

SAKHISIZWE

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2015

SAKHISIZWE LOCAL MUNICIPALITY

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SAKHISIZWE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The SAKHISIZWE Municipality includes the following areas:

*Elliot
Cala*

MUNICIPAL MANAGER

Mr T Samuel

CHIEF FINANCIAL OFFICER

Mr P Steyn

REGISTERED OFFICE

Erf 5556, Umthatha Road, Cala, 5455

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

First National Bank, Elliot

RELEVANT LEGISLATION

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

SAKHISIZWE LOCAL MUNICIPALITY

MEMBERS OF THE SAKHISIZWE LOCAL MUNICIPALITY

COUNCILLORS

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

APPROVAL OF FINANCIAL STATEMENTS

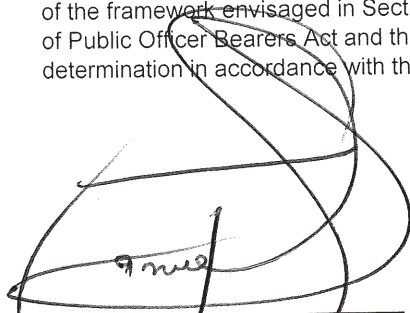
I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 63 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



T. Samuel
Municipal Manager

31 August 2015
Date

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R (Actual)	2014 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		151 547 695	136 552 838
Accumulated Surplus		151 547 695	136 552 838
Non-Current Liabilities		15 158 655	6 854 721
Long-term Liabilities	2	596 856	1 719 806
Employee benefits	3	2 605 710	2 537 412
Non-Current Provisions	4	11 956 089	2 597 503
Current Liabilities		14 775 279	20 058 815
Consumer Deposits	5	121 227	141 752
Current Employee benefits	6	266 169	233 032
Provisions	7	219 408	757 434
Payables from exchange transactions	8	4 904 159	10 709 809
Unspent Conditional Government Grants and Receipts	9	8 140 385	1 882 764
Taxes	10.1	-	3 361 433
Current Portion of Long-term Liabilities	2	1 123 931	2 972 591
Total Net Assets and Liabilities		181 481 629	163 466 374
ASSETS			
Non-Current Assets		168 191 216	158 734 971
Property, Plant and Equipment	11	133 980 265	124 334 659
Investment Property	12	34 210 951	34 400 312
Discontinued Operations	47.1	-	295 097
Current Assets		13 290 413	4 436 306
Inventory	13	-	-
Receivables from exchange transactions	14	2 422 221	1 117 426
Receivables from non-exchange transactions	15	3 983 744	1 228 623
Taxes	10.1	450 055	-
Cash and Cash Equivalents	16	6 434 393	2 090 257
Total Assets		181 481 629	163 466 374

SAKHISIZWE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		73 867 477	70 943 195
Taxation Revenue		5 119 111	4 432 300
Property taxes	17	5 119 111	4 432 300
Transfer Revenue		68 748 366	66 510 895
Government Grants and Subsidies - Capital	18	13 653 483	16 563 392
Government Grants and Subsidies - Operating	18	55 094 883	49 947 503
Revenue from Exchange Transactions		18 166 710	30 838 539
Service Charges	19	11 860 176	9 581 950
Interest Earned - external investments		525 890	497 045
Interest Earned - outstanding debtors		3 317 377	5 258 995
Actuarial Profits	3	202 841	18 720
Other Income	20	2 260 426	15 481 829
Total Revenue		92 034 187	101 781 734
EXPENDITURE			
Employee related costs	21	27 382 360	35 447 210
Remuneration of Councillors	22	5 490 766	5 349 231
Debt Impairment	23	567 570	13 335 646
Depreciation and Amortisation	24	8 896 019	10 913 485
Impairments	25	-	-
Repairs and Maintenance		956 166	5 165 892
Actuarial losses	3	74 387	-
Finance Charges	26	769 082.00	859 928
Bulk Purchases	27	8 619 273	6 321 512
Grants and Subsidies	28	4 297 032	5 600 113
General Expenses	29	20 060 999	28 008 206
Total Expenditure		77 113 654	111 001 223
Loss/ (profit) on disposal of Property, Plant and Equipment Discontinued Operations	47.2	(74 323)	(267 820) (5 123 162)
NET SURPLUS/(DEFICIT) FOR THE YEAR		14 994 856	(14 074 831)

SAKHISIZWE LOCAL MUNICIPALITY

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

	Accumulated Surplus/ (Deficit)	Total
Note	R	R
Balance at 1 JULY 2013: as previously reported	136 518 929	136 518 929
Restated Balance at 1 JULY 2013	136 518 929	136 518 929
Prior year adjustments in 2014	14 108 741	14 108 741
Net Deficit for the year: 2014	(14 074 831)	(14 074 831)
Balance at 30 JUNE 2014	136 552 839	136 552 839
Net Surplus for the year: 2015	14 994 856	14 994 856
Balance at 30 JUNE 2015	151 547 695	151 547 695

SAKHISIZWE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		87 082 502	113 882 650
Ratepayers and other		11 863 004	26 444 455
Government		75 005 987	65 747 055
Interest		525 890	-
Other receipts		(312 379)	21 691 140
Payments		(64 806 193)	(109 341 224)
Employee costs		(32 771 691)	(40 346 832)
Suppliers costs		(26 635 731)	(25 570 806)
Other payments		(5 398 771)	(43 423 586)
Cash generated by operations	31	22 276 309	4 541 426
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(18 467 302)	(19 274 551)
Purchase of Investment property		189 361	-
Net Cash from Investing Activities		(18 277 941)	(19 274 551)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance lease payments		(2 971 610)	(1 345 802)
Interest income		3 317 377	5 258 995
Finance costs		-	(86 660)
Net Cash from Financing Activities		345 767	3 826 533
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 344 135	(10 906 593)
Cash and Cash Equivalents at the beginning of the year		2 090 257	12 996 850
Cash and Cash Equivalents - non-cashflow journals		-	-
Cash and Cash Equivalents at the end of the year	32	6 434 393	2 090 257
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 344 136	(10 906 593)

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

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	6 434 393		6 434 393	
Call investment deposits	6 405 965	23 553 000	(17 147 035)	
Consumer debtors		1 094 000	(1 094 000)	
Other Receivables				
Current portion of long-term receivables		72 000	(72 000)	
Inventory				
Total current assets	12 840 358	24 719 000	(11 878 642)	
Non current assets				
Long-term receivables				
Investments				
Investment property	34 210 951	34 400 000	(189 049)	
Property, plant and equipment	133 980 265	136 603 000	(2 622 735)	
Biological Assets				
Intangible Assets				
Heritage Assets				
Total non current assets	168 191 216	171 003 000	(2 811 784)	
TOTAL ASSETS	181 031 574	195 722 000	(14 690 426)	
LIABILITIES				
Current liabilities				
Bank overdraft		5 908 000	(5 908 000)	
Borrowing	1 123 931	3 710 000	(2 586 069)	
Consumer deposits	121 227	177 000	(55 773)	
Trade and other payables	13 044 544	6 500 000	6 544 544	
Provisions and Employee Benefits	12 441 666	1 092 000	11 349 666	
Total current liabilities	26 731 368	17 387 000	9 344 368	
Non current liabilities				
Borrowing	596 856	1 720 000	(1 123 144)	
Provisions and Employee Benefits	2 605 710	5 770 000	(3 164 290)	
Total non current liabilities	3 202 566	7 490 000	(4 287 434)	
TOTAL LIABILITIES	29 933 934	24 877 000	5 056 934	
NET ASSETS	151 097 640	170 845 000	(19 747 360)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	151 547 695	170 847 000	(19 299 305)	
Reserves				
TOTAL COMMUNITY WEALTH/EQUITY	151 547 695	170 847 000	(19 299 305)	

