses	-	114 252
Leave Pay	130 963	-
Housing & telephone allowances	6 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	21 775	46 978
Subsistence & other allowances	-	9 535
<b>Total</b>	<b>603 762</b>	<b>1 023 353</b>
<b>Remuneration of the Corporate Services Manager</b>		
Annual Remuneration	902 656	848 066
Performance Bonuses	-	114 977
Car Allowance	60 000	60 000
Housing & telephone allowances	12 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 877	7 690
Subsistence & other allowances	2 681	13 981
<b>Total</b>	<b>979 214</b>	<b>1 056 715</b>
<b>Remuneration of the Technical Services Manager</b>		
Annual Remuneration	955 744	898 149
Performance Bonuses	-	108 966
Car Allowance	60 000	60 000
Housing & telephone allowances	12 000	12 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 877	7 799
Subsistence & other allowances	100 000	18 760
<b>Total</b>	<b>1 129 651</b>	<b>1 105 674</b>
<b>Remuneration of the Managers (summary)</b>		
Annual Remuneration	3 619 224	4 204 337
Leave Pay	480 345	-
Ex Gratia payment	1 638 272	-
Performance Bonuses	-	497 638
Car Allowance	222 000	264 000
Telephone allowance	91 854	147 708
Contributions to UIF, Medical, Pension Funds and Bargaining Council	273 572	411 620
Subsistence & other allowances	226 966	241 608
<b>Total</b>	<b>6 552 233</b>	<b>5 767 111</b>

22	<b>REMUNERATION OF COUNCILLORS</b>		
	Councillors Salaries	4 050 605	3 694 265
	Mayor Salary	707 483	759 121
	Speaker's Salary	72 346	627 614
	Medical, travel & other allowances	523 539	680 719
	<b>Total Councillors' Remuneration</b>	<b>5 353 973</b>	<b>5 961 719</b>
	<b>In-kind Benefits</b>		
	The Executive Mayor is employed full time and does not receive any in-kind benefits.		
23	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 14	4 096 182	6 762 184
	Trade Receivables from non-exchange transactions - Note 15	(3 072 472)	11 662 340
	<b>Total Contribution to Debt Impairment recognised in statement of financial performance</b>	<b>1 023 710</b>	<b>18 424 524</b>
	Less: Portion Relating to VAT	(125 719)	(2 262 661)
	<b>Debt impairment from continued operations recognised in statement of financial performance</b>	<b>897 991</b>	<b>16 161 863</b>
24	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	5 638 313	6 004 020
	Investment Property	189 361	189 361
	<b>Total</b>	<b>5 827 674</b>	<b>6 193 381</b>
25	<b>IMPAIRMENTS</b>		
	Property Plant & Equipment	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
26	<b>FINANCE CHARGES</b>		
	Finance leases	446 125	315 380
	Post Employment Health	121 745	120 270
	Long service awards	104 342	199 507
	<b>Total finance charges</b>	<b>672 212</b>	<b>635 157</b>
27	<b>BULK PURCHASES</b>		
	Electricity	11 047 195	9 833 324
	<b>Total Bulk Purchases</b>	<b>11 047 195</b>	<b>9 833 324</b>
28	<b>EXPENDITURE THROUGH GRANTS AND SUBSIDIES</b>		
	Fund: Finance Management Grant (FMG)	1 317 069	1 600 000
	Fund: MSIG expenditure	1 124 438	930 000
	Fund: Repairs & Maintenance - Roads	22 187	615 496
	Fund: Repairs & Maintenance - Pounds	-	7 263
	Fund: Repairs & Maintenance - Street Lights	112 392	6 738
	Fund: Expanded public works program	886 772	1 301 069
	<b>Total Grants and Subsidies</b>	<b>3 462 858</b>	<b>4 460 566</b>

