



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Senqu Municipality is a 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 Senqu Municipality includes the following areas:

Lady Grey
Barkly East
Sterkspruit
Rhodes
Herschel
Rossouw

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor	Mr Z I Dumzela
Chairperson: Housing & Estate Services	Mr M M Mafilika
Chairperson: Corporate & Support Services	Mr V V Mbulawa
Chairperson: Budget & Treasury Services	Ms N Kuse
Chairperson: Community & Social Services	Ms G N Mbonzana
Chairperson: Technical & Engineering Services	Ms P August

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

REGISTERED OFFICE

P.O. Box 18
Lady Grey
9755

AUDITORS

Auditor-General
P O Box 13252
East London

PRINCIPLE BANKERS

Standard Bank

ATTORNEYS

Douglas & Botha

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

SENQU MUNICIPALITY

MEMBERS OF THE SENQU MUNICIPALITY

WARD	COUNCILLOR
1	Ms E N Mbobo
2	Ms N Nombula
3	Ms N C Mraji
4	Ms N M Kwinana
5	Mr J Lamani
6	Mr S S Ndzongana
7	Ms N A Mkhontwana
8	Mr M G Moeletsi
9	Ms A Kwinana
10	Ms G N Parkies
11	Mr V V Mbulawa
12	Mr M P Bingwa
13	Ms L M Tokwe
14	Mr L Booï
15	Mr M G Ncise
16	Mr M Mafilika
Proportional	Mr Z I Dumzela
Proportional	Ms M C E Stanley
Proportional	Ms G Mvuyiswa
Proportional	Mr M W Mpelwane
Proportional	Mr J Konstabel
Proportional	Ms I Elia
Proportional	Mr X M Ganamfana
Proportional	Ms G Mbonyana
Proportional	Ms P August
Proportional	Ms A H Sobhuza
Proportional	Ms N Kuse
Proportional	Ms Juju
Proportional	Ms M N Ngendane
Proportional	Ms N G Beje
Proportional	Mr A Mateisi
Proportional	Mr S S Tindleni

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 61 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

M M Yawa
Municipal Manager

Date

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		216 128 830	175 462 832
Capital Replacement Reserve	2	39 964 908	45 850 902
Accumulated Surplus/(Deficit)		176 163 923	129 611 930
Non-Current Liabilities		16 798 687	7 132 244
Long-term Liabilities	3	8 162 581	-
Employee benefits	4	8 636 106	7 132 244
Non-Current Provisions	5	-	-
Current Liabilities		18 466 684	21 631 571
Consumer Deposits	6	362 978	379 158
Current Employee benefits	7	4 702 861	3 859 404
Trade and other payables	8	1 077 649	645 639
Unspent Conditional Government Grants and Receipts	9	12 141 540	16 737 481
Operating Lease Liability	19.1	7 658	9 889
Current Portion of Long-term Liabilities	3	173 998	-
Total Net Assets and Liabilities		251 394 202	204 226 648
ASSETS			
Non-Current Assets		164 892 717	123 550 602
Property, Plant and Equipment	11	164 353 040	121 295 656
Non-Current Assets Held for Sale	12	24 720	1 844 498
Investment Property	13	-	-
Intangible Assets	14	501 262	380 081
Long-Term Receivables	15	13 695	30 367
Current Assets		86 501 484	80 676 045
Inventory	16	-	-
Trade Receivables from exchange transactions	17	9 920 076	8 036 858
Other Receivables from non-exchange transactions	18	1 042 119	729 249
Unpaid Conditional Government Grants and Receipts	9	38 141	191 481
Operating Lease Asset	19.2	50 429	42 453
Taxes	10	9 162 052	2 553 974
Current Portion of Long-term Receivables	15	16 740	15 221
Cash and Cash Equivalents	20	66 271 927	69 106 810
Total Assets		251 394 202	204 226 648

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009	2009
		Restated - Note	Previously
Notes	R	34 R	Reported R
REVENUE			
Revenue from Non-exchange Transactions	98 653 624	69 360 631	69 360 631
Taxation Revenue	3 937 597	3 146 669	3 146 669
Property taxes	21 3 937 597	3 146 669	3 146 669
Transfer Revenue	94 662 511	65 904 756	65 904 756
Government Grants and Subsidies - Capital	22 34 378 128	21 307 063.20	21 307 063
Government Grants and Subsidies - Operating	22 60 284 382	44 597 692.91	44 597 693
Other Revenue	53 517	309 206	309 206
Actuarial Gains	-	222 758	222 758
Fines	53 517	86 448	86 448
Revenue from Exchange Transactions	27 389 623	18 081 721	18 081 721
Service Charges	23 12 036 262	6 595 493	6 595 493
Water Services Authority Contribution	24 6 760 616	-	-
Rental of Facilities and Equipment	541 542	301 361	301 361
Interest Earned - external investments	5 087 335	7 732 615	7 732 615
Interest Earned - outstanding debtors	919 207	555 897	555 897
Licences and Permits	1 165 950	1 614 250	1 614 250
Agency Services	517 585	389 897	389 897
Other Income	25 361 125	892 208	892 208
Total Revenue	126 043 248	87 442 353	87 442 353
EXPENDITURE			
Employee related costs	26 29 794 492	19 726 900	19 726 900
Remuneration of Councillors	27 6 806 863	6 238 713	6 238 713
Debt Impairment	28 2 331 971	2 308 504	2 308 504
Asset Impairment	29 -	7 999	7 999
Repairs and Maintenance	2 710 301	1 818 923	1 818 923
Actuarial losses	4 428 520	-	-
Finance Charges	30 28 865	-	-
Bulk Purchases	31 10 327 738	7 362 124	7 362 124
Grants and Subsidies Paid	32 397 058	560 337	560 337
Other Operating Grant Expenditure	17 753 299	14 397 383	14 397 383
General Expenses	33 12 348 444	11 217 181	11 269 154
Total Expenditure	82 927 551	63 638 064	63 690 038
Operating Surplus for the Year	43 115 697	23 804 289	23 752 315
Loss on disposal of PPE/Investment Property	2 449 699	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR	40 665 998	23 804 289	23 752 315

SENQU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2008	50 000 000	101 992 400	151 992 400
Net Surplus/(Deficit) for the year	-	23 804 289	23 804 289
Transfer from CRR	(4 149 098)	4 149 098	-
Balance at 30 JUNE 2009	45 850 902	129 945 786	175 796 689
Correction of error - See Note 34.07	-	(333 856)	(333 856)
Restated Balance at 1 JULY 2009	45 850 902	129 611 930	175 462 832
Net Surplus/(Deficit) for the year	-	40 665 998	40 665 998
Property, Plant and Equipment purchased	(5 885 995)	5 885 995	-
Balance at 30 JUNE 2010	39 964 908	176 163 923	216 128 830

SENQU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		107 707 766	71 102 287
Cash paid to suppliers and employees		(80 128 186)	(53 789 026)
Cash generated/(absorbed) by operations	35	27 579 581	17 313 261
Interest Received		5 087 335	7 732 615
Interest Paid		(28 865)	-
Net Cash from Operating Activities		32 638 051	25 045 876
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(44 090 826)	(19 077 767)
Proceeds on Disposal of Fixed Assets		405 188	-
Purchase of Intangible Assets		(122 848)	(197 485)
Decrease in Long-term Receivables		15 153	13 717
Net Cash from Investing Activities		(43 793 333)	(19 261 536)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		8 336 579	-
Increase/(Decrease) in Consumer Deposits		(16 180)	9 300
Net Cash from Financing Activities		8 320 399	9 300
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 834 883)	5 793 640
Cash and Cash Equivalents at the beginning of the year		69 106 810	63 313 170
Cash and Cash Equivalents at the end of the year	36	66 271 927	69 106 810
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 834 883)	5 793 640

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE
FINANCIAL STATEMENTS**

1.1. BASIS OF PREPARATION

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

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IAS 12 (AC102)	Income Taxes

IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation
IAS 39 (AC133)	Financial Instruments: Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

- GRAP 12 – Inventories
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements 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 is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. 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:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Principles of GRAP 23 were applied in formulating the accounting treatment of non-exchange revenue, where the application of only GAMAP 9, as required by GRAP 9 until GRAP 23 is effective, is insufficient.

1.6. RESERVES

1.6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.7. LEASES

1.7.1 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 subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. 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 derecognition 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.

1.7.2 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 derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GRANTS

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

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested separately or as part of the municipality's Cash and Cash Equivalents 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.

1.9. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits 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. 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 (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

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 have been 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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 reversed.

1.10. EMPLOYEE BENEFITS

(a) *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 60% as contribution and the remaining 40% are 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 IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised 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 fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) 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 periodically 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 charged against the Statement of Financial Performance as employee benefits upon valuation.

(c) Accrued Leave Pay

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.

1.11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was 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.

1.12.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and 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 associated with the asset.

1.12.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for depreciation can be measured.

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 charged to 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 an impairment is recognised in the Statement of Financial Performance.

1.12.4 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.

1.13. INTANGIBLE ASSETS

1.13.1 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 entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity 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; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible 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 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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. 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.

1.13.3 Amortisation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

1.13.4 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.

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property shall be 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 entity, 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.

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.

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.

The cost of self-constructed investment property is the cost at date of completion.

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

1.14.4 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.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.16. IMPAIRMENT OF NON-FINANCIAL 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 amount. 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.

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 cash-generating unit'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 income statement.

1.17. INVENTORIES

1.17.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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 in this way. 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.