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

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

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

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	5 119 111	4 450 000	669 111	
Property rates - penalties & collection charges			-	
Service charges	11 860 176	13 585 000	(1 724 824)	
Rental of facilities and equipment	-	1 076 000	(1 076 000)	
Interest earned - external investments	525 890	456 000	69 890	
Interest earned - outstanding debtors	3 317 377	2 375 000	942 377	
Dividends received			-	
Fines	-	24 500	(24 500)	
Licences and permits	-		-	
Agency services	202 841	1 829 933	(1 627 092)	
Government Grants and Subsidies - Operating	68 748 366	76 347 800	(7 599 434)	
Other revenue	2 260 426	10 255 117	(7 994 691)	
Gains on disposal of PPE		118 992	(118 992)	
Total Operating Revenue	92 034 187	110 518 342	(18 484 155)	
EXPENDITURE BY TYPE				
Employee related costs	27 382 360	32 723 566	(5 341 226)	
Remuneration of councillors	5 490 766	5 545 752	(54 986)	
Debt impairment	567 570	4 180 120	(3 612 550)	
Depreciation & asset impairment	8 896 019	9 097 000	(200 981)	
Actuarial losses	74 387		74 387	
Finance charges	769 082	396 636	372 446	
Bulk purchases	8 619 273	9 293 160	(673 887)	
Other materials	956 166	3 454 400	(2 498 234)	
Contracted services	-	1 374 531	(1 374 531)	
Grants and subsidies paid	4 297 032	4 576 000	(278 968)	
Other expenditure	20 060 999	24 311 233	(4 250 234)	
Loss on disposal of PPE		-	-	
Total Operating Expenditure	77 113 654	94 952 418	(17 838 764)	
Operating Surplus for the year	14 920 533	15 565 924	(645 391)	
Government Grants and Subsidies - Capital	-	-	-	
Net Surplus for the year	14 920 533	15 565 924	(645 391)	

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

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

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

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	11 863 004	13 158 000	(1 294 996)	
Government - operating	75 005 987	63 560 000	11 445 987	
Government - capital		17 218 000	(17 218 000)	
Interest	525 890	4 717 000	(4 191 110)	
Dividends			-	
Other Receipts	(312 379)		(312 379)	
Payments				
Suppliers and Employees	(59 407 422)	(23 366 000)	(36 041 422)	
Finance charges	-	(397 000)	397 000	
Transfers and Grants	(5 398 771)	(63 560 000)	58 161 229	
NET CASH FLOW/(USED) OPERATING ACTIVITIES	<u>22 276 309</u>	<u>11 330 000</u>	<u>10 946 309</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets		-	-	
Decrease/(increase) in non-current receivables		-	-	
Decrease/(increase) in non-current investments		-	-	
Payments				
Capital assets	(18 467 302)	(18 061 000)	(406 302)	
NET CASH FLOW/(USED) INVESTING ACTIVITIES	<u>-18 467 302</u>	<u>(18 061 000)</u>	<u>-406 302</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	3 317 377		3 317 377	
Increase/(decrease) in consumer deposits		35 000	(35 000)	
Payments				
Repayment of borrowing	(2 971 610)		-	
NET CASH FLOW/(USED) FINANCING ACTIVITIES	<u>345 767</u>	<u>35 000</u>	<u>3 282 377</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>4 154 774</u>	<u>(6 696 000)</u>	<u>13 822 384</u>	
Cash and Cash Equivalents at the beginning of the year	2 090 257	454 000	1 636 257	
Cash and Cash Equivalents at the end of the year	6 434 393	(5 908 000)	12 342 393	

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

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

SAKHISIZWE MUNICIPALITY

ACCOUNTING POLICY TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

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

1.5 AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

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

The comparable information includes the following:

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

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

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

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

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

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

Standard	Description	Effective Date
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendixes to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish</p>	1 April 2015

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	<p>accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p>Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of Service Concession Arrangements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

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

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liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The interest rate used is the interest rate implicit in the lease or the bank prime interest rate.

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

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

1.9.2 Municipality as Lessor

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

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

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.

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

1.11. PROVISIONS

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

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

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

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

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

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

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

1.12. EMPLOYEE BENEFITS

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

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

1.12.1 Post Retirement Medical Obligations

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

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

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

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

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period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.12.3 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.12.4 Staff Bonuses Accrued

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

1.12.5 Provision for Performance Bonuses

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

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

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

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

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1.13.3 Depreciation and Impairment

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

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

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

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

1.13.4 De-recognition

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

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Amortisation and Impairment

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

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

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

1.14.4 De-recognition

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

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

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

1.15.3 De-recognition

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

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

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

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

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

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

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to

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

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

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

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

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

1.16.2 Non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

1.17. INVENTORIES

1.17.1 Initial Recognition

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

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

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

1.17.2 Subsequent Measurement

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

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

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

1.18. FINANCIAL INSTRUMENTS

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

1.18.1 Initial Recognition

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

1.18.2 Subsequent Measurement

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

1.18.2.1 Receivables

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

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

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

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

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

1.18.2.2 Payables and Annuity Loans

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

1.18.2.3 Cash and Cash Equivalents

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

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

1.18.2.4 Non-Current Investments

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

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

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

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

1.18.3 De-recognition of Financial Instruments

1.18.3.1 Financial Assets

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

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

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

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

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

1.18.3.2 Financial Liabilities

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

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

1.18.4 Offsetting of Financial Instruments

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

1.19. REVENUE

1.19.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

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

1.19.2 Revenue from Exchange Transactions

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

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

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.20. RELATED PARTIES

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

A related party is a person or an entity:

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

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The following are regarded as related parties of the Municipality:

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

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

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

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

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

Management personnel include:

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

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

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

1.21. UNAUTHORISED EXPENDITURE

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

1.22. IRREGULAR EXPENDITURE

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

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

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

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1.24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.25.1 *Post retirement medical obligations and Long service awards*

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

1.25.2 *Impairment of Receivables*

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

1.25.3 *Property, Plant and Equipment*

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

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

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

1.25.4 Intangible Assets

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

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

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

1.25.5 Investment Property

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

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

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

1.25.6 Provisions and Contingent Liabilities

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

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1.25.7 Revenue Recognition

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

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

1.25.8 Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

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

1.25.9 Provision for Staff leave

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

1.25.10 Provision for Performance bonuses

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

1.25.11 Pre-paid electricity estimation

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

1.25.12 Componentisation of Infrastructure assets

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

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1.26. TAXES – VALUE ADDED TAX

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

1.27. CAPITAL COMMITMENTS

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

1.28. EVENTS AFTER REPORTING DATE

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

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

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

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

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

The municipality has plant & equipment assets with a carrying value of R2,923,352 (2014: R6,274,930) subject to a finance lease.