	2017 R	2016 R
<b>29 GENERAL EXPENSES</b>		
Advertising	331 111	571 763
Auditors Remuneration	3 558 457	3 699 738
Bank Charges	74 295	97 511
Beautification of towns	1 917 677	2 811 758
Catering & Entertainment	173 841	183 781
Consulting & Professional Fees	4 888 516	1 909 054
Consumables	128 446	136 534
Crusher expenditure	-	1 501 012
Sundry expenditure	20 962	6 749
Electricity Purchases	385 967	966 002
Fuel & Oil	4 972 371	4 171 025
HIV program	5 425	42 000
Insurance	672 120	557 378
IT Expenses	383 662	479 785
Library week	32 452	48 819
Licence Fees	668 079	574 210
Magazines, books & publications	73 700	57 000
Pauper Burials	1 700	-
Pound Expenditure	9 512	33 057
Printing & Stationery	364 288	361 526
Promotions & Sponsorships	587 338	1 087 113
Protective Clothing	99 470	284 765
Public Participation	134 846	71 123
Refuse Bags	93 194	181 120
Remuneration Ward Committees	941 500	1 052 000
Rent - office equipment	180 031	174 989
Security Services	2 006 645	1 952 278
Subscription & Membership Fees	592 978	538 394
Telephones, postage & fax	1 085 564	964 943
Tools & Accessories - non-capital	31 792	20 352
Training	575 374	133 969
Travel Expenses	1 202 990	859 462
Valuation Roll	150 309	-
<b>Total General Expenses</b>	<b>26 345 012</b>	<b>25 539 210</b>
	<b>2017 R</b>	<b>2016 R</b>
<b>30 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
There were no material prior year errors identified and corrected in the current year		
	<b>2017 R</b>	<b>2016 R</b>
<b>31 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	9 986 430	8 812 645
<b>Adjustments for:</b>		
Depreciation	5 638 313	6 004 020
Depreciation on Investment Property	189 361	189 361
Interest income (cash)	(713 123)	(975 891)
Interest income (non-cash)	(4 966 235)	(4 375 829)
Finance costs (cash)	446 125	315 380
Finance costs (non-cash)	226 087	319 777
Movement in retirement benefit assets and liabilities	(29 545)	(27 673)
Movement in provisions	3 480 102	2 137 750
Debt Impairment	887 991	16 161 863
Unspent conditional grants and receipts	(5 779 437)	(507 945)
Operating Surplus/(Deficit) before changes in working capital	9 376 069	28 053 458
Changes in working capital	8 615 343	(6 311 450)
Increase/(Decrease) in Trade and Other Payables	13 574 275	436 495
Increase/(Decrease) in Taxes	(1 154 983)	(605 962)
Consumer deposits	(17 891)	(23 859)
(Increase)/Decrease in Trade and other receivables (exchange)	3 437 062	(11 325 561)
(Increase)/Decrease in Trade and other receivables (non-exchange)	(7 223 520)	5 207 437
<b>Cash generated/(absorbed) by operations</b>	<b>17 991 412</b>	<b>21 742 008</b>

32	<b>CASH AND CASH EQUIVALENTS</b>			
	Cash and cash equivalents included in the cash flow statement comprise the following:			
	Call Investments Deposits - Note 16		19 101	2 646 381
	Bank - Note 16		6 157 746	1 890 492
	<b>Total cash and cash equivalents</b>		<b>6 176 847</b>	<b>4 536 873</b>
33	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>			
	Cash and Cash Equivalents - Note 32		6 176 847	4 536 873
	Less:		6 176 847	4 536 873
	Unspent Committed Conditional Grants - Note 9		1 853 003	7 632 440
	<b>Resources available for working capital requirements</b>		<b>4 323 844</b>	<b>(3 095 567)</b>
34	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>			
	Long-term Liabilities - Note 2		4 375 917	4 990 696
	Used to finance property, plant and equipment - at cost		(4 375 917)	(4 990 696)
	<b>Cash invested for repayment of long-term liabilities</b>		<b>-</b>	<b>-</b>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.			
35	<b>BUDGET COMPARISONS</b>			
		<b>2017</b>	<b>2017</b>	<b>2017</b>
		<b>R</b>	<b>R</b>	<b>R</b>
		<b>(Actual)</b>	<b>(Budget)</b>	<b>(Variance)</b>
				<b>(%)</b>
35.1	<b>Operational</b>			
	<b>Revenue by source</b>			
	Property Rates	5 396 818	5 451 560	(54 742) -1%
	Government Grants and Subsidies - Capital	17 220 544	17 812 050	(591 506) -3%
	Government Grants and Subsidies - Operating	61 623 399	62 232 000	(608 601) -1%
	Fines	-	35 500	(35 500) -100%
	Service Charges	7 811 613	15 075 684	(7 264 071) -48%
	Rental of Facilities and Equipment	-	1 077 200	(1 077 200) -100%
	Interest Earned - external investments	713 123	850 000	(136 877) -16%
	Interest Earned - outstanding debtors	4 966 235	4 500 000	466 235 10%
	Agency Services	82 295	726 950	(644 655) -89%
	Other Income	4 310 437	3 378 700	931 737 28%
		<b>102 124 464</b>	<b>111 139 644</b>	<b>(9 015 180) -8%</b>
	<b>Expenditure by nature</b>			
	Employee Related Costs	36 256 328	37 369 044	1 112 716 -3%
	Remuneration of Councillors	5 353 973	6 121 968	767 995 -13%
	Debt Impairment	897 991	7 500 120	6 602 129 -88%
	Depreciation and Amortisation	5 827 674	6 788 000	960 326 -14%
	Repairs and Maintenance	2 274 791	3 498 000	1 223 209 -35%
	Finance Charges	672 212	492 458	(179 754) 37%
	Bulk Purchases	11 047 195	9 277 784	(1 769 411) 19%
	Contracted services	-	2 015 000	2 015 000 -100%
	Grants and Subsidies	3 462 858	2 667 000	(795 858) 30%
	General Expenses	26 345 012	21 818 554	(4 526 458) 21%
		<b>92 138 034</b>	<b>97 547 928</b>	<b>5 409 894 -6%</b>
	<b>Net Surplus for the year</b>	<b>9 986 430</b>	<b>13 591 716</b>	<b>(3 605 286) -27%</b>

