

Sakhisizwe Municipality



Financial Statements

2007 - 2008

**SAKHISIZWE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

INDEX	Page
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Change in Net Assets	3
Cash Flow Statement	4
Accounting Policies	5 - 14
Notes to the Annual Financial Statements	15 - 31
Appendix A: Analysis of Property Plant & Equipment	32
Appendix B: Analysis of Property, Plant and Equipment	33
Appendix C: Segmental Analysis of Property, Plant and Equipment	34
Appendix D (1): Actual versus Budget (Revenue and Expenditure)	35

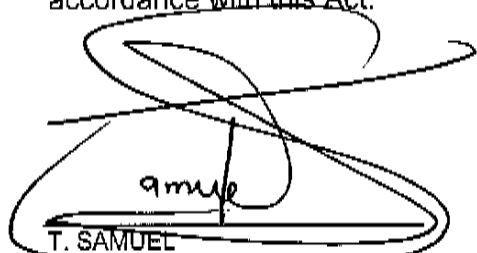
SAKHISIZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 14 of these annual financial statements 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

28 / 08 / 2008

28 August 2008

Date

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		48 926 428	46 028 855
Government grant reserve		-	-
Accumulated Surplus/(Deficit)		48 926 428	46 028 855
Non-current liabilities		896 134	144 306
Long-term liabilities	1	896 134	144 306
Current liabilities		8 929 330	917 785
Creditors	2	4 992 651	3 998 233
Unspent conditional grants and receipts	3	2 770 503	2 089 673
VAT	4	853 193	-5 234 200
Current portion of long-term liabilities	1	297 189	64 078
Bank overdraft	21	15 794	-
Total Net Assets and Liabilities		<u>58 751 893</u>	<u>47 090 946</u>
ASSETS			
Non-current assets		36 321 513	33 214 291
Property, plant and equipment	5	36 247 897	33 138 417
Intangible assets	5	73 616	5 020
Long-term receivables	6	-	70 854
Current assets		22 430 380	13 876 656
Consumer debtors	7	4 741 914	11 097 999
Other debtors	8	375 542	695 538
Current portion of long-term debtors	6	-	-
Bank balances and cash	21	17 312 924	2 083 119
Total Assets		<u>58 751 893</u>	<u>47 090 946</u>

**SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
REVENUE			
Rates		1 492 690	
Penalties on rates			
Service charges	10	10 307 967	10 064 035
Rental of facilities and equipment		60 484	74 364
Interest earned - external investments		628 010	48 564
Interest on arrears.		2 745 887	
Licenses and Permits		14 497	
Government grants and subsidies	11	18 906 214	15 849 258
Government grants and subsidies - PPE		3 222 714	
Other income	12	3 667 865	8 433 687
Gain on disposal of PPE		231 886	
Total Revenue		41 278 214	34 469 908
EXPENDITURE			
Employee related costs	13	13 640 523	11 406 134
Remuneration of Councillors	14	2 356 005	2 158 502
Bad Debt		11 025 553	
Depreciation		2 017 964	1 753 947
Repairs and maintenance		324 182	612 305
Interest paid	15	77 498	1 175
Bulk Payments		2 500 521	
Grants and Subsidies paid		1 000	
General expenses		6 437 394	8 844 498
Total Expenditure		38 380 641	24 776 561
SURPLUS/(DEFICIT) FOR THE YEAR		2 897 573	9 693 347

SAKHISIZWE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
2007			
Balance at 1 July 2006	82 899	26 706 264	26 789 163
Surplus/(deficit) for the year		9 693 349	9 693 349
Capital grants used to purchase PPE	2 290 219	(2 290 219)	-
Offsetting of depreciation	(64 468)	64 468	-
Balance at 30 June 2007	2 308 650	34 173 862	36 482 512
2008			
Correction of error (Note 19)	(2 308 650)	11 854 993	9 546 343
Restated balance	-	46 028 855	46 028 855
Surplus/(deficit) for the year		2 897 573	2 897 573
Balance at 30 June 2008	-	48 926 428	48 926 428