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

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

Total finance costs paid for the current year is R371,231 (2014: R428,306)

	2015 R	2014 R	
3 EMPLOYEE BENEFITS			
Post Retirement Defined Benefit Plan - Refer to Note 3.1	1 360 235	1 284 649	
Long Service Awards - Refer to Note 3.2	1 245 475	1 252 763	
Total Non-current Employee Benefit Liabilities	2 605 710	2 537 412	
	2015 R	2014 R	
<u>Post Retirement Defined Benefit Benefits Plan</u>			
Balance 1 July	1 384 045	923 834	
Contribution for the year	-	-	
Interest Cost	110 699	68 205	
Projected Expenditure for the year	(99 396)	(64 800)	
Expenditure for the year	-	-	
Actuarial Loss/ (Gain)	74 387	456 806	
Total post retirement benefits 30 June	1 469 735	1 384 045	
Less: Transfer of Current Portion - Note 6	(109 500)	(99 396)	
Balance 30 June	1 360 235	1 284 649	
<u>Long Service Awards</u>			
Balance 1 July	1 386 399	1 397 001	
Contribution for the year	248 085	224 535	
Interest Cost	104 137	86 660	
Projected (Income)/ Expenditure	(133 636)	(303 077)	
(Income)/ Expenditure for the year	-	-	
Actuarial Loss/ (Gain)	(202 841)	(18 720)	
Total long service 30 June	1 402 144	1 386 399	
Less: Transfer of Current Portion - Note 6	(156 669)	(133 636)	
Balance 30 June	1 245 475	1 252 763	
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>			
Balance 1 July	2 770 444	2 320 835	
Contribution for the year	248 085	224 535	
Interest cost	214 836	154 865	
Projected (Income)/ Expenditure	(233 032)	(367 877)	
(Income)/ Expenditure for the year	-	-	
Actuarial Loss/(Gain)	(128 454)	438 086	
Total employee benefits 30 June	2 871 879	2 770 444	
Less: Transfer of Current Portion - Note 6	(266 169)	(233 032)	
Balance 30 June	2 605 710	2 537 412	
3 EMPLOYEE BENEFITS (CONTINUE)			
3.1 Post Retirement Defined Benefits Medical Aid Plan			
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
Continuation members (e.g. Retirees, widows, orphans)	3	3	
Total Members	3	3	
The liability in respect of past service has been estimated to be as follows:			
Continuation members	1 469 735	1 384 045	
Total Liability	1 469 735	1 384 045	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2013 R	2012 R	2011 R
Continuation members	923 834	1 161 597	1 580 836
Total Liability	923 834	1 161 597	1 580 836

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

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

Hosmed
Kei Health
LA Health
Bonitas
SAMWUMED

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

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

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

ii) Mortality rates

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

iii) Normal retirement age

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

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

The fund is wholly unfunded.

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

Reconciliation of present value of fund obligation:

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

Sensitivity Analysis on the Accrued Liability

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

The effect of movements in the assumptions are as follows:

Assumption	Change	in-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	-	1.59		8%
Health care inflation	-1%	-	1.364		-7%
Post-retirement mortality	-1 yr	-	1.535		4%
Average retirement age					
Withdrawal Rate					

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

Sakhisizwe Municipality will contribute 70% of the total premium payable, subject to a maximum of R3,042 (2014: 3,372.89). This is an increase of 6.79% (the same as the salary increase granted on 1 July 2014 per the SALGBC bargaining council agreement 3:2014) from the figure of R3,158.43 used in the previous valuation. The municipality only subsidises the employee, spouse or life partner, biological children, and legally adopted children, up to the age of 21 years. An assumption is therefore made that should a child dependant turn 21 years of age, he/she is no longer eligible for subsidy benefits.

Membership profile:

The calculation is based on 3 members (2014: 3) with an average age of 68.5 (2013: 67.5), and 0.3 average dependants 2014: 0.3) and an average monthly contribution of R3,042 (R2,761)

Assumptions used at the reporting date: Valuation assumptions

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

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

Consequently, a discount rate of 8.49% per annum has been used. The corresponding index-linked yield at this term is 1.7%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

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

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

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

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

Demographic Assumptions

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

Post-retirement Mortality

PA(90) ultimate table.

Family Profile (retirees)

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

		2015	2014
3.2 Long Service Bonuses			
The Long Service Bonus plans are defined benefit plans.			
As at year end, the following number of employees were eligible for Long Service Bonuses.			
		140	173
Key actuarial assumptions used:			
		2015	2014
		%	%
i) Rate of interest			
Discount rate		7.82%	7.88%
General Salary Inflation (long-term)		7.00%	7.12%
Net Effective Discount Rate applied to salary-related Long Service Bonuses		0.77%	0.71%
		2015	2014
		R	R

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

Present value of fund obligations	1 245 475	1 252 763
Net liability	1 245 475	1 252 763

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 386 399	1 397 001
Total expenses	149 381	8 118
Current service cost	248 085	224 535
Expenditure for the year	104 137	86 660
Interest Cost	(202 841)	(303 077)
Benefits Paid	(133 636)	(18 720)
Actuarial losses	1 402 144	1 386 399
Present value of fund obligation at the end of the year	(156 669)	(133 636)
Less: Transfer of Current Portion - Note 6	1 245 475	1 252 763
Balance 30 June	1 245 475	1 252 763

Sensitivity Analysis on the Unfunded Accrued Liability

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

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

Aurecon estimated the rehabilitation costs based on the following assumptions:

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

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

Costing

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

5	CONSUMER DEPOSITS		
	Electricity	121 227	141 752
	Total Consumer Deposits	121 227	141 752
	Guarantees held in lieu of Electricity Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts. The decrease in consumer deposits was largely due to the conversion by consumers to pre-paid electricity meters.

6	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 3	109 500	99 396
	Current Portion of Long-Service Provisions - Note 3	156 669	133 636
	Total Current Employee Benefits	266 169	233 032

7	CURRENT PROVISIONS		
	Employee costs: Performance Bonus	219 408	757 434
	Total Provisions	219 408	757 434

8	PAYABLES FROM EXCHANGE TRANSACTIONS	2015	2014
		R	R
	Trade Payables	1 170 038	6 293 265
	Accrual for Leave	2 960 936	3 190 293
	Accrued expenses: Provision 13th cheque	(186 084)	901 138
	Accrued expenses: Workmens compensation	273 197	85 083
	Payments received in advance: Debtors in credit balance	659 141	756 261
	Sundry Deposits received: Dam & Hall Deposits	26 931	29 781
	Total Trade Payables	4 904 159	11 255 821

Payables are being recognised net of any discounts.

All payables were paid within 30 days as prescribed by the MFMA. This credit period granted was consistent with the terms used in the public sector, through established practices and legislation, therefore discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include dam and hall deposits.