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>35.2 Expenditure by Vote</b>				
Executive & Council	19 217 444	21 479 975	(2 262 531)	-11%
Budget & Treasury	19 379 785	27 748 960	(8 369 175)	-30%
Planning & Development	6 283 303	5 320 207	963 096	18%
Community & Social Services	3 321 498	3 702 985	(381 487)	-10%
Housing	392 275	511 189	(118 914)	-23%
Public Safety	3 280 476	2 968 600	311 876	11%
Sport & Recreation	45 553	44 004	1 549	4%
Waste Management	13 411 296	10 466 726	2 944 570	28%
Road Transport	10 162 895	11 099 916	(937 021)	-8%
Electricity	15 570 240	14 205 365	1 364 875	10%
	<b>91 064 765</b>	<b>97 547 927</b>	<b>(6 483 162)</b>	<b>-7%</b>
	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
<b>35.3 Capital expenditure by vote</b>				
Executive & Council	2 182 571	100 000	2 082 571	2083%
Budget & Treasury	-	400 000	(400 000)	-100%
Community & Social Services	-	2 400 000	(2 400 000)	-100%
Sport & Recreation	-	600 000	(600 000)	-100%
Waste Management	980 101	-	980 101	100%
Waste Water Management	-	1 000 000	(1 000 000)	-100%
Road Transport	8 318 731	10 672 050	(2 353 319)	-22%
Electricity	1 716 379	4 010 000	(2 293 621)	-57%
	<b>13 197 783</b>	<b>19 182 050</b>	<b>(5 984 267)</b>	<b>-31%</b>
<b>36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>			2017 R	2016 R
<b>36.1 Unauthorised expenditure</b>				
Reconciliation of unauthorised expenditure:				
Opening balance			35 806 286	16 770 574
Unauthorised expenditure current year - capital			3 062 672	8 187 719
Unauthorised expenditure current year - operating			5 585 966	10 847 993
Unauthorised expenditure awaiting authorisation			<b>44 454 924</b>	<b>35 806 286</b>

Unauthorised expenditure for 2017: R8'648'638 (2016: R19'035'712) 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 is an amount of R2,081,060 (2016: R4 million) of the INEP Grant and for 2016 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.

Incident	Disciplinary steps/criminal proceedings			
	Over expenditure on votes			
	2017	2017	2017	2017
	R	R	R	R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
<b>Unauthorised expenditure current year - operating</b>				
Executive & Council	19 217 444	21 479 975	(2 262 531)	-
Budget & Treasury	19 379 785	27 748 960	(8 369 175)	-
Planning & Development	6 283 303	5 320 207	963 096	963 096
Community & Social Services	3 321 498	3 702 985	(381 487)	-
Housing	392 275	511 189	(118 914)	-
Public Safety	3 280 476	2 968 600	311 876	311 876
Sport & Recreation	45 553	44 004	1 549	1 549
Waste Management	13 411 296	10 466 726	2 944 570	2 944 570
Road Transport	10 162 895	11 099 916	(937 021)	-
Electricity	15 570 240	14 205 365	1 364 875	1 364 875
	<b>91 064 765</b>	<b>97 547 927</b>	<b>(6 483 162)</b>	<b>5 585 966</b>
<b>Unauthorised expenditure current year - capital</b>				
	2017	2017	2017	2017
	R	R	R	R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	2 182 571	100 000	2 082 571	2 082 571
Budget & Treasury	-	400 000	(400 000)	-
Community & Social Services	-	2 400 000	(2 400 000)	-
Sport & Recreation	-	600 000	(600 000)	-
Waste Management	980 101	-	980 101	980 101
Waste Water Management	-	1 000 000	(1 000 000)	-
Road Transport	8 318 731	10 672 050	(2 353 319)	-
Electricity	1 716 379	4 010 000	(2 293 621)	-
	<b>13 197 783</b>	<b>19 182 050</b>	<b>(5 984 267)</b>	<b>3 062 672</b>
			2017	2016
			R	R

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

**36.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	814 832	814 832
Fruitless and wasteful expenditure current year	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<b>814 832</b>	<b>814 832</b>

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

Included in the opening balance is an amount identified in 2011 for licencing & service fees totalling R23,138 were incurred in 2010 by the Traffic department on licencing & service fees paid to TCS (Pty)Ltd for the use of a system which is no longer in use by the Traffic department, but for which no notice has been given to the relevant company to cancel the contract. No attempt has been made to recover the fruitless expenditure. No criminal or disciplinary steps were considered necessary in relation to the expenditure. The expense had not been condoned as at 30 June 2017.

Included in the opening balance, is fruitless expenditure of R25,234 which was incurred in 2014 due to interest incurred on outstanding Eskom and Telkom accounts. 2015: VAT penalties of R20'306 were incurred with SARS.

The closing balance has not been condoned as at 30 June 2017.