SAKHISIZWE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		55 088 923	59 460 387
Cash paid to suppliers and employees		(36 517 065)	(27 463 602)
Cash generated from/(utilised in) operations	20	18 571 858	31 996 785
Interest received		628 010	48 856
Interest paid		(77 498)	(1 175)
NET CASH FROM OPERATING ACTIVITIES		19 122 371	32 044 466
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5 196 039)	(2 469 093)
Proceeds on disposal of properties		231 886	
Decrease in non-current receivables		70 854	255 155
NET CASH FROM INVESTING ACTIVITIES		(4 893 300)	(2 213 938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts/(Repayments) in Long term Loans		984 940	(94 971)
Increase/(Decrease) in funds and reserves			(36 012 007)
NET CASH FROM FINANCING ACTIVITIES		984 940	(36 106 978)
NET DECREASE IN CASH AND CASH EQUIVALENTS		15 214 011	(6 276 450)
Cash and cash equivalents at the beginning of the year		2 083 119	8 479 940
Cash and cash equivalents at the end of the year	21	17 297 130	2 203 158

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

1. Summary of significant accounting policies for the year ended 30 June 2008.

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and*

The Standard comprise of the following:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4 - The Effects of Changes in Foreign Exchange Rates
GAMAP 6 - Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7 - Accounting for Investments in Associates
GAMAP 8 - Financial Reporting of Interests in Joint Ventures
GAMAP 9 – Revenue
GAMAP 12 – Inventories
GAMAP17 - Property, Plant and Equipment
GAMAP 19 - Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7.11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

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

The Minister of Finance has, in terms of General Notice 552 of 2007 published in Government Gazette No. 30013 dated 29 June 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Foreign currency transactions

Foreign Currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges.

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.5 Reserves

1.5.1 Government Grant Reserve

2006/07 Policy

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

2007/08 Policy

The Government Grant Reserve was adjusted to the accumulated surplus account and the transactions regarding Government grants were allocated as required by GAMAP 9.

1.5.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

1.6 Financial Instruments

Financial instruments carried in the Statement of Financial Position include cash and cash equivalents, investments, accounts receivable, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when it is extinguished, i.e. when the contractual right is discharged, cancelled or expires.

In terms of General Notice 552 of 2007 no classification and measuring of the financial instruments have affected. Financial instruments have been measured as historical cost.

1.7 Leases

1.7.1 Lessee Accounting

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset as described in paragraph 6 are transferred to the Municipality.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are recognised on a payment basis making full use of the exemption benefit.

Assets subject to finance lease agreements are capitalised at the lower of fair value or discounted cash flow if the difference is material, otherwise at fair value, and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on appropriated basis. Lease payments 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 Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.7.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental revenue from lease rentals is recognised on a payment basis making full use of the exemption benefit.

1.8 Borrowings

Making full use of the exemption benefit borrowings are recognised cost, net of transaction costs incurred.

1.9 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.10 Employee Benefits

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

(a) Pension obligations

The Municipality contributes to various pension schemes which are classified as defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. 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. Making full use of the exemptions no actuarial study was undertaken to determine the municipality's obligations.

1.11 Trade Payables (Creditors)

Trade and other creditors excluding Leave pay has been accounted for in terms of the exemptions. Accordingly the creditors were stated at nominal value and no discounting was accounted for.

1.12 Accrued Leave Pay

Leave pay is stated as a current liability and stated at nominal value. In terms of the exemptions published in Government Gazette No. 30013 dated 29 June 2007 no discounting was accounted for.

1.13 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested 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.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

1.15 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.16 Property Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revalued as indicated in the policy for the revaluation of land and buildings below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment are acquired in exchange for non-monetary or monetary assets or a combination of both, property, plant and equipment are measured at their fair value.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Depreciation and impairment losses

Depreciation is calculated on cost, using the straight line method over the estimated useful lives for all assets excluding furniture and fittings which are depreciated by applying the diminishing balance method. The depreciation rates are based on the following estimated useful lives:

	<u>Years</u>		<u>Years</u>
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

<u>Community</u>		Bins and containers	5
Improvements	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other plant and equipment	2-5
Security	5	Landfill sites	15
<u>Investment Properties</u>	30		

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

In terms of the exemptions no investment properties were identified and disclosed separately from property, plant and equipment in the financial statements.

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Sakhisizwe municipality are amortised according to the straight line method. By making use of the exemptions only software are included as intangible assets.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

1.17 Trade and other Receivables

Accounts receivable are carried at anticipated realisable value and no discounting was done in terms of the exemptions. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

1.18 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.19 Revenue Recognition

Revenue is derived from a variety of sources that includes rates levied, grants from other tiers of government and revenue from trading activities and municipal services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, these benefits can be measured reliably and the specific criteria has been met for each of its activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Service charges relating to water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's tariff policy.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

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

- The municipality has transferred to the buyer 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.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use.

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. .

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

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.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Borrowing costs

All borrowing costs, being interest cost incurred by the Municipality when borrowing funds, are recognised as finance costs expenses in the period in which it is incurred.