9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	8 140 382	1 882 764
	National Government Grants	7 946 287	1 000 -
	Provincial Government Grants	-	-
	District Municipality	-	1 684 618
	Other Grant Providers	194 095	197 146
	Less: Unpaid Grants - current assets	-	-
	National Government Grants	-	-
	Provincial Government Grants	-	-
	District Municipality	-	-
	Other Grant Providers	-	-
	Total Conditional Grants and Receipts	8 140 385	1 882 764

See appendix "E" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

The funds will remain a liability as long as the conditions are still to be met. Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10	TAXES		
10.1	NET VAT RECEIVABLE/(PAYABLE)	450 055	(3 361 433)

VAT is receivable/payable on the cash basis.

11 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

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

12 INVESTMENT PROPERTY

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

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

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

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

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

13	INVENTORY		
	Water – at cost	-	63 815
	Less: Assets associated with Discontinued Operations - Note 47	-	(63 815)
	Total Inventory	<u>-</u>	<u>-</u>
14	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	4 808 982	4 266 613
	Water	-	29 339 385
	Refuse	23 632 630	19 838 344
	Sewerage	-	14 707 252
	Other Trade Debtors	72 707	61 340
	Other Receivables	575 929	1 063 754
	Total Receivables from Exchange Transactions	29 090 248	69 276 688
	Less: Assets associated with Discontinued Operations - Note 47		
	Water	-	(29 339 385)
	Sewerage	-	(14 707 252)
	Less: Allowance for Doubtful Debts	26 668 027	67 286 131
	Electricity	3 939 458	3 475 988
	Water	-	29 339 385
	Refuse	22 710 651	19 710 717
	Sewerage	-	14 707 253
	Other Trade Debtors	17 918	52 788
	Less: Assets associated with Discontinued Operations - Note 47		
	Water	-	(29 339 384)
	Sewerage	-	(14 707 253)
	Total Net Receivables from Exchange Transactions	2 422 221	1 990 557
	Electricity	869 524	790 625
	Water	-	-
	Refuse	921 979	127 627
	Sewerage	-	(1)
	Other Trade Debtors	54 789	8 552
	Other Receivables	575 929	1 063 754
	Less: Assets associated with Discontinued Operations - Note 47		
	Water		
	Sewerage		
	Total: Net Assets associated with Continued Operations		

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

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	389 029	391 802
31 - 60 Days	245 601	403 584
61 - 90 Days	136 801	50 347
+ 90 Days	98 093	(65 107)
Total	869 524	790 626

(Refuse): Ageing

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

(Other Receivables): Ageing

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

(Irregular expenditure: Refundable): Ageing

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

(Other Trade Debtors): Ageing

Current (0 - 30 days)	54 789	8 552
Total	54 789	8 552

(Total): Ageing

Current (0 - 30 days)	1 408 961	1 784 407
31 - 60 Days	613 625	701 185
61 - 90 Days	495 191	341 007
+ 90 Days	(95 556)	(836 040)
Total	2 422 221	1 990 559

Reconciliation of Provision for Bad Debts

Balance at beginning of year	67 286 131	49 703 356
Contribution to provision	(40 618 104)	17 582 775
Water & Sanitation reallocation from agency account		-
Transferred to Discontinued Operations - note 47		-
Bad Debts Written Off		-
Balance at end of year	26 668 027	67 286 131

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

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2015 R	2014 R
Rates	24 963 868	21 032 962
Chris Hani Debtor: Water	(2 496 728)	951 902
Total Receivables from Non-Exchange Transactions	22 467 140	21 984 864
Less: Allowance for Doubtful Debts	(17 855 371)	(20 756 241)
Rates	(17 855 371)	(20 756 241)
Total Net Receivables from Non-Exchange Transactions	3 983 744	1 228 623

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

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

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

16 CASH AND CASH EQUIVALENTS

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

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

The municipality has the following bank account:

Current Accounts

First National Bank - Current Account - 6207-652-3135 (Primary Bank Account):	363 999	615 891
	363 999	615 891

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

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

Short-term Investment Deposits

The Municipality had the following Short-term Investment Accounts

	2015 Bank Statement Balance	2014 Bank Statement Balance	2015 Cash Book Balance	2014 Cash Book Balance
MSP - 6207-652-2294 (FNB Investment Account)	37 786	39 983	37 787	39 983
MIG - 6207-657-7091 (FNB Investment Account)	3 301 776	2 016	3 301 776	2 016
Elliot Housing - 6207-745-0056 (FNB Investment Account)	1 110	1 110	1 110	1 110
Survey Account - 6207-659-621 (FNB Investment Account)	5 987	6 840	5 987	6 840
Extension 15 - 6207-740-8203 (FNB Investment Account)	2 213	2 213	1 000	1 000
Extension 13&14 - 6207-745-1278 (FNB Investment Account)	1 000	1 000	2 213	2 213
FMG - 6216 - 538 - 9464 (FNB Investment Account)	10 000	10 000	10 000	10 000
Invest: Valuation - 6207-745-0832 (FNB Investment Account)	1 000	1 000	1 000	1 000
IDP plan - 6207-744-9603 (FNB Investment Account)	53 618	53 618	53 618	53 618
MSIG - 6216-538-9555 (FNB Investment Account)	10 000	10 000	10 000	10 000
PMF review account - 6216-534-1993 (FNB Investment Account)	12 640	12 640	12 640	12 640
DME - 6220-960-0776 (FNB Investment Account)	2 544 520	1 000	2 544 520	1 000
IEC - 6221-824-3418 (FNB Investment Account)	47 423	47 423	47 423	47 423
Skills Development - 6217-582-8189 (FNB Investment Account)	31 320	31 320	31 320	31 320
FNB Operating Call Account - 6216-534-1943	10 000	1 254 203	10 000	1 254 203
	6 070 393	1 474 365	6 070 394	1 474 366

	2015 R	2014 R
17 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	5 119 111	4 432 300
Residential, Commercial Property, State	5 119 111	4 432 300
Total Assessment Rates	5 119 111	4 432 300

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

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

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

	2015	2014
18 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	48 625 000	41 187 000
Equitable Share	48 625 000	41 187 000
Conditional Grants	20 123 366	25 323 895
Grants and donations: National	13 653 483	16 563 392
Grants and donations: Other	6 469 883	8 760 503
Total Government Grants and Subsidies	68 748 366	66 510 895
Government Grants and Subsidies - Capital	(17 464 000)	(16 596 000)
Government Grants and Subsidies - Operating	(51 270 382)	(49 819 826)
	(68 734 382)	(66 415 826)
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	48 625 000	41 187 000
Finance & Administration: Budget & Treasury	2 543 065	2 461 935
Finance & Administration: Corporate Services	-	-
Planning & Development: IPED	1 435 775	1 699 768
Project Management Unit: PMU	14 170 194	17 393 192
Planning & Development	1 605 332	3 400 000
Community Services: Libraries	369 000	369 000
	68 748 366	66 510 895

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

18.1 Equitable Share

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

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

18.2 Local Government Financial Management Grant (FMG)

Opening balance	-	10 000
Grants received	1 600 000	1 550 000
Conditions met - Operating	(1 600 000)	(1 560 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