36.3 **Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	31 199 686	18 794 661
Prior year restatement	-	-
Irregular expenditure current year	12 873 046	12 405 025
Irregular expenditure - Performance Bonuses	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	-
	<b>44 072 732</b>	<b>31 199 686</b>
Irregular expenditure awaiting condonement from National Treasury	-	-

Expenditure to the value of R 12'873'046 (2016: R 12'405'025) was incurred during the current financial year, primarily 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. Various other cases of non compliance with the SCM regulations were noted, resulting in the irregular expenditure. As a result, the expenditure is considered irregular and it will be investigated further by 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. Management and Internal Audit have taken steps to investigate the cause of the irregular expenditure in terms of the MFMA. A balance of Irregular Expenditure totalling R 44'072'732 still needs to be written off by Council.

36.4 **Material Losses**

<b>Electricity distribution losses</b>		
- Units purchased (Kwh)	9 366 447	8 819 120
- Units lost during distribution (Kwh)	2 133 547	1 523 903
- Electricity lost during distribution	2 710 397	1 811 700
- Percentage lost during distribution	22.78%	17.28%

	2017 R	2016 R
<b>37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>37.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Opening balance	-	-
Council subscriptions	568 842	519 000
Amount paid - current year	(568 842)	(519 000)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
	<b>2017 R</b>	<b>2016 R</b>
<b>37.2 Audit fees - [MFMA 125 (1)(c)]</b>		
Opening balance	-	-
Current year audit fee	3 558 457	3 699 738
External Audit - Auditor-General	3 405 724	3 663 758
Audit Committee	152 733	35 980
Amount paid - current year	(3 558 457)	(3 699 738)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>37.3 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>		
There were no Councillors with arrear accounts for more than 90 days as at 30 June 2016		
	<b>2017 R Outstanding more than 90 days</b>	<b>2016 R Outstanding more than 90 days</b>
Councillor N Ngebulana	4 518	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>4 518</b>	<b>-</b>

The arrears account is due to the death of the councillor, resulting in the arrears debt for the current



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.

37.5 **Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	<u>Type of Deviation</u>	
	<u>Amount</u>	<u>Single Supplier</u>
July	23 093	23 093
August	35 261	35 261
September	131 073	131 073
October	39 808	39 808
November	146 140	146 140
December	18 128	18 128
January	427 579	427 579
February	17 160	17 160
March	445 784	445 784
April	22 086	22 086
May	82 550	82 550
June	445 784	445 784
<b>Total</b>	<b>1 834 446</b>	<b>1 834 446</b>

	2017 R	2016 R
<b>38 COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:	9 585 273	5 886 934
Approved but not contracted for:	1 127 569	-
	<b>10 712 842</b>	<b>5 886 934</b>
Total commitments consist out of the following:		
- Property, plant & equipment	10 712 842	5 886 934
	<b>10 712 842</b>	<b>5 886 934</b>
This expenditure will be financed from:		
Government Grants	10 712 842	5 886 934
	<b>10 712 842</b>	<b>5 886 934</b>
<b>Commitments in respect of operating expenditure:</b>		
Approved and contracted for:	-	832 280
Total commitments consist out of the following:		
- Trade Creditors	-	832 280
	-	<b>832 280</b>
This expenditure will be financed from:		
Equitable Share	-	832 280
	-	<b>832 280</b>

39	FINANCIAL RISK MANAGEMENT	2017 R	2016 R						
	<p>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.</p>								
	<p><b>(a) Foreign Exchange Currency Risk</b></p> <p>The municipality does not engage in foreign currency transactions.</p>								
	<p><b>(b) Price risk</b></p> <p>The municipality is not exposed to price risk.</p>								
	<p><b>(c) Interest Rate Risk</b></p> <p>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.</p> <p>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.</p> <p>The municipality did not hedge against any interest rate risks during the current year.</p> <p>The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">1 % (2014 - 1%) Increase in interest rates</td> <td style="width: 10%; text-align: right;">(236 363)</td> <td style="width: 10%; text-align: right;">(251 112)</td> </tr> <tr> <td>0.5% (2014 - 0.5%) Decrease in interest rates</td> <td style="text-align: right;">118 181</td> <td style="text-align: right;">125 556</td> </tr> </table>	1 % (2014 - 1%) Increase in interest rates	(236 363)	(251 112)	0.5% (2014 - 0.5%) Decrease in interest rates	118 181	125 556		
1 % (2014 - 1%) Increase in interest rates	(236 363)	(251 112)							
0.5% (2014 - 0.5%) Decrease in interest rates	118 181	125 556							
	<p><b>(d) Credit Risk</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>No receivables are pledged as security for financial liabilities.</p> <p>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.</p> <p>The provision for bad debts could be allocated between the different classes of debtors as follows:</p>								

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.