The carrying amount of inventories 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

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 through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.18.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.18.2.1 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, 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 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 income statement.

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 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, 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: loans and receivables.

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: other financial liabilities carried at amortised cost.

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, 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

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 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations 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 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 is virtually certain.

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

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/ goods sold, the value of which approximates the consideration received or receivable.

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. Provisional estimates of consumption are made monthly when meter readings have not been performed. 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.

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.

Service charges relating to sewerage 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Interest revenue is recognised using the effective interest rate method.

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. This includes the issuing of licences and permits.

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity 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 entity.

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; or
- 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 and in accordance with the relevant Standards of GRAP on Financial Instruments.

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.

1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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 raised 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. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- 1) The required outputs and outcomes; and
- 2) That any unspent portion must be repaid to the grantor.

1.20. 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 decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. 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.

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

1.24. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

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:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is 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. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade 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.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 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 GAMAP 9:

Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above), 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, or whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

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 balance sheet.

1.27. 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 fundamental errors, and the treatment of assets financed by external grants.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES	39 964 908	45 850 902
Capital Replacement Reserve	39 964 908	45 850 902
Total Net Asset Reserve and Liabilities	39 964 908	45 850 902
	2010	2009
	R	R
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	8 336 579	-
	8 336 579	-
<u>Less:</u> Current Portion transferred to Current Liabilities	173 998	-
Annuity Loans - At amortised cost	173 998	-
	-	-
Total Long-term Liabilities - At amortised cost using the effective interest rate method	8 162 581	-
Development Bank Loan		
The outstanding amount comprise interim draw-downs on a total estimated loan of R17 million. The projects are under construction and it is expected that the final draw-down will be made in 2010/2011 financial year. All funds have been utilised on Property, Plant and Equipment. For the purpose of calculating future finance obligations an assumption of an average of 50% of draw-downs for the period until 31 December 2010 was made with a final draw-down on 31 December 2010.		
The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
Borrowing costs capitalised to Property, Plant and Equipment at a rate of 6 months ZAR-JIBAR-SAFEX plus 214 basis points and 3 months ZAR-JIBAR-SAFEX plus 210 basis points in terms of GRAP 5.	82 902	-
The obligations under annuity loans are scheduled below:		Minimum annuity payments
Amounts payable under annuity loans:		
Payable within one year	1 332 008	-
Payable within two to five years	7 025 985	-
Payable after five years	27 225 690	-
	35 583 683	-
<u>Less:</u> Future finance obligations	(18 583 683)	-
Present value of annuity obligations	17 000 000	-
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	8 070 673	6 639 044
Long Service Awards - Refer to Note 4.2	565 433	493 200
Total Non-current Employee Benefit Liabilities	8 636 106	7 132 244
<u>Post Retirement Benefits</u>		
Balance 1 July - Restated 2009	6 757 518	5 705 723
Contribution for the year	1 281 909	1 217 675
Expenditure for the year	(128 886)	(58 902)
Actuarial Loss/(Gain)	307 204	(106 978)
Total post retirement benefits 30 June	8 217 745	6 757 518
<u>Less:</u> Transfer of Current Portion - Note 7 - Restated 2009	(147 072)	(118 474)
Balance 30 June	8 070 673	6 639 044
<u>Long Service Awards</u>		
Balance 1 July	586 437	541 843
Contribution for the year	145 637	160 374
Expenditure for the year	(209 191)	-
Actuarial Loss/(Gain)	121 316	(115 780)
Total long service 30 June	644 199	586 437
<u>Less:</u> Transfer of Current Portion - Note 7	(78 766)	(93 237)
Balance 30 June	565 433	493 200
	2010	2009
	R	R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	7 343 955	6 247 566
Contribution for the year	1 427 546	1 378 049

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Expenditure for the year	(338 077)	(58 902)
Actuarial Loss/(Gain)	428 520	(222 758)
Total employee benefits 30 June	8 861 944	7 343 955
Less: Transfer of Current Portion - Note 7	(225 838)	(211 711)
Balance 30 June	8 636 106	7 132 244

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	109	109
Continuation members (e.g. Retirees, widows, orphans)	5	5
Total Members	114	114

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

In-service members	6 111 873	4 915 081
Continuation members	2 105 872	1 842 456
Total Liability	8 217 745	6 757 537

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

- Bonitas
- Discovery
- LA Health
- Key Health, and
- SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 733 518, whereas the Interest Cost for the next year is estimated to be R 750 728.

Key actuarial assumptions used:	2010	2009
	%	%
i) Rate of interest		
Discount rate	9.22%	9.02%
Health Care Cost Inflation Rate	7.27%	7.72%
Net Effective Discount Rate	1.82%	1.21%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

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

Present value of fund obligations	8 217 745	6 757 518
Net liability/(asset)	8 217 745	6 757 518

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	6 757 518	5 705 723
Total expenses	1 153 023	1 158 773
Current service cost	677 697	612 866
Interest Cost	604 212	604 809
Benefits Paid	(128 886)	(58 902)
Actuarial (gains)/losses	307 204	(106 978)
Present value of fund obligation at the end of the year	8 217 745	6 757 518
Less: Transfer of Current Portion - Note 7	(147 072)	(118 474)
Balance 30 June	8 070 673	6 639 044

4 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

Assumption 2010	Change	Current Service Cost	Interest Cost	Total	% change
Central assumptions		677 700	604 200	1 281 900	
Health care inflation	+ 1%	829 300	714 900	1 544 200	20%
Health care inflation	- 1%	558 700	515 400	1 074 100	-16%
Post-retirement mortality	- 1 yr	699 900	625 000	1 324 900	3%

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Average retirement age	- 1 yr	749 900	650 500	1 400 400	9%
Withdrawal Rate	-50%	770 600	651 700	1 422 300	11%

		Current Service Cost	Interest Cost	Total	
Assumption 2009	Change				% change
Central assumptions		612 900	604 800	1 217 700	
Health care inflation	+ 1%	750 600	715 500	1 466 100	20%
Health care inflation	- 1%	504 700	515 900	1 020 600	-16%
Post-retirement mortality	- 1 yr	633 400	625 900	1 259 300	3%
Average retirement age	- 1 yr	665 800	648 700	1 314 500	8%
Withdrawal Rate	-50%	701 000	654 300	1 355 300	11%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 124 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R95 816, whereas the Interest cost for the next year is estimated to be R53 598.

Key actuarial assumptions used:	2010	2009
	%	%
i) Rate of interest		
Discount rate	8.85%	9.01%
General Salary Inflation (long-term)	6.31%	6.62%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.39%	2.24%

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

Present value of fund obligations	644 199	586 437
Net liability/(asset)	644 199	586 437

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	586 437	541 843
Total expenses	(63 554)	160 374
Current service cost	96 907	104 955
Interest Cost	48 730	55 419
Benefits Paid	(209 191)	-
Actuarial (gains)/losses	121 316	(115 780)
Present value of fund obligation at the end of the year	644 199	586 437
Less: Transfer of Current Portion - Note 7	(78 766)	(93 237)
Balance 30 June	565 433	493 200

Sensitivity Analysis on changes to the Unfunded Accrued Liability

The effect of movements in the assumptions are as follows:

		Current Service Cost	Interest Cost	Total	
Assumption 2010	Change				% change
Central assumptions		96 907	48 730	145 637	
General salary inflation	+ 1%	101 118	51 324	152 442	5%
General salary inflation	- 1%	93 022	46 325	139 347	-4%
Average retirement age	- 2 yrs	104 172	53 997	158 169	9%
Average retirement age	+ 2 yrs	93 246	46 428	139 674	-4%
Withdrawal rates	-50%	107 950	55 237	163 187	12%

		Current Service Cost	Interest Cost	Total	
Assumption 2009	Change				% change
Central assumptions		104 955	55 419	160 374	
General salary inflation	+ 1%	109 597	58 463	168 060	5%
General salary inflation	- 1%	100 683	52 601	153 284	-4%
Average retirement age	- 2 yrs	115 056	61 716	176 772	10%
Average retirement age	+ 2 yrs	101 335	53 052	154 387	-4%
Withdrawal rates	-50%	118 022	63 558	181 580	13%

2010	2009
R	R

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	-	-
Total Non-current Employee Benefit Liabilities	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.1

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality did not measure the rehabilitation costs of the refuse sites. It is expected to measure the costs and include it in the 2010/2011 financial statements. The timing of future payments will be determined when measurement takes place.

6 CONSUMER DEPOSITS

Electricity	362 978	379 158
Total Consumer Deposits	362 978	379 158

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	147 072	118 474
Current Portion of Long-Service Provisions - Note 4	78 766	93 237
Bonuses and Performance Bonuses	2 190 272	1 853 082
Task implementation backpay	80 901	-
Compensation for injuries on duty contribution	360 829	284 070
Staff Leave	1 845 022	1 510 541
Total Current Employee Benefits	4 702 861	3 859 404

The movement in current employee benefits are reconciled as follows:

Post Retirement Benefits

Balance at beginning of year	118 474	58 902
Adjustment from non-current	28 598	59 572
Balance at end of year	147 072	118 474

Long-service Awards

Balance at beginning of year	93 237	-
Adjustment from non-current	(14 471)	93 237
Balance at end of year	78 766	93 237

Bonuses and Performance Bonuses

Balance at beginning of year	1 853 082	558 280
Contribution to provision	790 782	1 294 802
Expenditure incurred	(453 593)	-
Balance at end of year	2 190 272	1 853 082

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Task Implementation Backpay</u>		
Balance at beginning of year	-	-
Contribution to current portion	80 901	-
Balance at end of year	80 901	-

A new national grading system for municipalities was approved which includes backpay as from 01 October 2009 for qualifying post-levels. The provision is in respect of this backpay which was paid during July 2010.