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

18.3 Integrated National Electrification Programme (Eskom) Grant

Opening balance	1 000	1 000
Grants received	5 000 000	-
Conditions met - Operating	-	-
Conditions met - Capital	(356 489)	-
Conditions still to be met	4 644 511	1 000

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

18.4 Municipal Infrastructure Grant (MIG)

Opening balance	-	702 123
Grants received	17 464 000	16 596 000
Conditions met - Operating	(873 200)	-
Conditions met - Capital	(13 289 024)	(17 298 123)
Conditions still to be met	3 301 776	-

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

18.5 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	10 000
Grants received	934 000	890 000
Conditions met - Operating	(934 000)	(900 000)
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	-

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

18.6 Other Grant Providers

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

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

18.7 Total Grants

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

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	8 140 385	1 882 764
	8 140 385	1 882 764

19 SERVICE CHARGES

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

20 OTHER INCOME

Rental income	241 289	268 872
Traffic department income	1 373 389	1 168 205
Agency fees	-	729 898
Sundry income (detailed in note on Sundry Income below)	645 748	13 314 854
Total Other Income	2 260 426	15 481 829

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

Sundry Income

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

21 EMPLOYEE RELATED COSTS

Basic Salaries & Wages	16 245 390	20 966 297
Bonus	(98 395)	1 468 569
Medical aid: company contributions	1 521 910	1 548 703
UIF	165 062	221 354
SDL	291 658	320 424
Contribution Bargaining Council	11 050	12 776
Workmen's Compensation	188 115	85 084
Leave pay provision charge	(37 248)	781 507
Overtime payments	1 259 903	2 010 601
Post -employment benefits: Defined benefit medical aid	2 305 478	2 356 661
Shift Allowance	14 513	51 420
Telephone allowances	62 400	122 100
Transitional & other allowances	26 367	27 179
	21 956 203	29 972 675
Total Employee Related Costs	21 956 203	29 972 675

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager**

Annual Remuneration	1 157 151	923 773
Performance Bonuses: 2014	81 404	237 865
Car Allowance	84 000	84 000
Housing & telephone allowances	81 708	81 708
Contributions to UIF, Medical, Pension Funds and Bargaining Council	162 797	148 712
Subsistence & other allowances	90 688	86 479
Total	1 657 748	1 562 537

Remuneration of the Chief Finance Officer (CFO)		
Annual Remuneration	665 875	662 862
Performance Bonuses: 2014	100 887	86 560
Car Allowance	60 000	60 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	173 446	152 776
Subsistence & other allowances	85 558	80 080
Total	1 085 766	1 042 278
Remuneration of the Community Services Manager		
Annual Remuneration	790 216	740 252
Travelling Allowance	8 143	29 924
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	1 785
Total	838 860	851 685
Remuneration of the Corporate Services Manager		
Annual Remuneration	812 857	321 426
Performance Bonuses: 2014	19 999	86 560
Car Allowance	60 000	30 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	892
Subsistence & other allowances	11 117	12 299
Total	905 758	451 177
Remuneration of the IPED Manager		
Annual Remuneration	-	-
Performance Bonuses: 2014	-	86 560
Total	-	86 560
Remuneration of the Technical Services Manager		
Annual Remuneration	842 646	829 208
Performance Bonuses: 2014	-	86 560
Car Allowance	60 000	60 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 785	1 785
Subsistence & other allowances	33 594	45 939
Total	938 025	1 023 492
Remuneration of the Managers (summary)		
Annual Remuneration	4 268 745	3 477 521
Performance Bonuses: 2014	38 716	79 724
Car Allowance	272 143	263 924
Telephone allowance	81 708	81 708
Contributions to UIF, Medical, Pension Funds and Bargaining Council	341 598	305 950
Subsistence & other allowances	220 957	224 797
Total	5 426 157	5 017 729
22	REMUNERATION OF COUNCILLORS	
Councillors Salaries	3 107 046	2 948 446
Mayor Salary	880 683	658 998
Speaker's Salary	580 361	561 027
Medical, travel & other allowances	922 676	1 180 760
Total Councillors' Remuneration	5 490 766	5 349 231
In-kind Benefits		
The Executive Mayor is employed full time and does not receive any in-kind benefits.		
23	DEBT IMPAIRMENT	
Trade Receivables from exchange transactions - Note 14	-	19 974 141
Trade Receivables from non-exchange transactions - Note 15	647 030	9 394 643
Trade Receivables from exchange transactions (Bad Debts)	-	-
Total Contribution to Debt Impairment recognised in statement of financial performance	647 030	29 368 784
Less: Portion Relating to VAT	(79 460)	(3 606 693)
Less: Transferred to Discontinued Operations - Note 47	-	(12 426 445)
Debt impairment from continued operations recognised in statement of financial performance	567 570	13 335 646

24	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	8 706 658	10 724 123
	Investment Property	189 361	189 362
		8 896 019	10 913 485
25	IMPAIRMENTS		
	Property Plant & Equipment	-	-
		-	-
26	FINANCE CHARGES		
	Finance leases	371 231	666 420
	Post Employment Health	110 699	68 205
	Long service awards	287 152	125 303
	Other interest paid	-	-
	Total finance charges	769 082	859 928
27	BULK PURCHASES		
	Electricity	8 619 273	6 321 512
	Water	-	-
	Total Bulk Purchases	8 619 273	6 321 512
28	EXPENDITURE THROUGH GRANTS AND SUBSIDIES		
	Fund: Finance Management Grant (FMG)	1 600 000	1 550 000
	Fund: MSIG expenditure	934 000	940 078
	Fund: MIG	-	97 868
	Fund: Repairs & Maintenance - Roads	110 876	27 128
	Fund: Repairs & Maintenance - Pounds	45 906	2 353
	Fund: Repairs & Maintenance - Street Lights	314 088	37 403
	Fund: DEDEA	-	100 550
	Fund: IDP	-	-
	Fund: Disaster Support	-	-
	Fund: Land Audit	9 967	-
	Fund: MSP	-	-
	Fund: General Valuation	-	-
	Fund: Expanded public works program	1 282 195	2 597 063
	Fund: Environmental Affairs	-	247 670
	Fund: Performance Management	-	-
	Total Grants and Subsidies	4 297 032	5 600 113
		2015	2014
29	GENERAL EXPENSES	R	R
	Advertising	225 417	363 251
	Water operating expenditure	-	1 914 671
	Auditors Remuneration	2 495 598	1 976 616
	Bank Charges	136 047	139 700
	Beautification of towns	3 495 954	564 225
	Catering & Entertainment	123 852	195 566
	Consulting & Professional Fees	1 102 570	929 672
	Consumables	209 255	278 258
	Sundry expenditure	7 148	4 566 875
	Electricity Purchases	647 434	466 291
	Fuel & Oil	2 292 085	3 285 508
	HIV program	37 930	104 257
	Insurance	276 494	533 898
	IT Expenses	377 635	551 137
	Library week	69 805	-
	Licence Fees	767 119	356 732
	Magazines, books & publications	1 470	10 846
	Opening new offices	-	391 557
	Pound Expenditure	27 698	11 443
	Printing & Stationery	298 422	392 743
	Promotions & Sponsorships	587 650	1 580 870
	Protective Clothing	289 252	220 607
	Public Participation	99 622	36 347
	Refuse Bags	192 133	62 293
	Registration fees	-	17 244
	Remuneration Ward Committees	1 047 000	1 084 000
	Rent - office equipment	124 841	112 139
	Security Services	1 759 698	533 228
	Subscription & Membership Fees	525 009	32 000
	Telephone, postage & fax	997 489	1 077 975
	Tools & Accessories - non-capital	8 958	238 147
	Training	257 989	380 084
	Travel Expenses	1 579 425	3 000 571
	Valuation Roll	-	622 186
	VIP Suckage	-	360 000
	Water Cartage	-	54 000
	Water Purification	-	1 060 973
	Water week expenditure	-	502 296
	Total General Expenses	20 060 999	28 008 206