	2017 R	2016 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	2 553 025	1 921 843
Cash and Cash Equivalents	6 176 847	4 536 873
	<u>8 729 872</u>	<u>6 458 716</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
<b>2017</b>				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Long Term liabilities - Finance Lease Liability	1 824 731	3 367 992	-	-
Finance lease repayments	1 824 731	3 367 992	-	-
Interest	-	-	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	11 481 429	-	-	-
Unspent conditional government grants and receipts	1 853 003	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>15 159 163</u>	<u>3 367 992</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
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	2 407 746	-	-	-
Unspent conditional government grants and receipts	8 140 385	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>13 889 558</u>	<u>1 849 624</u>	<u>-</u>	<u>-</u>

40	FINANCIAL INSTRUMENTS	2017 R	2016 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
40.1	<b>Financial Assets</b>		
	<u>Classification</u>		
	<b>Receivables</b>		
	Receivables from exchange transactions	2 553 025	1 921 843
	Receivables from non-exchange transactions	-	-
	<b>Short-term Investment Deposits</b>		
	Call Deposits	19 101	2 646 381
	<b>Bank Balances and Cash</b>		
	Bank Balances	6 157 746	1 890 492
	Cash Floats and Advances	-	-
		<u>8 729 872</u>	<u>6 458 716</u>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	8 729 872	6 458 716
	<b>At amortised cost</b>	<u>8 729 872</u>	<u>6 458 716</u>
	<b>FINANCIAL INSTRUMENTS (CONTINUE)</b>		
40.2	<b>Financial Liability</b>		
	<u>Classification</u>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	2 950 034	3 189 186
	<b>Payables from exchange transactions</b>		
	Trade creditors	10 717 868	2 373 181
	Deposits	33 655	34 565
	<b>Other Payables</b>		
	Unspent Government Subsidies and Grants	2 085 383	7 632 440
	<b>Current Portion of Long-term Liabilities</b>		
	Capitalised Lease Liability	1 425 883	1 801 510
		<u>17 212 823</u>	<u>15 030 882</u>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<u>17 212 823</u>	<u>15 030 882</u>

41 **EVENTS AFTER THE REPORTING DATE**

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. Traditionally, the municipality used an accounting system in which the municipality transacted and budgeted in 2 segments, namely Item and Municipal Vote. mSCOA was implemented to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities.

In order to shift from item based budgeting to project based budgeting, mSCOA has now added another 5 segments to the reporting/transacting requirement detailed below:

- 1) Project – clarifying the link to the IDP on transaction level
- 2) Funding – defining the funding source that each entry contribute/utilise.
- 3) Region – Identifying the region that derives the benefit associated with the expenditure
- 4) Function – Providing a standard reporting chart throughout the country. Very similar to the former GFS classification.
- 5) Costing – transactional level to improve costing in local government.

The municipality has started with a process during the year to align items in the financial statements with the prescribed item Segments in terms of mSCOA.

There was no material effect on the current financial year, however the implementation of mSCOA regulation will have a significant impact on how municipalities budget, transact and report on transaction going forward from 1 July 2017

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 R9 106 835.83, comprising of the following pending cases:

- Xabana Civics CC has instituted action in the Grahamstown High Court for payment allegedly due to it in the sum of R168 189.94.
- Bay Drive Trading 151 (Pty) Ltd has instituted action in the Grahamstown High Court for payment in the sum of R1 857 330.00 being allegedly due to it relating to a tender for crushed rock. The Municipality has paid the amount of R1 351 512, but an amount of R508 818.00 is still in dispute.
- Mr. SM Dalasile instituted action against the Municipality during 2014 for payment of R12 000.00 alleged due to him for damages suffered when his bull was impounded.
- CNN Development instituted action against the Municipality during 2016 for payment of R278 771.05 allegedly due to it for services rendered.
- Nomasiyehi Gladies Sonamzi, widow of Mr Jack, former employee alleges that the Municipality is liable to her the amount of R5 000 000.00 as it failed to comply with the Occupational Health and Safety Act, 85 of 1993.
- Siyabulela Mponzo launched an application in the High Court to gain access to his personal information and records relating to his employment with the Municipality. The bills and costs are in the process of being taxed where after they will be presented to the Municipality for payment.
- Mr T. Samuel. Mr Le Roux provided a legal opinion on the termination of the contract of Mr Samuel. The issue outstanding is payment of performance bonus.

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 5'590'334 for the 2017 financial year. These deficit will be covered by surplus cash in the Municipality and a short term loan from Chris Hani District Municipality.

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

We draw attention to the fact that as at 30 June 2017, the municipality had an accumulated surplus of R 190'509'547 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 2017