Compensation for injuries on duty contribution

Balance at beginning of year	284 070	-
Contribution to provision	360 829	284 070
Expenditure incurred	(284 070)	-
Balance at end of year	360 829	284 070

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	1 510 541	1 028 014
Contribution to provision	760 129	640 258
Expenditure incurred	(425 648)	(157 731)
Balance at end of year	1 845 022	1 510 541

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

8 TRADE AND OTHER PAYABLES

Other Payables	451 648	123 762
Deposits: Other	750	-
Payments received in advance	625 250	521 877
Total Trade Payables	1 077 649	645 639

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants

National and Provincial Government Grants	12 141 540	16 737 481
Balance previously reported	12 141 540	16 737 481
Correction of error - refer note 34.02		16 748 700 (11 219)
Less: Unpaid Grants	38 141	191 481
National and Provincial Government Grants	38 141	191 481
Balance previously reported		202 700
Correction of error - refer note 34.01		(11 219)
Total Conditional Grants and Receipts	12 103 399	16 546 000

See appendix E and Note - 22 for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

10 TAXES

VAT Receivable	9 162 052	2 553 974
	9 162 052	2 553 974

VAT is payable/receivable on the cash basis.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Carrying value of assets retired from active use and held for disposal:		
Cost	24 720	1 844 498
Other	24 720	1 844 498
Carrying value	<u>24 720</u>	<u>1 844 498</u>
Carrying value of temporarily idle property plant and equipment:		
Cost	1 427 754	-
Other	1 427 754	-
Assets pledged as security:		
No assets are pledged as security for Senqu Municipality		
12 NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale at beginning of year - at book value	1 844 498	-
Additions for the year	-	1 844 498
	<u>1 844 498</u>	<u>1 844 498</u>
Non-current assets sold/written off during the year	(1 819 778)	-
Non-current assets held for sale at end of year - at book value	<u>24 720</u>	<u>1 844 498</u>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 51.2		
13 INVESTMENT PROPERTY		
Net Carrying amount at 30 June	-	-
Cost	-	-
Accumulated Depreciation	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.3		
GRAP 16 - Investment Properties		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties.		
The municipality is currently in a process of measuring all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011/2011 financial statements. The commonage being rented out in various camps is currently measured at R1.00.		
14 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	380 081	182 596
Cost	380 081	182 596
Accumulated Amortisation	-	-
Acquisitions	122 848	197 485
Disposals	(1 667)	-
Net Carrying amount at 30 June	<u>501 262</u>	<u>380 081</u>
Cost	501 262	380 081
Accumulated Amortisation	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.4		
No intangible asset were assed having an indefinite useful life.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities		
There are no contractual commitments for the acquisition of intangible assets.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15 LONG-TERM RECEIVABLES		
Staff Housing Loans - At amortised cost	30 435	45 588
Less: Current portion transferred to current receivables	16 740	15 221
Staff Housing Loans - At amortised cost	16 740	15 221
	13 695	30 367
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	13 695	30 367
HOUSING LOANS		
Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.		
16 INVENTORY		
Water – at cost	-	-
Total Inventory	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.5		
Since the previous reporting date the following inventories were identified in accordance with GRAP 12.		
Water transferred from Joe Gqabi District Municipality		7 272kl
Water	5 704kl	
17 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	3 236 848	1 782 849
Water	1 618 924	-
Housing Rentals	307 184	129 649
Refuse	2 064 517	1 627 808
Sewerage	1 475 902	-
Other Arrears	7 652 426	6 967 018
Joe Gqabi District Municipality (Water Services Authority)	6 577 052	6 052 718
Gariep Municipality (R 700 000 Short-term operating loan including interest)	719 813	650 903
Payments in advance	355 560	247 298
Balance previously reported	-	521 877
Correction of error - refer note 34.03	-	(274 579)
Other	-	16 098
Total Service Receivables	16 355 801	10 507 323
Less: Allowance for Doubtful Debts	(6 435 725)	(2 470 466)
Net Service Receivables	9 920 076	8 036 858
Total Net Receivables from Exchange Transactions	9 920 076	8 036 858
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	1 239 631	576 236
31 - 60 Days	466 202	244 895
61 - 90 Days	361 110	166 484
+ 90 Days	1 354 803	972 098
Payment received in advance	(184 898)	(176 864)
Total	3 236 848	1 782 849
(Water): Ageing		
Current (0 - 30 days)	187 841	-
31 - 60 Days	70 866	-
61 - 90 Days	67 796	-
+ 90 Days	1 365 629	-
Payment received in advance	(73 209)	-
Total	1 618 924	-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>(Housing Rentals): Ageing</u>		
Current (0 - 30 days)	23 758	7 916
31 - 60 Days	29 134	24 205
61 - 90 Days	22 188	2 947
+ 90 Days	277 209	123 737
Payment received in advance	(45 104)	(29 157)
Total	307 184	129 649
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	152 827	155 560
31 - 60 Days	91 902	77 127
61 - 90 Days	74 160	53 855
+ 90 Days	1 780 447	1 379 796
Payment received in advance	(34 819)	(38 531)
Total	2 064 517	1 627 808
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	66 832	-
31 - 60 Days	45 738	-
61 - 90 Days	40 867	-
+ 90 Days	1 339 996	-
Payment received in advance	(17 531)	-
Total	1 475 902	-
<u>(Other): Ageing</u>		
Current (0 - 30 days)	6 577 052	6 052 718
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	719 813	669 748
Payment received in advance	-	(2 747)
Total	7 296 866	6 719 720

Reconciliation of Provision for Bad Debts

Balance at beginning of year	2 470 466	1 132 584
Contribution to provision	1 707 888	1 337 881
Transfer from Joe Gqabi District Municipality	2 257 372	-
Balance at end of year	6 435 725	2 470 466

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

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.

18 **OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Service Receivables

Rates	4 141 745	2 874 616
Other Receivables - Fruitless and wasteful expenditure - Note 40.2	-	335 786
R/D Cheques	10 499	-
Payments in advance	269 690	274 579
Balance previously reported	-	-
Correction of error - refer note 34.04	-	274 579
Total Service Receivables	4 421 934	3 484 981
Less: Allowance for Doubtful Debts	(3 379 814)	(2 755 731)
Net Service Receivables	1 042 119	729 249
Total Net Receivables from Non-Exchange Transactions	1 042 119	729 249

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Ageing of Receivables from Non-Exchange Transactions

	2010 R	2009 R
<i>(Rates): Ageing</i>		
Current (0 - 30 days)	61 261	41 603
31 - 60 Days	165 709	77 282
61 - 90 Days	208 847	44 108
+ 90 Days	3 975 618	2 986 202
Payment received in advance	(269 690)	(274 579)
Total	4 141 745	2 874 616

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
The ageing of amounts past due but not impaired is as follows:			
2010			
1 month past due	324 416	21 725	346 141
2 + months past due	1 182 114	976 222	2 158 336
Total	1 506 531	997 947	2 504 477
2009			
1 month past due	346 227	77 282	423 509
2 + months past due	223 286	44 108	267 394
Total	569 514	121 390	690 903

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Trade and other receivables impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2010			
Total	6 435 725	3 379 814	9 815 540
2009			
Total	2 470 466	2 755 731	5 226 197

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2010 R	2009 R
Balance at beginning of the year	2 755 731	1 785 109
Contributions to provision	624 083	970 622
Balance at end of year	3 379 814	2 755 731

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

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.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
19 OPERATING LEASE ARRANGEMENTS		
19.1 The Municipality as Lessee		
Balance on 1 July	9 889	8190.39
Movement during the year	(2 231)	1 698
Balance on 30 June	7 658	9 889

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	39 457	46 462
1 to 5 Years	34 742	74 198
More than 5 Years	-	-
Total Operating Lease Arrangements	74 198	120 661

19.2 The Municipality as Lessor

Balance on 1 July	42 453	36 610
Operating Lease Asset previously not recognised - Note 34.06 and Note 34.07	-	75
Restated Balance on 1 July	42 453	36 685
Operating Lease Asset for the current year	7 976	5 768
Balance on 30 June	50 429	42 453

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	151 612	125 205
1 to 5 Years	373 922	305 968
More than 5 Years	223 833	37 727
Total Operating Lease Arrangements	749 367	468 900

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for previous ranging until 2015

20 CASH AND CASH EQUIVALENTS

Assets

Call and short-term Investments Deposits	65 866 566	67 094 621
Primary Bank Account	404 461	2 011 290
Cash Floats	900	900
Total Cash and Cash Equivalents - Assets	66 271 927	69 106 810

The municipality has the following bank account:

Current Accounts

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	404 461	2 011 290
	404 461	2 011 290

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8

Cash book balance at beginning of year	2 011 290	906 757
Cash book balance at end of year	404 461	2 011 290

Bank statement balance at beginning of year	1 966 292	909 098
Bank statement balance at end of year	357 219	1 966 292

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Standard Bank 388489162/0	11 984 449	16 862 700
Standard Bank 388489731/0	48 062 841	44 778 225
Standard Bank 388486066/0	5 819 276	5 453 696
	65 866 566	67 094 621

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21

PROPERTY RATES

	2010 R	2009 R
Actual		
Rateable Land and Buildings	4 789 844	3 148 474
Residential Property	1 441 429	976 260
Commercial Property	672 207	408 949
Agricultural Purposes	1 607 927	1 031 857
State - National / Provincial Services	174 796	444 898
Vacant Property	893 486	286 510
Less: Rebates	(852 247)	(1 804)
Total Assessment Rates	3 937 597	3 146 669
Valuations - 1 JULY 2009		
Rateable Land and Buildings	1 784 738 000	467 445 880
Residential Property	264 394 000	86 536 060
Commercial Property	101 849 500	21 637 500
Public Benefits Organisations	17 906 000	5 494 000
Agricultural Purposes	1 155 215 100	291 176 650
State - National / Provincial Services	31 781 000	29 424 500
Municipal Property	132 366 400	25 597 520
Vacant Property	81 226 000	7 579 650
Total Assessment Rates	1 784 738 000	467 445 880

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009.