		2014	
		R	
30	CORRECTION OF ERROR IN TERMS OF GRAP 3		
30.1	Payables from exchange transactions		
	Adjustments made to Creditors	(546 012)	
	Corrections were made to prior year amounts incorrectly stated in 2014	<u>(546 012)</u>	
30.2	Property Plant & Equipment		
	Adjustments made to property Plant and Equipment depreciation	(14 435 861)	
	Adjustments made to property Plant and Equipment in terms of the unbundling process	<u>(14 435 861)</u>	
30.3	Receivables from exchange and non-exchange		
	Receivables from exchange transactions	873 131	
		<u>873 131</u>	
30.5	Accumulated surplus/ (Deficit)		
	Prior year adjustment to VAT	546 012	
	Prior year adjustment to Receivables	(873 131)	
	Prior year adjustment to Depreciation	14 435 861	
	Prior year adjustment to Long-service bonuses	-	
		<u>14 108 742</u>	
30.6	STATEMENT OF FINANCIAL PERFORMANCE		
	Expenditure	(546 012)	
	Depreciation	(14 435 861)	
	Revenue	873 131	
	Total	<u>(14 108 742)</u>	
		2015	2014
		R	R
31	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	14 994 856	(14 074 831)
	Adjustments for:		
	Depreciation	8 896 019	10 913 485
	Profit/ (loss) on disposal of property, plant and equipment	(74 323)	(267 820)
	Interest income (cash)	-	(497 045)
	Interest income (non-cash)	(3 317 377)	(5 258 995)
	Finance costs (cash)	769 082	773 268
	Finance costs (non-cash)	-	86 660
	Movement in retirement benefit assets and liabilities	101 435	449 609
	Movement in provisions	8 820 560	(860 518)
	Discontinued Operations - Assets and Liabilities Transferred	-	(5 123 162)
	Prior year adjustments (non-cash flow)	-	-
	Unspent conditional grants and receipts	6 257 621	(763 840)
	Operating Surplus/(Deficit) before changes in working capital	36 447 873	(14 623 189)
	Changes in working capital	(14 171 564)	14 336 550
	Increase/(Decrease) in Trade and Other Payables	(6 574 732)	2 468 612
	Discontinued Operations - Assets and Liabilities Transferred	295 097	295 097
	Increase/(Decrease) in Taxes	(3 811 488)	241 231
	(Increase)/Decrease in Inventory	-	(31 212)
	Consumer deposits	(20 525)	(217 071)
	(Increase)/Decrease in Trade and other receivables (exchange)	(1 304 795)	5 153 511
	(Increase)/Decrease in Trade and other receivables (non-exchange)	(2 755 121)	6 426 382
	Cash generated/(absorbed) by operations	<u>22 276 309</u>	<u>(286 639)</u>

32 CASH AND CASH EQUIVALENTS

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

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

33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

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

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	1 720 787	4 692 397
Used to finance property, plant and equipment - at cost	(1 720 787)	(4 692 397)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

35 BUDGET COMPARISONS

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.1 Operational				
Revenue by source				
Property Rates	5 119 111	4 450 000	669 111	15%
Government Grants and Subsidies - Capital	13 653 483	21 590 800	(7 937 317)	-37%
Government Grants and Subsidies - Operating	55 094 883	54 757 000	337 883	1%
Fines	-	24 500	(24 500)	-100%
Service Charges	11 860 176	13 585 000	(1 724 824)	-13%
Rental of Facilities and Equipment	-	1 076 000	(1 076 000)	-100%
Interest Earned - external investments	525 890	456 000	69 890	15%
Interest Earned - outstanding debtors	3 317 377	2 375 000	942 377	40%
Agency Services	202 841	1 829 933	(1 627 092)	-89%
Other Income	2 260 426	10 255 117	(7 994 691)	-78%
Gain on disposal of Property, Plant and Equipment	74 323	118 992	(44 669)	-38%
	92 108 510	110 518 342	(18 409 832)	-17%
Expenditure by nature				
Employee Related Costs	27 382 360	32 723 586	(5 341 226)	-16%
Remuneration of Councillors	5 490 766	5 545 752	(54 986)	-1%
Debt Impairment	567 570	4 180 120	(3 612 550)	-86%
Depreciation and Amortisation	8 896 019	9 097 000	(200 981)	-2%
Actuarial losses	74 387	-	(74 387)	-100%
Repairs and Maintenance	956 166	3 454 400	(2 498 234)	-72%
Finance Charges	769 082	396 636	(372 446)	94%
Bulk Purchases	8 619 273	9 293 160	(673 887)	-7%
Contracted services	-	1 374 531	1 374 531	-100%
Grants and Subsidies	4 297 032	4 576 000	(278 968)	-6%
General Expenses	20 060 999	24 311 233	(4 250 234)	-17%
	77 113 654	94 952 418	17 838 764	-19%
Net Surplus for the year	14 994 856	15 565 924	(571 068)	-4%

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
35.2 Expenditure by Vote				
Executive & Council	16 156 594	18 236 922	(2 080 328)	-11%
Budget & Treasury	18 285 215	23 032 855	(4 747 640)	-21%
Planning & Development	7 009 243	4 681 843	2 327 400	50%
Community & Social Services	3 598 681	3 122 591	476 090	15%
Housing	401 561	426 375	(24 814)	-6%
Public Safety	2 483 317	3 229 060	(745 743)	-23%
Sport & Recreation	65 433	159 741	(94 308)	-59%
Waste Management	7 010 427	8 340 359	(1 329 932)	-16%
Waste Water Management	-	2 669 677	(2 669 677)	-100%
Road Transport	11 659 248	12 736 306	(1 077 058)	-8%
Water	-	3 806 740	(3 806 740)	-100%
Electricity	12 475 247	14 509 949	(2 034 702)	-14%
Less Inter-Departmental Charges	-	-	-	0%
	79 144 966	94 952 418	(15 807 452)	-17%
	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
35.3 Capital expenditure by vote				
Executive & Council	99 278	100 000	(722)	-1%
Budget & Treasury	-	230 000	(230 000)	-100%
Community & Social Services	1 662 337	4 036 970	(2 374 633)	-59%
Waste Management	9 358 586	221 720	9 136 866	4121%
Road Transport	5 018 321	12 342 110	(7 323 789)	-59%
Water	-	-	-	0%
Electricity	-	5 760 000	(5 760 000)	-100%
	16 138 522	22 690 800	(6 552 278)	-29%
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2015 R	2014 R
36.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			52 349 771	22 014 094
Unauthorised expenditure current year - capital			9 136 866	2 770 618
Unauthorised expenditure current year - operating			2 803 490	27 565 059
Written off by council			(47 519 553)	-
Transfer to receivables for recovery			-	-
Unauthorised expenditure awaiting authorisation			16 770 574	52 349 771