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating

Sakhisizwe Municipality – Accounting policies for the year ended 30 June 2008

decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22 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 the 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 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 (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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1 LONG-TERM LIABILITIES		
Annuity Loans – DBSA	107 449	208 384
Finance leases - Wesbank	1 085 875	
Total	1 193 324	208 384
Less : Current portion transferred to current liabilities	-297 189	(64 078)
Total External Loans	896 134	144 306

The Municipality has taken up two external loans from DBSA repayable six monthly. The interest rate is 15.25% and 16.75% per annum. The loans are unsecured.

Nine finance lease agreements with Wesbank were entered into at 14% over five years. The cashflows were discounted over the period and found to be as near to fair value to make no material difference and therefore the leases were capitalised at fair value.

Lease nominal payments

	1 Year	2-5 Years	5+ Years
Nominal payments	356 031.69	1 312 991.02	-
Discounted payments	334 295.72	1 032 912.24	-
Future discount interest costs	21 735.97	280 078.78	-

2 CREDITORS

Consumer Deposits	269 537	210 246
Other Deposits	52 851	
Trade Creditors	3 989 543	2 607 644
Other creditors	203 365	702 989
Provisions Staff Leave	477 354	477 354
Total Creditors	4 992 651	3 998 233

Total creditors were adjusted with R1,400,559. See note 19 Correction of Error

3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Grant: Finance Management (FMG)	437 511	(0)
Grant: Municipal Infrastructure (MIG)	662 663	338 256
Grant: Rural Infrastructure	7 781	170 130
Grant: General Valuation	705 458	233 007
Grant: Survey	13 547	145 854
Grant: Mentoring and Annual Financial Statements	-	-
Grant: Establishment of ward committees	-	2 180
Elliot housing	152 256	211 017
Grant: Municipal Service Improvement (Msig)	102 026	
Elliot TLC	-	
Grant: PMF Review	93 117	
Disaster Fund	80 082	86 048
Skills development	290 285	
Municipal Support Program (MSP)	-	313 272
Grant: Cala	-	223 823
Grant: Ext 13&14	6 448	6 231
Grant: Survey	(0)	128 935
Grant: Ext 15	106 604	117 409
Grant: IDP	112 724	113 512
Grant: Housing	-	(0)
Total Unspent Conditional Grant	2 770 503	2 089 673

See Note 11 for a reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R

The 2007 balances has been adjusted with an amount of R1,515,718 i.r.o prior year errors. See not 19 Correction of errors.

4 VAT

Vat payable	<u>853 193.00</u>	<u>(5 234 199.83)</u>
-------------	-------------------	-----------------------

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

The balance on 2007 was adjusted by R6,638,803 see note 19 Correction of Error

5 PROPERTY, PLANT AND EQUIPMENT

The reconciliation of carrying values is set out on the following page.

The municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in the process of itemising all infrastructure and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	R	2007	R
6 LONG-TERM RECEIVABLES				
Overspent Conditional Grants without Bank accounts			70	
Car loans	0.00		70 783	
Other	0.00			
Less: Current portion transferred to current receivables				
Total		-	70 854	

Prior to 1 July 2004 Senior staff were entitled to car loans which attract interest at 8% per annum and are repayable over a maximum period of 5 years.

The 2007 balance of Internal loans has been restated with R228,184 and R19 144. See note 19 Correction of Error

7 CONSUMER DEBTORS

As at 30 June 2008

DEBTORS: Water;	12 444 651	12 178 646
DEBTORS: Electricity;	1 243 908	1 092 478
DEBTORS: Sewerage;	5 797 744	7 362 112
DEBTORS: Refuse Removal;	10 495 672	6 026 248
DEBTORS: Rates;	6 642 997	5 299 529
DEBTORS: Rent Commonage;	5 105	7 148
DEBTORS: Building Clause;	3 608	1 310
DEBTORS: Rent;	13 876	10 060
DEBTORS: Other	6 810	7 373
Total of consumer debtors before provision for bad debt	36 654 372	31 984 904
Provision for bad debts	-31 912 458	-20 886 905
Net Consumer Debtors	4 741 914	11 097 999

Adjustments of R2 900 411 i.r.o refuse removal and R5 585 559 i.r.o water and sanitation as a prior year errors were effected. See note

Consumer Debtors: Ageing

Current (0 – 30 days)	810 156	251 703
31 - 60 Days	970 025	93 214
61 - 90 Days	850 245	81 725
Over 90 Days	34 017 136	23 071 291
Total	36 647 562	23 497 933