A rate in the rand for all developed properties of R 0.0169 was charged on the total valuation of the property. Vacant erven were charged at a rate in the rand of R 0.0338 on the total valuation of the property.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

22

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share - Refer to Note 22.01

Conditional Grants

	54 621 205	40 290 326
Equitable Share - Refer to Note 22.01	54 621 205	40 290 326
Conditional Grants	40 041 306	25 614 429
National: Municipal Infrastructure Grant (MIG)	20 729 642	12 136 664
National: Municipal Finance Management (MFMA)	890 491	633 204.00
National: Municipal Systems Improvement Grant	585 101	77 330
Performance Agreements	41 330	44 665
Peach & Vegetable Processing	-	147 406
Holo Hlahatsi Agricultural Project	266 218	-
Surveying / Land Audit	580 994	342 697
Heritage Management	-	-
DEAT Brickmaking	-	93 682
Co-op's Development	-	131 194
LED (Lady Grey)	1 941	114 275
Prov Gov - Housing (Lady Grey)	137 720	2 444 418
Prov Gov - Housing (Hillside)	12 588 808	6 077 829
Disabled Project BE	4 483	97 895
Drought Relief Water	-	409 100
Prov Gov - Valuation Roll	-	547 378
Implementation Ownership	171 332	93 415
Traffic Test Station (Sterkspruit)	-	-
Rossouw Agricultural Project	130 767	37 046
Herschel People's Housing	169 632	212 040
Internet/Communication Systems	-	20 402
Health Subsidy	547 840	512 005
I.E.C - Elections	-	180 598
Plastic Products	2 275 986	680 702
Commonage Management Plan	345	1 670
Municipal Support Programme	165 671	-
Joe Gqabi DM - District Call Centre	123 004	354 613
Joe Gqabi DM - Community Participation	226 000	-
Spatial Development Framework	-	174 200
Joe Gqabi DM - IDP	-	50 000
Tourism	200 000	-
Ward Committees	204 000	-
Total Government Grants and Subsidies	94 662 511	65 904 756
Government Grants and Subsidies - Capital	34 378 128	21 307 063
Government Grants and Subsidies - Operating	60 284 382	44 597 693
	94 662 511	65 904 756

The municipality does not expect any significant changes to the level of grants. No grants had been withheld.

22.01 Equitable share

	2010 R	2009 R
Equitable share	54 621 205	40 290 326

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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.

22.02 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	3 080 821	495 485
Current year receipts	17 647 000	14 722 000
Conditions met - transferred to revenue	(20 729 642)	(12 136 664)
Conditions met - balance transferred to current (assets)/liabilities	<u>(1 821)</u>	<u>3 080 821</u>

Municipal Infrastructure grant was used to construct roads, pavement, community centres and stormwater channels in Senqu.

22.03 National: Municipal Finance Management (MFMA)

Balance unspent at beginning of year	324 328	457 532
Current year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(890 491)	(633 204)
Conditions met - balance transferred to current liabilities	<u>433 837</u>	<u>324 328</u>

Municipal Finance Management grant was used to implement the reforms of the MFMA.

22.04 National: Municipal Systems Improvement Grant

Balance unspent at beginning of year	311 451	-
Transfer from Valuation Roll - Note 22.16	-	(11 219)
Current year receipts	237 330	400 000
Conditions met - transferred to revenue	(585 101)	(77 330)
Conditions met - balance transferred to current (assets)/liabilities	<u>(36 320)</u>	<u>311 451</u>

The MSIG was used to improve municipal systems in terms of ward committees and create a functional asset register.

22.05 Performance Agreements

Balance unspent at beginning of year	41 330	85 995
Conditions met - transferred to revenue	(41 330)	(44 665)
Conditions met - balance transferred to current liabilities	<u>-</u>	<u>41 330</u>

The grant was used for the drafting of performance agreements for Section 57 and Middle Managers.

22.06 Peach & Vegetable Processing

Balance unspent at beginning of year	8 301	155 707
Conditions met - transferred to revenue	-	(147 406)
Conditions met - balance transferred to current liabilities	<u>8 301</u>	<u>8 301</u>

Local Economic Development project for Peach and Vegetable processing.

22.07 Holo Hlahatsi Agricultural Project

Balance unspent at beginning of year	370 735	370 735
Conditions met - transferred to revenue	(266 218)	-
Conditions met - balance transferred to current liabilities	<u>104 517</u>	<u>370 735</u>

Local Economic Development project for Holo Hlahatsi Agricultural project.

22.08 Surveying / Land Audit and Sterkspruit Land Audit

Balance unspent at beginning of year	580 994	923 692
Conditions met - transferred to revenue	(580 994)	-342 697
Conditions met - balance transferred to current liabilities	<u>-</u>	<u>580 995</u>

The grant was used to conduct a land audit to establish the suitability for the proposed housing projects.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22.09 Heritage Management		
Balance unspent at beginning of year	229 912	229 912
Conditions met - balance transferred to current liabilities	<u>229 912</u>	<u>229 912</u>
Local Economic Development project for Heritage management.		
22.10 DEAT Brickmaking		
Balance unspent at beginning of year	(24 238)	69 445
Current year receipts	24 238	-
Conditions met - transferred to revenue	-	(93 682)
Conditions met - balance transferred to current assets	<u>-</u>	<u>(24 237)</u>
Local Economic Development project for DEAT Brickmaking.		
22.11 Co-op's Development		
Balance unspent at beginning of year	2 992	134 186
Conditions met - transferred to revenue	-	(131 194)
Conditions met - balance transferred to current liabilities	<u>2 992</u>	<u>2 992</u>
Local Economic Development project for Co-op's development.		
22.12 LED (Lady Grey)		
Balance unspent at beginning of year	1 941	116 216
Conditions met - transferred to revenue	(1 941)	(114 275)
Conditions met - balance transferred to current liabilities	<u>-</u>	<u>1 941</u>
Local Economic Development project in Lady Grey.		
22.13 Prov Gov - Housing (Lady Grey)		
Balance unspent at beginning of year	1 544 981	666 449
Current year receipts	577 157	3 322 950
Conditions met - transferred to revenue	(137 720)	(2 444 418)
Conditions met - balance transferred to current liabilities	<u>1 984 418</u>	<u>1 544 981</u>
Grant received from Provincial Government for housing projects.		
22.14 Prov Gov - Housing (Hillside)		
Balance unspent at beginning of year	(167 243)	140 372
Current year receipts	13 202 824	5 770 214
Conditions met - transferred to revenue	(12 588 808)	(6 077 829)
Conditions met - balance transferred to current liabilities/(assets)	<u>446 773</u>	<u>(167 243)</u>
Grant received from Provincial Government for housing projects.		
22.15 Disabled Project BE		
Balance unspent at beginning of year	4 483	102 378
Conditions met - transferred to revenue	(4 483)	(97 895)
Conditions met - balance transferred to current liabilities	<u>-</u>	<u>4 483</u>
Local Economic Development project for disabled project in Barkly-East.		
22.16 Drought Relief Water		
Balance unspent at beginning of year	-	409 100
Conditions met - transferred to revenue	<u>-</u>	<u>(409 100)</u>
Conditions met - balance transferred to current liabilities	<u>-</u>	<u>-</u>
Grant was used to alleviate drought.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
22.16 Prov Gov - Valuation Roll		
Balance unspent at beginning of year	-	136 159
Transfer to MSIG - Note 22.04		11 219
Current year receipts	-	400 000
Conditions met - transferred to revenue	-	(547 378)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>
Grant was used to conduct a general valuation.		
22.17 Implementation Ownership		
Balance unspent at beginning of year	404 878	498 293
Conditions met - transferred to revenue	(171 332)	(93 415)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	233 546	404 878
	<hr/> <hr/>	<hr/> <hr/>
Grant was used to transfer ownership from council to owners. (Registering of title deeds.)		
22.18 Traffic Test Station (Sterkspruit)		
Balance unspent at beginning of year	104 879	104 879
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	104 879	104 879
	<hr/> <hr/>	<hr/> <hr/>
Grant was used to establish a traffic station in Sterkspruit.		
22.19 Rossouw Agricultural Project		
Balance unspent at beginning of year	223 578	260 624
Conditions met - transferred to revenue	(130 767)	(37 046)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	92 811	223 578
	<hr/> <hr/>	<hr/> <hr/>
Local Economic Development project for Rossouw Agricultural Project.		
22.20 Herschel People's Housing		
Balance unspent at beginning of year	6 578 613	6 343 952
Current year receipts	365 580	446 701
Conditions met - transferred to revenue	(169 632)	(212 040)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	6 774 561	6 578 613
	<hr/> <hr/>	<hr/> <hr/>
Grant received from Provincial Government for housing projects.		
22.21 Internet/Communication Systems		
Balance unspent at beginning of year	84 131	104 533
Conditions met - transferred to revenue	-	(20 402)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	84 131	84 131
	<hr/> <hr/>	<hr/> <hr/>
Establish to comply with the MFMA with regards to all information technology requirements mentioned in the act.		
22.22 I.E.C - Elections		
Balance unspent at beginning of year	-	-
Current year receipts		180 598
Conditions met - transferred to revenue	-	(180 598)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>
Grant was used for I.E.C elections.		
22.23 Health Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	547 840	512 005
Conditions met - transferred to revenue	(547 840)	(512 005)
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>
Subsidy received for clinic operations/services.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22.24 Plastic Products		
Balance unspent at beginning of year	2 319 298	-
Current year receipts	1 366 735	3 000 000
Conditions met - transferred to revenue	(2 275 986)	(680 702)
	<u>1 410 047</u>	<u>2 319 298</u>
Conditions met - balance transferred to current liabilities		
Local Economic Development project for plastic products.		
22.25 Commonage Management Plan		
Balance unspent at beginning of year	60 126	61 796
Conditions met - transferred to revenue	(345)	(1 670)
	<u>59 781</u>	<u>60 126</u>
Conditions met - balance transferred to current liabilities		
Local Economic Development project for Commonage Management Plan.		
22.26 Municipal Support Programme		
Balance unspent at beginning of year	249 321	249 322
Conditions met - transferred to revenue	(165 671)	-
	<u>83 650</u>	<u>249 322</u>
Conditions met - balance transferred to current liabilities		
Grant was used to improve internal controls in the municipality.		
22.27 Joe Gqabi DM - District Call Centre		
Balance unspent at beginning of year	210 388	-
Current year receipts	-	565 000
Conditions met - transferred to revenue	(123 004)	(354 613)
	<u>87 383</u>	<u>210 388</u>
Conditions met - balance transferred to current liabilities		
Grant received from District Municipality for a call centre for Senqu.		
22.28 Joe Gqabi DM - Community Participation		
Balance unspent at beginning of year	-	-
Current year receipts	226 000	-
Conditions met - transferred to revenue	(226 000)	-
	<u>-</u>	<u>-</u>
Conditions met - balance transferred to current liabilities		
Local Economic Development project for Community Participation.		
22.29 Spatial Development Framework		
Balance unspent at beginning of year	-	174 200
Conditions met - transferred to revenue		(174 200)
	<u>-</u>	<u>-</u>
Conditions met - balance transferred to current liabilities		
Grant received from District Municipality for Spatial Development.		
22.30 Joe Gqabi DM - IDP		
Balance unspent at beginning of year	-	-
Current year receipts		50 000
Conditions met - transferred to revenue		(50 000)
	<u>-</u>	<u>-</u>
Conditions met - balance transferred to current liabilities		
Grant received from District Municipality to assist with compilation of IDP.		
22.31 Tourism		
Balance unspent at beginning of year	-	-
Current year receipts	200 000	-
Conditions met - transferred to revenue	(200 000)	-
	<u>-</u>	<u>-</u>
Conditions met - balance transferred to current liabilities		
Local Economic Development project for Tourism.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22.32 Ward Committees	2010	2009
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	204 000	-
Conditions met - transferred to revenue	(204 000)	-
	<hr/>	<hr/>
Conditions met - balance transferred to current liabilities	-	-
	<hr/> <hr/>	<hr/> <hr/>