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

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	16 156 594	18 236 922	(2 080 328)	-
Budget & Treasury	18 285 215	23 032 855	(4 747 640)	-
Planning & Development	7 009 243	4 681 843	2 327 400	2 327 400
Community & Social Services	3 598 681	3 122 591	476 090	476 090
Housing	401 561	426 375	(24 814)	-
Public Safety	2 483 317	3 229 060	(745 743)	-
Sport & Recreation	65 433	159 741	(94 308)	-
Waste Management	7 010 427	8 340 359	(1 329 932)	-
Waste Water Management	-	2 669 677	(2 669 677)	-
Road Transport	11 659 248	12 736 306	(1 077 058)	-
Water	-	3 806 740	(3 806 740)	-
Electricity	12 475 247	14 509 949	(2 034 702)	-
	79 144 966	94 952 418	(15 807 452)	2 803 490

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

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

36.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

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

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

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

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

36.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	35 779 681	28 581 481
Prior year restatement	-	840 789
Irregular expenditure current year	17 115 733	4 791 081
Irregular expenditure - Performance Bonuses	-	1 566 330
Condonement supported by council	(52 895 414)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	0	35 779 681

Irregular expenditure awaiting condonement from National Treasury	-	-
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Expenditure to the value of R 17 115 733 (2014: R 4 791 081) was incurred during the current financial year, for which three quotations were not obtained for the expenditure in order to comply to the relevant SCM regulations, however the goods and services were received for this expenditure. As a result, the expenditure is considered irregular and it will be investigated further by management.

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

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

36.4 Material Losses

Electricity distribution losses

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

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

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

37.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

	2015 R	2014 R
Opening balance	-	-
Council subscriptions	524 000	26 000
Amount paid - current year	(524 000)	(26 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

37.2 Audit fees - (MFMA 125 (1)(c))

	2015 R	2014 R
Opening balance	-	(199 181)
Current year audit fee	2 495 598	1 976 616
External Audit - Auditor-General	2 409 022	1 924 120
Internal Audit	-	-
Audit Committee	86 576	52 496
Amount paid - current year	(2 495 598)	(1 976 616)
Amount (paid)/ refunded - previous year	-	199 181
Balance unpaid (included in creditors)	-	-

37.3 Councillor's arrear consumer accounts - (MFMA 124 (1)(b))

The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:

	2015 R Outstanding more than 90 days	2014 R Outstanding more than 90 days
Councillor SP Ntakana	-	949
Councillor TT Doda	-	10 983
Councillor MS Jentile	-	2 663
Councillor BE Ponoche	-	5 080
Total Councillor Arrear Consumer Accounts	-	19 674

37.4 Other non-compliance (MFMA 125(2)(a))

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

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

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

38	COMMITMENTS	2015 R	2014 R
	Commitments in respect of capital expenditure:		
	Approved:	8 772 919	11 814 661
	Total commitments consist out of the following:		
	- Property, plant & equipment	8 772 919	11 814 661
		8 772 919	11 814 661
	This expenditure will be financed from:		
	Government Grants	8 772 919	11 814 661
		8 772 919	11 814 661
	Commitments in respect of operating expenditure:		
	Approved and contracted for:	64 471	970 661
	Total commitments consist out of the following:		
	- Trade Creditors	64 471	970 661
		64 471	970 661
	This expenditure will be financed from:		
	Equitable Share	64 471	970 661
		64 471	970 661

39	FINANCIAL RISK MANAGEMENT	2015 R	2014 R
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The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

1 % (2013 - 1%) Increase in interest rates	47 136	(26 021)
0.5% (2013 - 0.5%) Decrease in interest rates	(23 568)	13 011

(d) Credit Risk

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

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

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

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

No receivables are pledged as security for financial liabilities.

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

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

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	23.58%	20 756 241	20.19%	12 574 666
<u>Exchange Receivables</u>				
Electricity	3.95%	3 475 988	3.11%	1 936 042
Water	33.32%	29 339 385	33.04%	20 575 482
Refuse	22.39%	19 710 717	25.93%	16 149 154
Sewerage	16.70%	14 707 252	19.40%	12 083 346
Other	0.06%	52 788	-1.67%	(1 040 668)
	100%	88 042 371	100%	62 278 022

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

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

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

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

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

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

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

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

	2015 R	2014 R
Receivables from exchange transactions	2 422 221	1 117 426
Cash and Cash Equivalents	6 434 393	2 090 257
	<u>8 856 614</u>	<u>3 207 683</u>

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments			-	-
Interest			-	-
Long Term liabilities - Finance Lease Liability	3 341 427	1 849 624	-	-
Capital repayments	2 972 591	1 719 805	-	-
Interest	368 836	129 819	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	1 196 969	-	-	-
Unspent conditional government grants and receipts	8 140 385	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>12 678 781</u>	<u>1 849 624</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	-	-	-	-
Capital repayments			-	-
Interest			-	-
Long Term liabilities - Finance Lease Liability	-	3 162 390	-	-
Capital repayments		2 209 361	-	-
Interest		953 029	-	-
Provisions - Landfill Sites	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	6 323 046	-	-	-
Unspent conditional government grants and receipts	1 882 764	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>8 205 810</u>	<u>3 162 390</u>	<u>-</u>	<u>-</u>