Reconciliation of Carrying Value	Opening Balance		Additions		Cost Adjustments/ Disposals/ Transfers/ Take -		Closing Balance		Accumulated Depreciation and Impairment Losses Adjustments/ Disposals/ Transfers/ Take -			Closing Balance		Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	9 551 331	-	-	-	9 551 331	-	-	-1 433 625.00	-288 944	-	-	-1 722 569	7 828 762	
Land	883 000	-	-	-	883 000	-	-	-	-	-	-	-	883 000	
Buildings	8 668 331	-	-	-	8 668 331	-	-	-1 433 625.00	-288 944	-	-	-1 722 569	6 945 762	
<b>Infrastructure</b>	147 001 101	-	12 485 280	-	159 486 381	-	-	-68 141 263.00	-3 735 945	-	-	-71 877 208	87 609 173	
Stormwater and Roads	137 905 395	-	12 485 280	-	150 390 675	-	-	-65 163 971.00	-3 542 555	-	-	-68 706 526	81 684 149	
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity	9 095 706	-	-	-	9 095 706	-	-	-2 977 292.00	-193 390	-	-	-3 170 682	5 925 024	
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Community Assets</b>	10 225 816	-	-	-	10 225 816	-	-	-2 503 959.00	-324 298	-	-	-2 828 257	7 397 559	
Community Centres	7 173 773	-	-	-	7 173 773	-	-	-891 000.00	-241 968	-	-	-1 132 968	6 040 805	
Taxi Ranks & Hawker Stalls	166 097	-	-	-	166 097	-	-	-6 849.00	-16 610	-	-	-23 459	142 638	
Landfill Sites	2 055 175	-	-	-	2 055 175	-	-	-1 520 400.00	-38 028	-	-	-1 558 428	496 747	
Cemetery	830 771	-	-	-	830 771	-	-	-85 710.00	-27 692	-	-	-113 402	717 369	
<b>Other Assets</b>	31 114 041	2 182 571	-	-	33 296 612	-	-	-21 346 729.52	-1 289 128	-	-	-22 635 858	10 660 754	
Office Equipment	410 148	-	-	-	410 148	-	-	-300 217.00	-25 678	-	-	-325 895	84 253	
Furniture & Fittings	2 967 683	204 497	-	-	3 172 180	-	-	-1 852 493.00	-233 854	-	-	-2 086 347	1 085 833	
Motor vehicles	3 965 067	1 173 732	-	-	5 138 799	-	-	-2 259 862.00	-348 586	-	-	-2 608 448	2 530 351	
Plant & Equipment	22 482 186	-	-	-	22 482 186	-	-	-15 980 008.00	-477 739	-	-	-16 457 747	6 024 439	
Computer equipment	1 285 431	804 342	-	-	2 089 773	-	-	-951 942	-202 951	-	-	-1 154 893	934 880	
Emergency Equipment	3 526	-	-	-	3 526	-	-	-2 208.00	-320	-	-	-2 528	998	
Abattoir	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Work in Progress</b>	197 892 289	2 182 571	12 485 280	-	212 560 140	-	-	-93 425 576.52	-5 638 315	-	-	-99 063 892	113 496 248	
Cemetery: WIP	66 688 003	14 041 128	-12 485 280	-	68 243 851	-	-	-	-	-	-	-	68 243 851	
Roads: WIP	39 545	-	-	-	39 545	-	-	-	-	-	-	-	39 545	
Water: WIP	29 396 496	8 318 731	-12 485 280	-	25 229 947	-	-	-	-	-	-	-	25 229 947	
Electricity: WIP	7 697 182	1 716 379	-	-	9 413 561	-	-	-	-	-	-	-	9 413 561	
Landfill Sites: WIP	22 532 205	980 101	-	-	23 512 306	-	-	-	-	-	-	-	23 512 306	
Hawkers stalls: WIP	1 697 136	2 387 476	-	-	4 084 612	-	-	-	-	-	-	-	4 084 612	
Sports Fields: WIP	-	638 440	-	-	638 440	-	-	-	-	-	-	-	638 440	
Community Halls: WIP	5 325 439	-	-	-	5 325 439	-	-	-	-	-	-	-	5 325 439	
<b>Total</b>	264 580 292	16 223 699	-	-	280 803 991	-	-	-93 425 576.52	-5 638 315	-	-	-99 063 892	181 740 099	