Bad debts provision

Balance at the beginning of the year	20 886 905	500 000
Contribution to the provision	11 025 553	20 386 905
Balance at end of the year	31 912 458	20 886 905

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	R	2007	R
8 OTHER DEBTORS				
Sundry debtors	375 542		695 538	
Total Other Debtors	375 542		695 538	

The Sundry debtors balance at 2007 were adjusted with R356,046 see note 19 Correction of Errors

9 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)
Sakhisizwe FNB Bank Account – 62076523135

Cash book balance at beginning of year – overdrawn	<u>187 672</u>			
Cash book balance at end of year – overdrawn	<u>634 567</u>		<u>187 672</u>	
Bank statement balance at beginning of year	<u>77 516</u>	-	<u>77 516</u>	
Bank statement balance at end of year	<u>211 764</u>		<u>77 516</u>	

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	R	2007	R
<i>Sakhisizwe Standard Bank Account – 280585330</i>				
Cash book balance at beginning of year		-		
Cash book balance at end of year			<u>7 796</u>	
Bank statement balance at beginning of year			<u>19 830</u>	
Bank statement balance at end of year			<u>7 796</u>	
<u>Savings Account/ Call Account Deposits</u>				
Cash book balance at beginning of year	1 754 938		3 526 074	
Cash book balance at end of year	<u>16 676 367</u>		<u>2 015 486</u>	
Bank statement balance at beginning of year	1 754 938		3 526 074	
Bank statement balance at end of year	<u>16 676 367</u>		<u>2 015 486</u>	
10 SERVICE CHARGES				
Rates				
Water	2 650 780		10 064 035	
Electricity	2 435 105			
Refuse	4 119 036			
Sanitation	<u>1 103 045</u>			
Total Service Charges	<u>10 307 967</u>		<u>10 064 035</u>	

The balance for 2007 included rates.

Although Chris Hani District Municipality is the service provider for Water and Sanitation this service is performed by Sakhisizwe municipality as an agency service. The income and expenditure for these services are included in the operating results of Sakhisizwe municipality and will be adjusted to an agency account after investigating the amounts for Chris Hanis account.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008		2007	
		R		R
11 GOVERNMENT GRANTS AND SUBSIDIES				
Municipal System Improvement Grant	734 000		375 512	
General Valuations	550 000		510 000	
Municipal Improvement Grant	5 197 018		2 302 155	
Mentoring And Annual Financial Statements			130 302	
ICT			30 856	
Establishment of Ward Committees			42 180	
Finance Management Grant	500 000		146 486	
Opening of Road			152 093	
Municipal Support Programme	510 000			
Building of Pound – Guard Houses			196 024	
Skills Development	253 185.00			
SUBSIDIES				
Equitable Share	12 891 445		11 369 105	
Health and Environmental Affairs Subsidy	797 164		594 545	
Total Government Grant and Subsidies	21 432 812		15 849 258	

The Equitable Share allocation is an unconditional grant and is utilised in service delivery.

No Grants were withheld for non compliance to grant conditions

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R

11.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

12 OTHER INCOME

Traffic Income, Fines, Admin and sundry income		8 433 687
Total Other Income	0	8 433 687

13 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages	9 265 156	6 920 236
Employee related costs - Contributions for UIF, pensions and medical aids	2 033 114	1 403 454
Housing, Telephone, Motor Vehicles and Rural Allowances	757 600	39 323
Overtime payments	792 453	562 091
Performance bonus	792 200	632 490
Total Employee Related Costs	13 640 523	9 557 594

Remuneration of the Municipal Manager

Annual Remuneration	480 577	498 968
Performance Bonuses	78 400	60 942
Car Allowance	82 615	160 550
Housing and Telephone Allowances	72 078	58 214
Contributions to UIF, Medical and Pension Funds	67 384	1 169
Total	781 054	779 843

Remuneration of the Chief Finance Officer

Annual Remuneration	111 627	249 529
Housing, Telephone and Motor Vehicle Allowances	36 304	106 703
Performance Bonuses		
Car Allowance		
Housing and Telephone Allowances	4 264	
Contributions to UIF, Medical and Pension Funds	8250	
Total	160 445	356 232