		2015 R	2014 R
40	FINANCIAL INSTRUMENTS		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
40.1	Financial Assets		
	Classification		
	Receivables		
	Receivables from exchange transactions	2 422 221	1 117 426
	Short-term Investment Deposits		
	Call Deposits	6 070 394	1 474 366
	Bank Balances and Cash		
	Bank Balances	363 999	615 891
		<u>8 856 614</u>	<u>3 207 683</u>
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	8 856 614	3 207 683
	At amortised cost	<u>8 856 614</u>	<u>3 207 683</u>
	FINANCIAL INSTRUMENTS (CONTINUE)		
40.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Capitalised Lease Liability	596 856	1 719 806
	Payables from exchange transactions		
	Trade creditors	1 170 038	6 293 265
	Deposits	26 931	29 781
	Other Payables		
	Unspent Government Subsidies and Grants	8 140 382	1 882 764
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	1 123 931	2 972 591
		<u>11 058 138</u>	<u>12 898 207</u>
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	<u>11 058 138</u>	<u>12 898 207</u>
41	EVENTS AFTER THE REPORTING DATE		
	There were no material events which occurred after reporting date during the financial year ended 2014/2015.		
42	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
43	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
44	CONTINGENT LIABILITY		
	Workmens Compensation:		
	The Municipality did not submit the return for the year 2014 - 2015. Provision were made for the amount due for the year.		
	Pending litigation exists against the municipality totalling approximately R2,773,000, comprising of the following pending cases:		
	- Xabane Civils CC has instituted action in the Grahamstown High Court for payment allegedly due to it in the sum of R 168 189.94 relating to a tender for construction of a road;		
	- Bay Drive Trading 151 (Pty) Ltd has instituted action in the Grahamstown High Court for payment in the sum of R 1 857 330.00, being allegedly due to it relating to a tender for crushed rock;		
	- Bavuka Trading has instituted action in the Mthatha High Court for payment allegedly due to it in the sum of R 372 900.00 relating to a tender for ablation facilities;		
	- Mr Dalasile has instituted action in the Cala Magistrate Court for alleged damages he suffered in the sum of R 12 000.00 for his impounded bull;		
	- Barend Jakobus du Randt has launched an eviction application against Mr Khaka and eight others including the municipality;		
	- 3 Sixty Precast Concrete (Pty)Ltd obtained default judgment against the municipality in the Cala Magistrate Court for the sum of R 28 233.90, which is allegedly due to it for goods sold and delivered.		
	ESKOM: under billing of electricity is disclosed as a contingent liability as electricity sales are approximately 497'087 (2013: 1.5 million) units more than units purchased from Eskom, as it has been determined that Eskom has possibly under billed the municipality for electricity consumed during the 2013 and 2014 financial year. A contingent liability has been disclosed for electricity consumed, but not paid for by the municipality as Eskom could bill the municipality for the amount under billed by Eskom.		

45 **RELATED PARTIES**

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

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

45.1 **Related Party Loans**

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

45.2 **Compensation of key management personnel**

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

45.3 **Other related party transactions**

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

None

46 **FINANCIAL SUSTAINABILITY**

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

Financial Indicators

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

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

We draw attention to the fact that as at 30 June 2015, the municipality had an accumulated surplus of R 151'547'695 and that the municipality's total assets exceed its liabilities.

Other Indicators

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

47 **DISCONTINUED OPERATIONS**

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

47.1 **ASSETS**

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

47.2 **STATEMENT OF FINANCIAL PERFORMANCE**

Revenue from Exchange Transactions

Service Charges		7 303 283
Less: Rebates		
Total Service Charges		7 303 283
Interest Earned - Outstanding Debtors		
Total Revenue		7 303 283

EXPENDITURE

Debt Impairment		
Water		(9 802 540)
Sewerage		(2 623 905)
Total Expenditure		(12 426 445)
NET SURPLUS / (DEFECIT) FOR THE YEAR		(5 123 162)

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

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

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

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
(4 706 341)	20 793 596	16 087 255	Executive & Council	-	16 156 594	16 156 594
(48 322 784)	26 730 433	(21 592 350)	Budget & Treasury	(59 366 320)	18 285 215	(41 081 105)
-	-	-	Corporate Services	-	-	-
(18 995 898)	3 629 906	(15 365 992)	Planning & Development	(17 255 137)	7 009 243	(10 245 894)
-	-	-	Health	-	-	-
(429 707)	1 839 403	1 409 697	Community & Social Services	(512 700)	3 598 681	3 085 981
(32 960)	375 955	342 996	Housing	(74 360)	401 561	327 201
(1 168 205)	2 031 651	863 446	Public Safety	(1 373 972)	2 483 317	1 109 345
(4 150)	125 107	120 957	Sport & Recreation	(4 811)	65 433	60 622
-	-	-	Environmental Protection	-	-	-
(3 880 982)	10 058 835	6 177 853	Waste Management	(4 717 249)	7 010 427	2 293 178
(5 977 794)	5 872 067	(105 727)	Waste Water Management	-	-	-
(667 270)	17 674 544	17 007 273	Road Transport	(30 154)	11 659 248	11 629 094
(17 319 119)	23 627 807	6 308 689	Water	-	-	-
(7 828 909)	10 649 644	2 820 736	Electricity	(10 805 119)	12 475 247	1 670 128
(109 334 117)	123 408 948	14 074 831	Total	(94 139 822)	79 144 966	(14 994 856)

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 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015	Unspent 30 JUNE 2015 (Creditor)	Unpaid 30 JUNE 2015 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share	-	-	-	48 625 000	48 625 000	-	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	1 600 000	1 600 000	-	-	-	-
Integrated National Electrification Programme (Eskom) Grant	1 000	-	1 000	5 000 000	-	356 489	4 644 511	4 644 511	-
- DME Projects	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	-	17 464 000	873 200	13 289 024	3 301 776	3 301 776	-
- General MIG Fund	-	-	-	17 464 000	873 200	13 289 024	3 301 776	3 301 776	-
- EPWP	-	-	-	1 000 000	1 000 000	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	934 000	934 000	-	-	-	-
Total National Government Grants	1 000	-	1 000	74 623 000	53 032 200	13 645 513	7 946 287	7 946 287	-
Provincial Government Grants									
Other Provincial Government Grants	-	-	-	-	-	-	-	-	-
East Cape Local Government LED	-	-	-	-	-	-	-	-	-
East Cape Local Government LED	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-
Dep of Sport Art & Culture (Libraries)	-	-	-	369 000	369 000	-	-	-	-
Total Provincial Government Grants	-	-	-	369 000	369 000	-	-	-	-
District Municipality Grants									
Other District Municipality Grants	-	-	-	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
Beautification of Towns	1 435 775	-	1 435 775	-	1 435 775	-	-	-	-
Eagle Eye	248 843	-	248 843	-	248 843	-	-	-	-
Total District Municipality Grants	1 684 618	-	1 684 618	-	1 684 618	-	-	-	-
Other Grant Providers									
(MSP) MUNICIPAL SUPPORT PROGRAMME	39 983	-	39 983	-	2 197	-	37 786	37 786	-
ELLIOT HOUSING	1 109	-	1 109	-	-	-	1 109	1 109	-
SURVEY ACCOUNT	6 840	-	6 840	-	854	-	5 986	5 986	-
EXTENTION 13 & 14	1 000	-	1 000	-	-	-	1 000	1 000	-
EXTENTION 15	2 213	-	2 213	-	-	-	2 213	2 213	-
GENERAL VALUATION	1 000	-	1 000	-	-	-	1 000	1 000	-
IDP PLAN	53 618	-	53 618	-	-	-	53 618	53 618	-
PMF REVIEW ACCOUNT	12 640	-	12 640	-	-	-	12 640	12 640	-
IEC - ELECTION	47 423	-	47 423	-	-	-	47 423	47 423	-
SKILLS DEVELOPEMENT	31 320	-	31 320	-	-	-	31 320	31 320	-
EPWP Unspent Grant/ Fund	-	-	-	-	-	-	-	-	-
LED	-	-	-	-	-	-	-	-	-
CHDM Libraries	-	-	-	-	-	-	-	-	-
Total Other Grant Providers	197 146	-	197 146	-	3 051	-	194 095	194 095	-
Total	1 882 764	-	1 882 764	74 992 000	55 088 869	13 645 513	8 140 382	8 140 382	-