Ward Committees grant is part of the MSIG.

23 SERVICE CHARGES

Electricity	7 887 613	5 062 248
Service Charges	11 008 580	7 829 960
<u>Less:</u> Rebates	(3 120 967)	(2 767 712)
	<hr/>	<hr/>
Water	1 757 739	-
Service Charges	2 850 836	-
<u>Less:</u> Rebates	(1 093 097)	-
	<hr/>	<hr/>
Refuse removal	1 625 960	1 533 245
Service Charges	4 024 760	3 543 976
<u>Less:</u> Rebates	(2 398 800)	(2 010 731)
	<hr/>	<hr/>
Sewerage	764 950	-
Service Charges	2 488 954	-
<u>Less:</u> Rebates	(1 724 004)	-
	<hr/>	<hr/>
Other Service Charges	-	-
	<hr/>	<hr/>
Total Service Charges	12 036 262	6 595 493
	<hr/> <hr/>	<hr/> <hr/>

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.

24 WATER SERVICES AUTHORITY CONTRIBUTION

Joe Gqabi District Municipality - Water and Sewerage functions	6 760 616	-
	<hr/>	<hr/>
	6 760 616	-
	<hr/> <hr/>	<hr/> <hr/>

A new agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the municipality. Prior to that date the municipality acted as an agent for the Joe Gqabi District Municipality.

25 OTHER INCOME

Sundry Income	250 961	798 641
Building Plan & Inspection Fees	5 028	7 313
Road Worthy's	1 338	23 292
Electr. Re-Connection Fees	48 588	25 410
Cemetery Fees	21 258	24 600
Pound Fees	29 270	12 953
Recovery of Fruitless expenditure	4 682	-
	<hr/>	<hr/>
Total Other Income	361 125	892 208
	<hr/> <hr/>	<hr/> <hr/>

26 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	20 210 111	13 265 021
Employee related costs - Contributions for UIF, pensions and medical aids	3 425 082	2 314 789
Travel, motor car, telephone, assistance and other allowances	71 900	47 228
Bonuses	2 508 161	1 783 922
Housing Benefits and Allowances	28 278	23 698
Leave Reserve Fund	760 129	447 423
Overtime Payments	808 334	297 155
Workmens Compensation Contributions	554 951	169 615
Contribution to provision - Long Service Awards - Note 4	145 637	160 374
Contribution to provision - Post Retirement Medical - Note 4	1 281 909	1 217 675
	<hr/>	<hr/>
Total Employee Related Costs	29 794 492	19 726 900
	<hr/> <hr/>	<hr/> <hr/>

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	896 465	908 411
Performance Bonuses	168 883	165 255
Car Allowance	82 800	82 800
Telephone allowance	18 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 167 645	1 157 963
<i>Remuneration of the Director Technical Services</i>		
Annual Remuneration	790 827	762 952
Performance Bonuses	102 288	130 182
Car Allowance	93 600	93 832
Telephone allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 000 212	988 463
<i>Remuneration of Director Community and Social Services</i>		
Annual Remuneration	626 009	580 024
Performance Bonuses	27 850	29 137
Car Allowance	48 000	48 000
Telephone allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	715 356	658 658
<i>Remuneration of the Director Financial Services</i>		
Annual Remuneration	898 978	839 308
Performance Bonuses	154 572	149 466
Telephone allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 067 047	990 271
<i>Remuneration of Director Corporate and Support Services</i>		
Annual Remuneration	674 009	524 398
Performance Bonuses	-	14 943
Telephone allowance	12 000	-
Restructuring agreement	-	600 000
Contributions to UIF, Medical and Pension Funds	1 497	1 123
Total	687 506	1 140 464

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REMUNERATION OF COUNCILLORS

Mayor	569 842	520 677
Speaker	459 285	305 814
Executive Committee Members	1 193 310	1 069 918
Councillors	4 407 036	3 939 122
Other Councillors' contributions and allowances	177 390	403 182
Total Councillors' Remuneration	6 806 863	6 238 713

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

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.

.....
Signed: Municipal Manager

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
28	DEBT IMPAIRMENT		
	Trade Receivables from exchange transactions - Note 17	1 707 888	1 337 881
	Trade Receivables from non-exchange transactions - Note 18	624 083	970 622
	Total Contribution to Impairment Provision	2 331 971	2 308 504
29	INVENTORY IMPAIRMENT		
	Property, Plant and Equipment - Cost	-	7 999
		7 999	7 999
30	FINANCE CHARGES		
	Long-term Liabilities - DBSA	28 865	-
	Total finance charges	28 865	-
31	BULK PURCHASES		
	Electricity	10 327 738	7 362 124
	Total Bulk Purchases	10 327 738	7 362 124
32	GRANTS AND SUBSIDIES		
	Grants-in-aid and Donations	397 058	560 337
	Total Grants and Subsidies	397 058	560 337
33	GENERAL EXPENSES		
	Audit Fees	1 221 151	1 332 827
	Books, Magazines & Publications	256 453	284 253
	Computer Costs	173 594	320 901
	Electricity Purchases	748 647	358 971
	Fruitless Expenditure	-	265 041
	Insurance: External	212 666	147 860
	Legal Costs	324 373	91 035
	Printing & Stationary	200 775	418 987
	Professional Services	873 995	531 554
	Refuse Removal	872 519	773 072
	Subsistence & Traveling	2 544 441	2 082 778
	Telephone Charges	481 353	490 134
	Tourism	175 624	700 000
	Training	346 606	304 833
	Vehicle: Fuel & Oil	1 498 528	1 488 065
	Ward Committees	389 327	77 330
	Water Purification	244 013	-
	Sundry Income	1 784 380	1 549 540
	General Expenses	12 348 444	11 217 181
	General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
34	CORRECTION OF ERROR IN TERMS OF GRAP 3		2009 R
34.01	Unpaid conditional grants and receipts		
	Balance previously reported		202 700
	Transfer over-expenditure on Valuation Roll to MSIG - Refer note 34.02 and 9		(11 219)
	Total		191 481
34.02	Unspent conditional grants and receipts		
	Balance previously reported		17 260 705
	Transfer over-expenditure on Valuation Roll to MSIG - Refer note 34.01 and 9		11 219
	Total		17 271 924