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
EMPLOYEE RELATED COSTS (continued)		
13		
<i>Remuneration of the Directors of Corporate Services and Technical Services</i>		
Annual Remuneration	354824	
Performance Bonuses	61478	
Car Allowance	48753	
Housing and Telephone Allowances	9330	
Contributions to UIF, Medical and Pension Funds	2259	
Total	476 644	-
14		
REMUNERATION OF COUNCILLORS		
Mayor:		
Salary	359 035	331 933
Allowances	119 472	
Council's contribution to medical aid	14 724	
Councillors salaries	1 325 797	1 157 961
Allowances	484 165	
Contribution to medical aid	52 812	
Total Councillors' Remuneration	2 356 005	1 489 894
<i>In-kind Benefits</i>		
The Mayor, is full-time. She is provided with an office and secretarial support at the cost of the Council.		
A motor vehicle for the exclusive use by the Mayor for official duties was purchases during the year.		
15		
INTEREST PAID		
Long-term liabilities	77 498	1 175
Bank overdrafts		
Total Interest on External Borrowings	77 498	1 175

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		R	R
CORRECTION OF ERROR			
19			
Unexplained differences between the balances in the General Ledger and the Annual Financial Statements for 2007 were adjusted as follows by restating the opening balances for the 2008 Annual Financial Statements: -			
Unexplained differences in disclosing the unspent MSP grant funding on 30 June 2007 has been adjusted as follows:-			
	3		228 186
	6		(228 186)
			<u>-</u>
Debit balance on the Creditors disclosure at 30 June 2007 has been adjusted as follows:-			
	2		(437 074)
	8		437 074
			<u>-</u>
<u>Adjustments effected to Accumulated Surplus were as follows:-</u>			
<u>Debtors:</u>			
Unexplained amount allocated in debtors.			
	8		81 028
	7		-2 900 411
			(5 586 559)
Water and sanitation fees refund from Chris Hanani district municipality i.r.o. Prior years			
<u>Unspent Conditional grants:</u>			
Unexplained amount disclosed in the financial statements for 2007 but does not reflect in the general ledger.			
	3		(919)
	3		(1 515 718)
Opening balances on Grant funding not cash backed written of.			
<u>PPE:</u>			
Depreciation allocated in respect of roads not reflected in the general ledger and asset register			
	5		(3 594)
Accumulated Depreciation to 30/06/2007 were adjusted in total as there are no indication as how it was calculated.			
	5		(11 228 019)
	5		16 386 743
Accumulated depreciation (increase)			
<u>Creditors</u>			
Adjustment of balances on creditors prior year			
	2		(767 745)
	2		459 292
	2		(107 000)
	2		75 710
Adjustment of legal costs expensed in 2007/08 i.r.o. the 2006/2007 financial year.			
	2		437 074
Balance on Salary control account 06/2007 unexplained written back.			
	2		-27 674
	2		1 190 612
	2		87 108
Adjustment of payment prior year			
Adjust 2007 creditor balances			
UIF and SDL balances owned to SARS			
<u>Cash and Cash equivalents</u>			
Adjustment of incorrect bank account balances.			
	21		551 593
	21		(67 351)
	21		96 682
	21		-145 854
	21		-91 207
	21		-223 823.04
Adjusting investment opening balances			
Stale cheques adjusted			
Adjustment in terms of EX - 170			
Adjusting the Survey fund investment balance			
Adjusting the operating investment balance			
Adjusting Cala investment balance.			
<u>VAT</u>			
	4		(1 404 603)
Net balance on VAT adjustment adjusted (Adjustment in terms of Management letter EX - 168) (decrease)			
	4		(5 181 061)
Net adjustments on VAT allocations 2007			
	4		(53 139)
Adjustments as per VAT 201's			
<u>Other</u>			
Government Grant Reserve regulated by GAMAP 9 and not supported as a reserve. - decrease Statement of Changes.			
			(2 308 650)
Adjustment deposits			
			46 003
Motor car loans incorrect balances adjusted.			
			198 364.54
AFS fund allocated as longterm receivable balance adjusted			
			-19 144.00
Pension fund payments adjusted			
			167 270
Net effect on surplus/(deficit) for the year (decrease)			
			<u><u>-11 854 993</u></u>

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	R	2007	R
CASH GENERATED BY OPERATIONS				
20				
Surplus/(deficit) for the year	2 897 573		9 693 348	
Adjustment for:-				
Depreciation	2 017 964		1 753 947	
Interest paid	77 498		1 175	
Investment income	(628 010)		-48 564	
Gain on disposal of PPE	(231 886)			
Operating surplus before working capital changes:	4 133 138		11 399 906	
(Increase)/decrease in debtors	6 356 085		24 990 478	
(Increase)/decrease in other debtors	319 996			
(Decrease)/increase in conditional grants and receipts	680 829			
Increase in creditors	994 418		-4 393 599	
Increase in VAT	6 087 393			
Cash generated by/(utilised in) operations	18 571 858		31 996 785	

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	17 312 924	2 083 119
Bank overdrafts	-15 794.35	
Total cash and cash equivalents	17 297 130	2 083 119

The bank and cash balance 2007 were adjusted by R120 039 see note 19 Correction of Error.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008

2007

R

R

22 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 1) Used to finance property, plant and equipment – at cost

Sub- total

Cash set aside for the repayment of long-term liabilities

Cash required for repayment of long-term liabilities

Municipality has not created any setting aside of cash as these loans are old. Repayments are done out of normal generated receipts.