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

30 JUNE 2016

Reconciliation of Carrying Value	Opening Balance		Additions		Cost Adjustments/ Disposals/ Transfers/ Take -		Closing Balance		Accumulated Depreciation and Impairment Losses Adjustments/ Disposals/ Transfers/ Take -				Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	9 551 331.00	-	-	-	9 551 331.00	-	-	-1 144 681.00	-288 944.00	-	-	-1 433 625.00	8 117 706.00	
Land	883 000.00	-	-	-	883 000.00	-	-	-	-	-	-	-	883 000.00	
Buildings	8 668 331.00	-	-	-	8 668 331.00	-	-	-1 144 681.00	-288 944.00	-	-	-1 433 625.00	7 234 706.00	
<b>Infrastructure</b>	139 301 270.00	6 192 381.00	1 507 450.00	1 507 450.00	147 001 101.00	-	-	-64 467 986.00	-3 673 277.00	-	-	-68 141 263.00	78 859 838.00	
Stormwater and Roads	130 205 564.00	6 192 381.00	1 507 450.00	1 507 450.00	137 905 395.00	-	-	-61 713 845.00	-3 450 126.00	-	-	-65 163 971.00	72 741 424.00	
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity	9 095 706.00	-	-	-	9 095 706.00	-	-	-2 754 141.00	-223 151.00	-	-	-2 977 292.00	6 118 414.00	
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Community Assets</b>	10 082 546.00	143 270.00	-	-	10 225 816.00	-	-	-2 172 597.00	-331 362.00	-	-	-2 503 959.00	7 721 857.00	
Community Centres	7 173 773.00	-	-	-	7 173 773.00	-	-	-649 032.00	-241 988.00	-	-	-891 000.00	6 282 773.00	
Taxi Ranks & Hawker Stalls	22 827.00	143 270.00	-	-	166 097.00	-	-	-4 566.00	-2 283.00	-	-	-6 849.00	159 248.00	
Landfill Sites	2 055 175.00	-	-	-	2 055 175.00	-	-	-1 460 981.00	-59 419.00	-	-	-1 520 400.00	534 775.00	
Cemetery	830 771.00	-	-	-	830 771.00	-	-	-58 018.00	-27 692.00	-	-	-85 710.00	745 061.00	
<b>Lease Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Other Assets</b>	26 159 692.00	4 954 349.00	-	-	31 114 041.00	-	-	-19 636 293.52	-1 710 436.00	-	-	-21 346 729.52	9 767 311.48	
Office Equipment	410 148.00	-	-	-	410 148.00	-	-	-274 345.00	-25 872.00	-	-	-300 217.00	109 931.00	
Furniture & Fittings	2 937 161.00	30 522.00	-	-	2 967 683.00	-	-	-1 584 097.00	-268 396.00	-	-	-1 852 493.00	1 115 190.00	
Motor vehicles	3 450 838.00	514 229.00	-	-	3 965 067.00	-	-	-1 956 367.00	-303 495.00	-	-	-2 259 862.00	1 705 205.00	
Plant & Equipment	18 081 388.00	4 400 798.00	-	-	22 482 186.00	-	-	-14 993 512.00	-986 496.00	-	-	-15 980 008.00	6 502 178.00	
Computer equipment	1 276 631.00	8 800.00	-	-	1 285 431.00	-	-	-826 118.52	-125 823.00	-	-	-951 941.52	333 489.48	
Emergency Equipment	3 526.00	-	-	-	3 526.00	-	-	-1 854.00	-354.00	-	-	-2 208.00	1 318.00	
<b>Work in Progress</b>	185 094 839.00	11 290 000.00	1 507 450.00	1 507 450.00	197 892 289.00	-	-	-87 421 557.52	-6 004 019.00	-	-	-93 425 576.52	104 466 712.48	
Cemetery: WIP	51 919 903.00	16 275 550.00	-1 507 450.00	-1 507 450.00	66 688 003.00	-	-	-	-	-	-	-	66 688 003.00	
Roads: WIP	39 545.00	9 992 924.00	-1 507 450.00	-1 507 450.00	29 396 496.00	-	-	-	-	-	-	-	29 396 496.00	
Water: WIP	20 911 022.00	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity: WIP	6 445 062.00	1 252 120.00	-	-	7 697 182.00	-	-	-	-	-	-	-	7 697 182.00	
Landfill Sites: WIP	19 198 835.00	3 333 370.00	-	-	22 532 205.00	-	-	-	-	-	-	-	22 532 205.00	
Hawkers stalls: WIP	-	1 697 136.00	-	-	1 697 136.00	-	-	-	-	-	-	-	1 697 136.00	
Community Halls: WIP	5 325 439.00	-	-	-	5 325 439.00	-	-	-	-	-	-	-	5 325 439.00	
<b>Total</b>	237 014 742.00	27 565 550.00	-	-	264 580 292.00	-	-	-87 421 557.52	-6 004 019.00	-	-	-93 425 576.52	171 154 715.48	



**APPENDIX B - Unaudited**  
**SAKHISIZWE LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Correction	Balance at 30 JUNE 2016 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2017
<b>ANNUITY LOANS</b>									
Chris Hani District Municipality						-	5 000 000		5 000 000
<b>Total Annuity Loans</b>				-	-	-	5 000 000	-	5 000 000
<b>LEASE LIABILITY</b>									
Ford Everest 2.2 TDCI XLS		JVA11064L				-			-
Ford Everest 3.2 TDCI XLT		JVA11063S				-	552 639		552 639
Isuzu KB250D-Teq LE P/U DC		0010A		181 983		181 983	625 933	94 931	87 051
Isuzu KB250D Fleetside DTEQ		0002T		126 371		126 371		65 922	60 449
CHEV Sonic 1.6 LS		0003S		96 855		96 855		50 525	46 331
CHEV Sonic 1.6 LS		0004L		96 855		96 855		50 525	46 331
CHEV Sonic 1.6 LS		0005K		96 855		96 855		50 525	46 331
Isuzu Reuse Truck		0006J		1 950 846		1 950 846		674 744	1 276 101
Isuzu Reuse Truck		0007H		1 950 846		1 950 846		674 744	1 276 101
Isuzu D/C 4 X 4		0008E		490 085		490 085		139 595	350 490
<b>Total Lease Liabilities</b>				<b>4 990 695</b>	-	<b>4 990 695</b>	<b>1 178 572</b>	<b>1 801 510</b>	<b>4 367 758</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>4 990 695</b>	-	<b>4 990 695</b>	<b>6 178 572</b>	<b>1 801 510</b>	<b>9 367 758</b>