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009	
	R	
34.03 Trade Receivables from Exchange Transactions		
Balance previously reported	10 781 902	
Transfer of Rates portion of Payments in advance to Other receivables from Non-Exchange Transactions - Refer note 34.04 and 17	(274 579)	
Total	10 507 323	
34.04 Other Receivables from Non-Exchange Transactions		
Balance previously reported	3 210 402	
Transfer of Rates portion of Payments in advance from Trade receivables from Exchange Transactions - Refer note 34.03 and 18	274 579	
Total	3 484 981	
34.05 Property, Plant and Equipment		
Balance previously reported	121 577 613	
Corrections of prior years' duplications and disposals in asset register - Note 34.07	(333 931)	
Recognition of Computer Equipment incorrectly allocated to general expenses - Note 11	51 974	
Total	121 295 656	
34.06 Operating Lease Assets		
Operating Lease Assets recorded as they are required by GRAP.		
Balance previously reported	-	311 451
Operating Lease Asset previously not recognised for opening balance - Note 19.2 and Note 34.07	75	
Total	-	311 525
34.07 Accumulated Surplus/(Deficit)		
Corrections of prior years' duplications and disposals in asset register - Note 34.05		(333 931)
Operating Lease Asset previously not recognised - Note 34.06		75
Total		(333 856)
34.08 Statement of financial performance		
Balance previously reported	-	23 752 315
Recognition of Computer Equipment incorrectly allocated to general expenses - Note 11 and Note - 34.05		51 974
Total		23 804 289
	2010	2009
	R	R
35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	40 665 998	23 804 289
Adjustments for:		
(Gain)/Loss on disposal of property, plant and equipment	2 449 699	-
Impairments	-	7 999
Contribution from/to employee benefits - non-current	1 427 546	1 378 049
Contribution from/to employee benefits - non-current - expenditure incurred	(338 077)	(58 902)
Contribution from/to employee benefits - non-current - actuarial losses	428 520	-
Contribution from/to employee benefits - non-current - actuarial gains	-	(222 758)
Contribution to employee benefits – current	1 992 641	2 219 130
Contribution to employee benefits – current - expenditure incurred	(1 163 311)	(157 731)
Contribution to provisions – bad debt	2 331 971	2 308 504
Contribution to provisions – bad debt transfer from Joe Gqabi District Municipality	2 257 372	-
Operating lease income accrued	(7 976)	(5 768)
Operating lease expenses accrued	(2 231)	1 698
Investment income	(5 087 335)	(7 732 615)
Interest expense	28 865	-
Operating Surplus/(Deficit) before changes in working capital	44 983 682	21 541 895
Changes in working capital	(17 404 102)	(4 228 634)
Increase/(Decrease) in Trade and Other Payables	432 010	(73 470)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(4 595 941)	4 446 519
Increase/(Decrease) in Taxes	(6 608 079)	(1 852 408)
(Increase)/Decrease in Trade Receivables from exchange transactions	(5 848 478)	(5 010 042)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(936 953)	(1 547 752)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	153 340	(191 481)
Cash generated/(absorbed) by operations	27 579 581	17 313 261
	2010	2009
	R	R
36 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 20	65 866 566	67 094 621
Cash Floats - Note 20	900	900

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Bank - Note 20	404 461	2 011 290
Total cash and cash equivalents	66 271 927	69 106 810

37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 36	66 271 927	69 106 810
	66 271 927	69 106 810
Less:	12 103 399	16 546 000
Unspent Committed Conditional Grants - Note 9	12 103 399	16 546 000
Net cash resources available for internal distribution	54 168 529	52 560 810
Allocated to:		
Capital Replacement Reserve	39 964 908	45 850 902
Resources available for Working capital requirements	14 203 621	6 709 908

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	8 336 579	-
Used to finance property, plant and equipment - at cost	(8 336 579)	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 6.75 % and 8.92 % and will be repaid by 2030.

39 BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
39.1 Operational				
Revenue by source				
Property taxes	3 937 597	3 379 180	558 417	17%
Government Grants and Subsidies - Capital	34 378 128	38 351 550	(3 973 422)	-10%
Government Grants and Subsidies - Operating	60 284 382	73 596 735	(13 312 353)	-18%
Fines	53 517	15 000	38 517	257%
Service Charges	12 036 262	20 851 844	(8 815 582)	-42%
Water Services Authority Contribution	6 760 616	7 748 120	(987 504)	-13%
Rental of Facilities and Equipment	541 542	180 000	361 542	201%
Interest Earned - external investments	5 087 335	4 500 000	587 335	13%
Interest Earned - outstanding debtors	919 207	640 000	279 207	44%
Licences and Permits	1 165 950	1 221 400	(55 450)	-5%
Agency Services	517 585	547 844	(30 259)	-6%
Other Income	361 125	276 615	84 510	31%
	126 043 248	151 308 288	(25 265 040)	-17%
Expenditure by nature				
Employee related costs	(29 794 492)	(31 321 442)	1 526 950	-5%
Remuneration of Councillors	(6 806 863)	(6 845 000)	38 137	-1%
Debt Impairment	(2 331 971)	(1 258 130)	(1 073 841)	85%
Depreciation and Amortisation	-	(7 202 420)	7 202 420	-100%
Repairs and Maintenance	(2 710 301)	(3 354 038)	643 736	-19%
Actuarial losses	(428 520)	-	(428 520)	100%
Finance Charges	(28 865)	-	(28 865)	100%
Bulk Purchases	(10 327 738)	(10 942 040)	614 302	-6%
Grants and Subsidies Paid	(397 058)	(400 000)	2 942	-1%
Other Operating Grant Expenditure	(17 753 299)	(27 687 620)	9 934 321	-36%
General Expenses	(12 348 444)	(31 469 039)	19 120 595	-61%
	(82 927 551)	(120 479 729)	37 552 178	-31%
Other Gains/Losses				
Loss on disposal of PPE/Investment Property	(2 449 699)	-	(2 449 699)	100%
	(2 449 699)	-	(2 449 699)	100%
Net Surplus for the year	40 665 998	30 828 559	9 837 439	32%

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Property taxes	17%	New General Valuation Roll
Government Grants and Subsidies - Operating	-18%	Funding for delayed housing projects not received
Fines	257%	Difficult to estimate. Function performed by Department of Transport
Service Charges	-42%	Cost of Free Basic Service budgeted General Expenses
Water Services Authority Contribution	-13%	WSA Budget virement
Rental of Facilities and Equipment	201%	Improved Control over facilities
Interest Earned - external investments	13%	Improved Cash Management
Interest Earned - outstanding debtors	44%	Increase in outstanding consumer debtors
Debt Impairment	85%	New more accurate formula was used
Depreciation and Amortisation	-100%	Depreciation was budgeted for but not applied
Repairs and Maintenance	-19%	Cost of maintenance over estimated
Actuarial losses	100%	Not budgeted for
Finance Charges	100%	Not budgeted for
Other Operating Grant Expenditure	-36%	Some grant funding was received late & Housing project delayed due to land invasion
General Expenses	-61%	Cost of Free Basic Service forms part of General Expenses

Reconciliation of actual vs budget where the accounting treatment is different for the following variances:

The following amounts in respect of rebates were budgeted as expenditure, but deducted from Service Charges in terms of Grap 9

	<u>Actual</u>	<u>Budget</u>
Electricity	(3 120 967)	(2 664 000)
Water	(1 093 097)	(2 077 199)
Sewerage	(1 724 004)	(1 731 600)
Refuse	(2 398 800)	(2 609 902)
General Expenses	8 336 868	9 082 701
	<u>-</u>	<u>-</u>

The following amounts in respect of rebates were budgeted as expenditure, but deducted from Property Rates Revenue

	<u>Actual</u>	<u>Budget</u>
Property Rates	(852 247)	(1 556 720)
General Expenses	852 247	1 556 720
	<u>-</u>	<u>-</u>

The following amounts in respect of depreciation were budgeted for, but not applied in terms of Directive 4

	<u>Actual</u>	<u>Budget</u>
Depreciation and Amortisation	-	(7 202 420)
	<u>-</u>	<u>(7 202 420)</u>