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

23.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Transfer to receivables for recovery (note 13)

Unauthorised expenditure awaiting authorization

Incident

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 2007
R R

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

23

23.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance

Fruitless and wasteful expenditure current year

175 363

Condoned or written off by Council

To be recovered – contingent asset (see note 46)

Fruitless and wasteful expenditure awaiting condonement

Incident

Interest and penalties raised by SARS on late payments of submissions.

23.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Transfer to receivables for recovery – not condoned

Irregular expenditure awaiting condonement

Incident

Municipality has no litigation against its employees.

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008		2007	
		R		R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE				
24 MANAGEMENT ACT				
<u>24.1 Contributions to organized local government</u>				
Opening balance				
Council subscriptions	59 737.00			
Amount paid - current year	(59 737.00)			
Amount paid - previous years				
Balance unpaid (included in creditors)		-		

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
24 MANAGEMENT ACT (continued)

24.2 Audit fees

Opening balance				
Current year audit fee	1 741 807			
Amount paid - current year	(554 051)			
Amount paid - previous years				
Balance unpaid (included in creditors)		1 187 756		

The balance unpaid represents provision of the audit fee for June 2002 and is payable after an audit has been conducted.

24.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 4. All VAT returns have been submitted by the due date throughout the year.

24.4 PAYE and UIF

Opening balance				
Current year payroll deductions	1 798 432			
Amount paid - current year	(792 154)			
Amount paid - previous years				
Balance unpaid (included in creditors)		1 006 278		

The balance represents PAYE and UIF deducted from the June 2007

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
<u>24.5 Pension and Medical Aid Deductions</u>		
Opening balance		
Current year payroll deductions and Council Contributions	2 364 885.00	
Amount paid - current year	(2 364 885.00)	
Amount paid - previous years		
Balance unpaid (included in creditors)	-	

24.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has not developed a supply chain management policy.

25 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for		
<i>Infrastructure</i>	9 600 000	
<i>Other</i>		
Total	9 600 000	

This expenditure will be financed from:

- Government Grants	9 600 000
---------------------	-----------

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 2007
R R

26 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 6 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2007. These valuations indicate that the funds are in a sound financial position.

27 IN-KIND DONATIONS AND ASSISTANCE

The Municipality not received any in-kind donations and assistance.

28 CONTINGENT LIABILITY

Claim for damages

Litigation in respect of former Chief Finance Officer was on going at 30 June 2008.

29 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D(1) and D(2).

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	8 134 095	9 761 215	8 212 794	7 030 313	33 138 418
Cost	8 252 085	13 942 276	14 646 460	12 617 615	49 458 437
Correction of error					
Accumulated depreciation	-117 990	-4 181 061	-6 433 667	-5 587 302	-16 320 020
Additions	-	3 667 726	-	1 443 439	5 111 165
Capital under Construction					
Depreciation	-24 035	-889 798	-367 333	-720 519	-2 001 686
Disposals					
Cost					
Accumulated depreciation					
Impairment losses					
Other movements					
Carrying values at 30 June 2008	8 110 061	12 539 142	7 845 460	7 753 234	36 247 897
Cost	8 252 085	17 610 002	14 646 460	14 061 055	54 569 602
Accumulated depreciation	-142 025	-5 070 859	-6 801 000	-6 307 821	-18 321 705

SAKHISIZWE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	8 619 422	12 396 201	14 646 460	13 145 676	48 807 759
Cost	8 069 696	11 672 109	14 646 460	12 601 080	46 989 345
Correction of error	3 289 719	4 012 890		3 929 004	11 231 613
Accumulated depreciation	(2 739 993)	(3 288 798)		(3 384 408)	(9 413 199)
Additions	182 389	2 270 167		16 536	2 469 092
Capital under Construction					
Depreciation	(549 726)	(724 092)		(544 596)	(1 818 414)
Disposals					
Cost					
Accumulated depreciation					
Impairment losses					
Other movements (Correction depreciation)	(117 990)	(4 181 061)	(6 433 667)	(5 587 302)	(16 320 020)
Carrying values at 30 June 2007	8 134 095	9 761 215	8 212 794	7 030 314	33 138 417
Cost	8 252 085	13 942 276	14 646 460	12 617 616	49 458 437
Accumulated depreciation	(117 990)	(4 181 061)	(6 433 667)	(5 587 302)	(16 320 020)

Depreciation calculations to 30/06/2007 were written back and recalculated.