**APPENDIX D - Unaudited**  
**SAKHISIZWE LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

<b>2016 Actual Income R</b>	<b>2016 Actual Expenditure R</b>	<b>2016 Surplus/ (Deficit) R</b>		<b>2017 Actual Income R</b>	<b>2017 Actual Expenditure R</b>	<b>2017 Surplus/ (Deficit) R</b>
(3 100 000)	18 667 553	15 567 553	Executive & Council	(3 259 000)	19 217 444	15 958 444
(68 082 461)	30 778 563	(37 303 898)	Budget & Treasury	(61 681 173)	19 379 785	(42 301 388)
		-	Corporate Services			-
(22 937 204)	6 482 100	(16 455 104)	Planning & Development	(18 659 081)	6 283 303	(12 375 778)
		-	Health			-
(424 022)	2 863 669	2 439 647	Community & Social Services	(453 801)	3 321 498	2 867 697
(125 330)	436 530	311 200	Housing	(122 349)	392 275	269 926
(954 485)	2 800 376	1 845 891	Public Safety	(1 153 740)	3 280 476	2 126 736
	42 051	42 051	Sport & Recreation	(600)	45 553	44 953
		-	Environmental Protection			-
(5 395 758)	12 352 812	6 957 054	Waste Management	(5 886 630)	13 411 296	7 524 666
		-	Waste Water Management			-
(858 223)	12 698 015	11 839 792	Road Transport	(2 398 593)	10 162 895	7 764 302
		-	Water			-
(7 764 930)	13 708 099	5 943 169	Electricity	(8 509 497)	15 570 240	7 060 743
<b>(109 642 413)</b>	<b>100 829 768</b>	<b>(8 812 645)</b>	<b>Total</b>	<b>(102 124 464)</b>	<b>91 064 765</b>	<b>(11 059 699)</b>

**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 2016	Correction of error	Balance 1 JULY 2016	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2017	Unspent 30 JUNE 2017 (Creditor)	Unpaid 30 JUNE 2017 (Debtor)
	R	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
Equitable Share	-		-	57 906 000	57 906 000		-	-	-
Local Government Financial Management Grant (FMG)	-		-	1 625 000	1 625 000		-	-	-
Integrated National Electrification Programme (Eskom) Grant	<b>6 537 731</b>		<b>6 537 731</b>	<b>2 000 000</b>	<b>6 456 671</b>		<b>2 081 060</b>	<b>2 081 060</b>	-
- DME Projects	-		-				-	-	-
Municipal Infrastructure Grant (MIG)	-		-	<b>14 539 000</b>	-	<b>14 539 000</b>	-	-	-
- General MIG Fund	-		-	14 539 000		14 539 000	-	-	-
- EPWP	-		-	1 117 000		1 117 000	-	-	-
Municipal Systems Improvement Grant (MSIG)	-		-				-	-	-
<b>Total National Government Grants</b>	<b>6 537 731</b>	-	<b>6 537 731</b>	<b>77 187 000</b>	<b>65 987 671</b>	<b>15 656 000</b>	<b>2 081 060</b>	<b>2 081 060</b>	-
<b><u>Provincial Government Grants</u></b>									
Other Provincial Government Grants	-		-				-	-	-
East Cape Local Government LED	-		-				-	-	-
East Cape Local Government LED	-		-				-	-	-
EC Local Government	1 000 000		1 000 000		1 000 000		-	-	-
Dep of Sport Art & Culture (Libraries)	-		-	380 000	380 000		-	-	-
<b>Total Provincial Government Grants</b>	<b>1 000 000</b>	-	<b>1 000 000</b>	<b>380 000</b>	<b>1 380 000</b>	-	-	-	-
<b><u>District Municipality Grants</u></b>									
Other District Municipality Grants	-		-				-	-	-
EPWP	-		-				-	-	-
Beautification of Towns	-		-				-	-	-
Eagle Eye	-		-				-	-	-
<b>Total District Municipality Grants</b>	-	-	-	-	-	-	-	-	-
<b><u>Other Grant Providers</u></b>									
(MSP ) MUNICIPAL SUPPORT PROGRAMME	36 876		36 876		36 876		0	0	-
ELLIOT HOUSING	1 110		1 110				1 110	1 110	-
SURVEY ACCOUNT	5 087		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		-	-	-
IDP PLAN	-		-				-	-	-
PMF REVIEW ACCOUNT	-		-				-	-	-
IEC - ELECTION	47 423		47 423		47 423		-	-	-
SKILLS DEVELOPEMENT	-		-				-	-	-
EPWP Unspent Grant/ Fund	-		-				-	-	-
LED	-		-				-	-	-
CHDM Libraries	-		-				-	-	-
<b>Total Other Grant Providers</b>	<b>94 709</b>	-	<b>94 709</b>	-	<b>90 386</b>	-	<b>4 323</b>	<b>4 323</b>	-
<b>Total</b>	<b>7 632 440</b>	-	<b>7 632 440</b>	<b>77 567 000</b>	<b>67 458 057</b>	<b>15 656 000</b>	<b>2 085 383</b>	<b>2 085 383</b>	-