	2010 R <u>(Actual)</u>	2010 R <u>(Budget)</u>	2010 R <u>(Variance)</u>	2010 <u>(%)</u>
39.2 Expenditure by Vote				
Council	9 110 110	9 245 670	(135 560)	-1%
Executive	3 159 004	3 113 761	45 243	1%
Planning & Development	4 516 426	8 956 716	(4 440 290)	-50%
Finance & Administration	11 772 053	15 617 049	(3 844 996)	-25%
Housing	14 252 733	22 488 729	(8 235 996)	-37%
Public Safety	1 001	8 310	(7 309)	-88%
Road Transport	6 335 049	13 353 226	(7 018 177)	-53%
Waste Water (Sewerage)	4 959 830	7 111 839	(2 152 009)	-30%
Waste Water (Storm Water)	501 141	929 990	(428 849)	-46%
Water	4 322 237	6 658 650	(2 336 413)	-35%
Electricity (Distribution)	16 181 301	18 635 192	(2 453 891)	-13%
Electricity (Street Lighting)	653 270	826 915	(173 645)	-21%
Health	547 840	547 844	(4)	0%
Community & Social (Libraries)	357 170	463 920	(106 750)	-23%
Community & Social (Halls & Facilities)	2 764 660	3 441 288	(676 628)	-20%
Community & Social (Cemeteries)	80 844	156 593	(75 749)	-48%
Sport & Recreational	44 348	422 024	(377 676)	-89%
Waste Management (Refuse)	5 818 234	8 502 013	(2 683 779)	-32%
	<u>85 377 249</u>	<u>120 479 729</u>	<u>(35 102 480)</u>	<u>-29%</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Planning & Development	-50%	Assets purchased from LED funding are disclosed under capital expenditure
Finance & Administration	-25%	Vacant posts were not filled due to lack of office space
Housing	-37%	Housing Project delayed because of land invasion.
Public Safety	-88%	Amount (R 7 309) immaterial
Road Transport	-53%	Project undertaken on behalf of Department of Transport has not commenced
Waste Water (Sewerage)	-30%	Different accounting treatment of depreciation and free basic services - see above
Waste Water (Storm Water)	-46%	Different accounting treatment of depreciation and free basic services - see above
Water	-35%	Different accounting treatment of depreciation and free basic services - see above
Electricity (Distribution)	-13%	Different accounting treatment of depreciation and free basic services - see above
Electricity (Street Lighting)	-21%	Different accounting treatment of depreciation and free basic services - see above
Community & Social (Libraries)	-23%	Librarian posts were not filled.
Community & Social (Halls & Facilities)	-20%	No specific reason.
Community & Social (Cemeteries)	-48%	Amount (R 15 736) immaterial.
Sport & Recreational	-89%	Rural Sportfields were not maintained
Waste Management (Refuse)	-32%	Different accounting treatment of depreciation and free basic services - see above

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
39.3 Capital expenditure by vote				
Council	11 778	15 000	(3 222)	-21%
Executive	8 040 489	11 314 320	(3 273 831)	-29%
Planning & Development	1 785 588	190 000	1 595 588	840%
Finance & Administration	846 824	592 090	254 734	43%
Public Safety	10 829	10 920	(91)	-1%
Road Transport	25 269 248	36 013 245	(10 743 997)	-30%
Waste Water (Sewerage)	17 823	-	17 823	100%
Waste Water (Storm Water)	4 900 682	7 002 365	(2 101 683)	-30%
Water	24 724	-	24 724	100%
Electricity (Distribution)	1 511 330	5 253 500	(3 742 170)	-71%
Community & Social (Halls & Facilities)	62 029	68 550	(6 521)	-10%
Community & Social (Cemeteries)	831	-	831	100%
Sport & Recreational	22 326	-	22 326	100%
Waste Management (Refuse)	1 709 172	1 800 000	(90 828)	-5%
	44 213 674	62 259 990	(18 046 316)	-29%

Details of material variances

Council	-21%	Amount (R 3 222) immaterial
Executive	-29%	Construction of Office Building did not progressed as foreseen.
Planning & Development	840%	Assets purchased with LED funds, were budgeted for under operational expenditure.
Finance & Administration	43%	Unforeseen replacement of Mail Server and Software
Road Transport	-30%	Funding not received from Department and Contractors failed to complete projects on time
Waste Water (Sewerage)	100%	Amount (R 17 823) immaterial
Waste Water (Storm Water)	-30%	Contractors unable to complete projects on time.
Water	100%	Amount (R 24 724) immaterial
Electricity (Distribution)	-71%	Delay in Loan Application
Community & Social (Cemeteries)	100%	Amount (R 831) immaterial
Sport & Recreational	100%	Amount (R 22 326) immaterial

40	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2010 R	2009 R
40.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	2 309 697	-
	Unauthorised expenditure current year - capital	1 916 027	187 247
	Unauthorised expenditure current year - operating	45 243	2 122 450
	Approved by Council or condoned	(2 309 697)	-
	Unauthorised expenditure awaiting authorisation	1 961 270	2 309 697

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
40.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	5 539 071	2 521 632
Fruitless and wasteful expenditure current year	2 775 221	3 353 225
Recovery of Fruitless and Wasteful expenditure	(340 468)	-
Condoned or written off by Council	(5 198 603)	-
Transfer to receivables for recovery - not condoned	-	(335 786)
Fruitless and wasteful expenditure awaiting condonement	2 775 221	5 539 071

Incident	Disciplinary steps/criminal proceedings
External Party Internet Fraud	Police investigates fraud charges - R 265 041
Electricity losses higher than the norm 2008 and 2009	None- R 5 266 031
Double payment to ESCOM - June 2009	None - R 335 786 - Recovered
Lost computer of deceased employee	None - R 798
Electricity losses higher than the norm 2010	None - R 2775 221

40.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	1 006 588	-
Irregular expenditure current year	1 568 252	1 006 588
Condoned or written off by Council	(1 006 588)	-
Irregular expenditure awaiting condonement	1 568 252	1 006 588

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy	None
Performance bonuses not paid according to Municipal Systems Act (Act No.32 of 2000)	None - R453 593
Expenditure on LED Fodder Production Project	None - R83 813
Credit card expenditure	None - R179 798

40.4 Material Losses		
Electricity distribution losses		
Kwh purchased	23 712 734	23 253 858
Kwh sold	13 213 378	13 839 434
Kwh losses	9 520 158	9 414 424
Kwh cost	0.4355	0.3239
% Losses - Notes 41	40.15%	40.49%
Amount of loss considered fruitless expenditure above a norm of average 10%	2 775 221	2 744 399

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	36 169
Council subscriptions	189 311	146 184
Amount paid - current year	(189 311)	(146 184)
Amount paid - previous years	-	(36 169)
Balance unpaid (included in creditors)	-	-

41.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 225 423	1 332 827
Amount paid - current year	(1 221 151)	(1 332 827)
Balance unpaid	4 272	-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
41.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(2 933 326)	(1 192 747)
Amounts received - current year	2 632 397	1 579 373
Amounts claimed - current year (payable)	(11 186 762)	(6 424 301)
Amount paid - current year	-	1 192 747
Amount paid - previous year	2 325 639	1 911 602
Closing balance Cr/(Dt)	(9 162 052)	(2 933 326)
Vat in suspense due to cash basis of accounting	641 175	379 353

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4 869 668	3 480 673
Amount paid - current year	(4 869 668)	(3 480 673)
Balance unpaid	-	-

41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	3 388 646	4 593 414
Amount paid - current year	(3 388 646)	(4 593 414)
Balance unpaid (included in creditors)	-	-

41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

Refer to Note 50.1 for outstanding accounts at year-end for Councillors

No Councillors had arrear accounts outstanding for more than 90 days during the year

41.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	More than R200,000
Global Business Solutions	-	34 200	-
Riverside Lodge	-	40 915	-
Forever Resorts	-	67 020	-
Greyvenstein & Spence	-	71 120	-
Bushman Sands	-	109 170	-
Aliwal spa	20 870	-	-
Saddle Down Lodge	6 960	-	-
Aliwal spa	-	49 525	-
Douglas & Botha	-	44 198	-
Ekhaya Lodge Sterkspruit	-	39 900	-
Liyasakha Trading	-	44 593	-
Clayton Mkhululi Man	-	50 651	-
Premier Hotel	-	34 787	-
Transnet	-	80 711	-
Amabamba Recruitment	-	32 946	-
Urban Dynamics	-	108 368	-
Alliwal Toyota	-	11 866	-
Manta Mica Hardware	2 147	-	-
TKLines	1 100	-	-
	31 078	819 971	-

41.8 Reporting i.t.o Section 45 - Supply Chain Management Act

Business were done with the following employee of the municipality with no influence in decision making:

Staff Member	Entity		
D. Oertel	Mountain View Hotel	90 734	-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
42	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	20 297 898	2 702 913
	Land & Buildings	12 021 353	-
	Infrastructure	8 276 545	2 702 913
	Total	20 297 898	2 702 913

This expenditure will be financed from:

External Loans	3 663 421	-
Capital Replacement Reserve	12 022 465	570 000
Government Grants	4 612 012	2 132 913
	20 297 898	2 702 913

43 WORLD CUP EXPENDITURE

Expenditure on Soccer World Cup	48 215	-
Total	48 215	-

The municipality purchased t-shirts for the staff members to wear as part of their uniforms, in support of the World Cup. The total amount is included in General Expenditure - Note 33

44 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

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

1% (2009 - 0.5%) Increase in interest rates	579 344	345 530
0.5% (2009 - 0.5%) Decrease in interest rates	(289 672)	(345 530)

(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 arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 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:

2010	2010
%	R

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Electricity	15.86%	1 556 593
Water	14.30%	1 403 807
Housing Rentals	2.09%	205 195
Refuse	18.91%	1 855 742
Sewerage	14.25%	1 398 291
Other Consumer Arrears	0.16%	16 098
Rates	34.43%	3 379 814
	100.00%	9 815 540

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 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 or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2010 R	2009 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	30 435	45 588
Trade receivables and other receivables	10 962 196	8 766 107
Cash and Cash Equivalents	66 271 927	69 106 810
Unpaid conditional grants and subsidies	38 141	191 481
	77 302 699	78 109 986