Intangible Assets

Reconciliation of Carrying Value	Computer Software				Total
	R	R	R	R	R
Carrying values at 1 July 2007	5 020				(9 341 457)
Cost	71 742				71 742
Correction of error					-
Accumulated depreciation	(66 723)				(9 413 199)
Additions	84 874				84 874
Capital under Construction					
Depreciation	(16 278)				(16 278)
Disposals					
Cost					
Accumulated depreciation					
Impairment losses					
Other movements (Correction depreciation)					
Carrying values at 30 June 2008	73 616	-	-	-	73 616
Cost	156 617	-	-	-	156 617
Accumulated depreciation	(83 001)	-	-	-	(83 001)

APPENDIX A
SAKHISIZWE MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Category	Property, Plant and Equipment					Accumulated Depreciation				
	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening	Depreciation	Disposals	Closing Balance	Carrying Value
Land and buildings	8 252 085	-	-	-	8 252 085	117 990	24 035	0	142 025	8 110 061
Land	7 290 696	-	-	-	7 290 696	-	-	-	-	7 290 696
Municipal Buildings	961 389	-	-	-	961 389	117 990	24 035	-	142 025	819 365
Infrastructure	13 942 276	3 667 726	-	-	17 610 002	4 181 061	889 798	0	5 070 859	12 539 142
Electricity	3 220 000	3 063 261	-	-	6 283 261	1 018 208	195 726	-	1 213 935	5 069 326
Roads	2 415 752	604 465	-	-	3 020 217	90 944	284 521	-	375 465	2 644 751
Security	115 500	-	-	-	115 500	115 500	-	-	115 500	0
Sewerage	1 000 000	-	-	-	1 000 000	300 000	50 000	-	350 000	650 000
Water	7 191 024	-	-	-	7 191 024	2 656 408	359 551	-	3 015 959	4 175 065
Community assets	14 646 460	-	-	-	14 646 460	6 433 667	367 333	-	6 801 000	7 845 460
Caravan parks	20 000	-	-	-	20 000	4 000	667	-	4 667	15 333
Care centres	345 000	-	-	-	345 000	74 250	8 625	-	82 875	262 125
Cemetaries	50 000	-	-	-	50 000	7 500	1 250	-	8 750	41 250
Cinics and Hospitals	340 000	-	-	-	340 000	91 500	8 500	-	100 000	240 000
Community centres	7 550 000	-	-	-	7 550 000	5 507 500	188 750	-	5 696 250	1 853 750
Landfill sites	1 626 460	-	-	-	1 626 460	-	-	-	-	1 626 460
Libraries	2 715 000	-	-	-	2 715 000	198 917	67 875	-	266 792	2 448 208
Sport facilities	2 000 000	-	-	-	2 000 000	550 000	91 667	-	641 667	1 358 333
Other assets	12 617 615	1 443 439	-	-	14 061 055	5 587 302	720 519	-	6 307 821	7 753 234
Abattoirs	4 710 955	-	-	-	4 710 955	304 249	117 774	-	422 023	4 288 932
Computer equipment	540 794	180 465	-	-	721 259	434 230	68 471	-	502 701	218 558
Emergency equipment	93 849	-	-	-	93 849	65 807	5 122	-	70 929	22 920
Furniture and fittings	764 414	-	-	-	764 414	378 569	36 864	-	415 433	348 981
Motor vehicles	1 983 577	1 219 565	-	-	3 203 141	1 306 269	231 064	-	1 537 332	1 665 809
Office equipment	8 138	-	-	-	8 138	2 881	901	-	3 782	4 355
Plant & machinery	4 515 889	43 409	-	-	4 559 298	3 095 297	260 323	-	3 355 621	1 203 678
Total PPE	49 458 437	5 111 165	-	-	54 569 602	16 320 020	2 001 686	-	18 321 705	36 247 897
Intangible Assets	71 742	84 874	-	-	156 617	66 723	16 278	-	83 001	73 616
Computer software	71 742	84 874	-	-	156 617	66 723	16 278	-	83 001	73 616
Total	49 530 180	5 196 039	-	-	54 726 219	16 386 743	2 017 964	-	18 404 707	36 321 513

SAKHISIZWE MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008

Department	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
Executive & Council	152 335	3 853			156 187	77 632	14 028		91 660	64 527
Finance & Admin	16 664 972	1 479 425			18 144 397	6 310 084	325 610		6 635 695	11 508 702
Planning & Development	33 944	-			33 944	17 602	1 561		19 163	14 781
Health	5 684 913	26 186			5 711 099	712 407	181 278		893 685	4 817 414
Community & Social Services	3 005 660	-			3 005 660	349 637	87 429		437 066	2 568 594
Public Safety	757 604	-			757 604	377 809	44 216		422 025	335 579
Housing	40 650	-			40 650	27 803	2 040		29 843	10 807
Parks & Recreation	2 022 610	-			2 022 610	555 324	92 456		647 780	1 374 830
Sanitation	1 342 688	5 520			1 348 208	530 179	70 550		600 729	747 479
Waste Management	3 095 053	-			3 095 053	945 837	195 098		1 140 935	1 954 117
Road Transport	5 666 055	608 445			6 274 500	2 361 134	418 094		2 779 228	3 495 272
Water	7 644 596	-			7 644 596	2 960 995	386 744		3 347 740	4 296 856
Electricity	3 419 102	3 072 611			6 491 713	1 160 299	198 858		1 359 157	5 132 556
Total	49 530 180	5 196 039			54 726 219	16 386 743	2 017 964		18 404 707	36 321 513

**SAKHISIZWE MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2008**

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
10	3 468 643	(3 468 633)	Executive & Council	45 500	3 556 406	(3 510 906)
20 475 187	8 836 404	11 638 783	Finance & Admin	20 665 183	7 572 437	13 092 745
	105 358	(105 358)	Planning & Development	-	591	(591)
604 136	1 092 971	(488 835)	Health	968 499	1 514 751	(546 252)
3 197 399	1 694 559	1 502 840	Community & Social Services	172 673	1 574 282	(1 401 609)
2 000	589 118	(587 118)	Public Safety	1 479 157	1 031 800	447 357
721 168	455 153	266 015	Housing	480 392	997 723	(517 331)
10 580	388 223	(377 643)	Parks & Recreation	15 388	218 201	(202 813)
1 953 089	1 208 202	744 887	Sanitation	3 038 446	5 298 196	(2 259 750)
1 799 248	1 826 867	(27 619)	Waste Management	4 681 581	4 643 329	38 253
391 965	958 070	(566 105)	Road Transport	505 446	1 566 457	(1 061 011)
2 671 128	3 509 069	(837 941)	Water	3 967 764	6 732 601	(2 764 837)
2 643 971	1 643 933	1 000 038	Electricity	5 258 185	3 673 866	1 584 319
34 469 881	25 776 570	8 693 311	TOTAL	41 278 214	38 380 641	2 897 573

In the 2006/07 financial year the Actual Income and Expenditure could not be reconciled with the 2006/07 general ledger and the allocation of the income and expenditure to above groupings was not possible.

SAKHISIZWE MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2 008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget (Explanations to be recorded)
Revenue					
Rates	1 492 690	1 686 823	-194 133	-12%	
Penalties on rates	0		0		
Service charges	10 307 967	10 795 665	-487 698	-5%	
Rental of facilities and equipment	60 484	19 000	41 484	218%	
Interest earned - external investments	628 010	12 000	616 010	5133%	
Interest on arrears.	2 745 887	10 000	2 735 887	27359%	
Licenses and Permits	14 497	17 778 390	-17 763 893	-100%	
Government grants and subsidies	18 906 214	17 039 480	1 866 734	11%	
Government grants and subsidies - PPE	3 222 714		3 222 714	100%	
Other income	3 667 865	1 418 860	2 249 005	159%	
Gain on disposal of PPE	231 886		231 886	100%	
Total Revenue	41 278 214	48 760 218	-7 482 004		
Expenditure					
Employee related costs	13 640 523	21 823 585	-8 183 062	-37%	
Remuneration of Councillors	2 356 005		2 356 005	100%	
Bad Debt	11 025 553	3 634 060	7 391 493	203%	
Depreciation	2 017 964		2 017 964	100%	
Repairs and maintenance	324 182	2 446 351	-2 122 169	-87%	
Interest paid	77 498	5 483 902	-5 406 404	-99%	
Bulk Payments	2 500 521		2 500 521	100%	
Grants and Subsidies paid	1 000	20 000.00	-19 000	100%	
General expenses	6 437 394	13 031 738	-6 594 344	-51%	
Total Expenditure	38 380 641	46 439 636	77 165 177		
Surplus/deficit	2 897 573	2 320 582	-84 647 181		