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

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
2010				
Long Term liabilities	1 332 008	7 025 985	8 782 481	18 443 209
Capital repayments	173 998	1 674 061	3 012 798	12 139 143
Interest	1 158 010	5 351 924	5 769 683	6 304 066
Trade and Other Payables	452 398	-	-	-
Unspent conditional government grants and receipts	12 141 540	-	-	-
	13 925 946	7 025 985	8 782 481	18 443 209
2009				
Trade and Other Payables	123 762	-	-	-
Unspent conditional government grants and receipts	16 737 481	-	-	-
	16 861 243	-	-	-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
45	FINANCIAL INSTRUMENTS		
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
45.1	Financial Assets		
	Classification		
	Staff Loans	13 695	30 367
	Consumer Debtors		
	Trade receivables from exchange transactions	16 355 801	10 507 323
	Other receivables from non-exchange transactions	4 421 934	3 484 981
	Other Debtors		
	Payments made in Advance	355 560	247 298
	Government Subsidies and Grants	38 141	191 481
	Current Portion of Long-term Receivables		
	Staff Loans	16 740	15 221
	Short-term Investment Deposits		
	Call Deposits	65 866 566	67 094 621
	Bank Balances and Cash		
	Bank Balances	404 461	2 011 290
	Cash Floats and Advances	900	900
		87 473 799	83 583 481
	SUMMARY OF FINANCIAL ASSETS		
	Held to maturity:		
	Short-term Investment Deposits	65 866 566	67 094 621
	Bank Balances	404 461	2 011 290
	Cash Floats and Advances	900	900
		66 271 927	69 106 810
	Loans and Receivables		
	Long-term Receivables	13 695	30 367
	Consumer Debtors	16 355 801	10 507 323
	Consumer Debtors	4 421 934	3 484 981
	Other Debtors	355 560	247 298
	Other Debtors	38 141	191 481
	Current Portion of Long-term Receivables	16 740	15 221
		21 201 872	14 476 671
	Total Financial Assets	87 473 799	83 583 481
45.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	8 162 581	-
	Trade Payables		
	Trade creditors	451 648	123 762
	Deposits: Other	750	-
	Unspent Conditional Grants and Receipts		
	Other Spheres of Government	12 141 540	16 737 481
	Current Portion of Long-term Liabilities		
	Annuity Loans	173 998	-
		20 930 517	16 861 243
	SUMMARY OF FINANCIAL LIABILITY		
	At amortised cost	20 930 517	16 861 243

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

46 EVENTS AFTER THE REPORTING DATE

The Municipality did not have any material events after reporting date.

47 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

48 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

49 CONTINGENT LIABILITY

None

50 RELATED PARTIES

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

50.1 Related Party Transactions

	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
Year ended 30 JUNE 2010			
Councillors	5 457	41 002	3 250
ZI Dumzela	1 323	15 451	1 115
LJ Booi	-	2 190	182
J Konstabel	1 407	7 376	588
MW Mpelwane	-	2 192	239
M Stanley	2 727	4 879	395
M Eliya	-	2 229	183
XM Ganamanfana	-	2 229	183
M Mafilika	-	2 229	183
MG Ncise	-	2 229	183
Municipal Manager and Section 57 Employees	2 802	15 308	1 219
ML Theron	-	2 216	146
R Crozier	2 802	13 092	1 073

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.

50.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

50.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50.4 Other related party transactions

	2010	2009
The following purchases were made during the year where Councillors or Management have an interest:	R	R
<u>Councillor/Staff Member</u>		
ZI Dumzela	82 570	1 116 987
M A Theron	267 881	1 132 401
C R Venter	-	-
<u>Entity</u>		
ZNR Civils (Spouse of Mayor is Director)		
Lady Grey Joinery & Construction (Spouse is Director)		
Sebata (Spouse is a contracted employee)		

51 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

51.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of measuring all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

51.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of measuring all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases;
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of measuring all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

51.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale
Water

The municipality is currently in the process of measuring all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Cost						Carrying Value
	Opening Balance R	B/F Adjustments Note 34.05	Restated Opening Balance	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	10 783 569	-	10 783 569	8 003 710	-	18 787 279	18 787 279
Land	878 129	-	878 129	-	-	878 129	878 129
Buildings	9 905 440	-	9 905 440	8 003 710	-	17 909 150	17 909 150
Infrastructure	73 204 188	-	73 204 188	30 340 314	-	103 544 502	103 544 502
Main: Roads	64 174 626	-	64 174 626	26 788 133	-	90 962 759	90 962 759
Main: Waste Management	2 674 765	-	2 674 765	2 825 992	-	5 500 758	5 500 758
Main: Electricity	5 418 801	-	5 418 801	726 189	-	6 144 990	6 144 990
Taxi Ranks	935 996	-	935 996	-	-	935 996	935 996
Community Assets	21 719 725	-	21 719 725	9 579	-	21 729 303	21 729 303
Recreation Grounds	5 623 148	-	5 623 148	-	-	5 623 148	5 623 148
Civil Buildings	6 868 270	-	6 868 270	-	-	6 868 270	6 868 270
Libraries	5 146	-	5 146	-	-	5 146	5 146
Parks & Gardens	83 024	-	83 024	9 579	-	92 602	92 602
Preschools	3 972 524	-	3 972 524	-	-	3 972 524	3 972 524
Cemetery	3 680 157	-	3 680 157	-	-	3 680 157	3 680 157
Clinics	1 487 455	-	1 487 455	-	-	1 487 455	1 487 455
Other Assets	15 588 174	-	15 588 174	5 737 223	1 033 442	20 291 956	20 291 956
Motor Vehicles	4 021 291	-	4 021 291	1 452 697	438 911	5 035 077	5 035 077
Plant & Equipment	1 509 798	-	1 509 798	3 367 344	70 747	4 806 396	4 806 396
Office Equipment	1 099 029	-	1 099 029	156 725	3 180	1 252 573	1 252 573
Furniture & Fittings	716 608	-	716 608	190 325	3 078	903 856	903 856
Loose Equipment	757	-	757	13 217	757	13 217	13 217
Computer Equipment	1 340 620	-	1 340 620	554 025	245 869	1 648 776	1 648 776
Specialised Vehicles	6 848 680	-	6 848 680	-	270 900	6 577 780	6 577 780
Security Items	51 391	-	51 391	2 890	-	54 281	54 281
	121 295 656	-	121 295 656	44 090 826	1 033 442	164 353 040	164 353 040

30 JUNE 2009

Reconciliation of Carrying Value

	Cost						Carrying Value
	Opening Balance R	B/F Adjustments Note 34.05	Restated Opening Balance	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	8 787 959	-	8 787 959	1 995 609	-	10 783 569	10 783 569
Land	878 129	-	878 129	-	-	878 129	878 129
Buildings	7 909 830	-	7 909 830	1 995 609	-	9 905 440	9 905 440
Infrastructure	58 145 704	-	58 145 704	15 058 484	-	73 204 188	73 204 188
Main: Roads	49 349 289	-	49 349 289	14 825 337	-	64 174 626	64 174 626
Main: Waste Management	2 441 618	-	2 441 618	233 148	-	2 674 765	2 674 765
Main: Electricity	5 418 801	-	5 418 801	-	-	5 418 801	5 418 801
Taxi Ranks	935 996	-	935 996	-	-	935 996	935 996
Community Assets	21 155 497	-	21 155 497	564 228	-	21 719 725	21 719 725
Recreation Grounds	5 287 777	-	5 287 777	335 372	-	5 623 148	5 623 148
Civil Buildings	6 868 270	-	6 868 270	-	-	6 868 270	6 868 270
Libraries	5 146	-	5 146	-	-	5 146	5 146
Parks & Gardens	83 024	-	83 024	-	-	83 024	83 024
Preschools	3 972 524	-	3 972 524	-	-	3 972 524	3 972 524
Cemetery	3 451 301	-	3 451 301	228 856	-	3 680 157	3 680 157
Clinics	1 487 455	-	1 487 455	-	-	1 487 455	1 487 455
Other Assets	16 315 157	-281 957	16 033 200	1 407 472	1 852 497	15 588 174	15 588 174
Motor Vehicles	3 376 134	-	3 376 134	830 422	185 265	4 021 291	4 021 291
Plant & Equipment	1 515 137	-18 000	1 497 137	119 116	106 454	1 509 798	1 509 798
Office Equipment	862 113	-2 602	859 511	251 858	12 340	1 099 029	1 099 029
Furniture & Fittings	652 147	-	652 147	64 462	-	716 608	716 608
Loose Equipment	757	-	757	-	-	757	757
Computer Equipment	1 297 936	-4 856	1 293 081	141 615	94 075	1 340 620	1 340 620
Specialised Vehicles	8 559 542	-256 500	8 303 042	-	1 454 362	6 848 680	6 848 680
Security Items	51 391	-	51 391	-	-	51 391	51 391
	104 404 317	-281 957	104 122 360	19 025 793	1 852 497	121 295 656	121 295 656

11 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
Property, Plant and Equipment financed by way of provisions
Property, Plant and Equipment transferred as a result of the transfer of functions; and
Componentised infrastructure assets.

The municipality is currently in a process of componentising all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be

The municipality therefore utilised the transitional provision in the following areas:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

INSERT ACCOUNTING POLICY

**APPENDIX A - Unaudited
SENQU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2031	-	8 336 579	-	8 336 579
Total Annuity Loans				-	8 336 579	-	8 336 579
TOTAL EXTERNAL LOANS				-	8 336 579	-	8 336 579

APPENDIX B - Unaudited
SENQU MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	8 949 985	8 052 267	330 406	16 671 847	16 671 847
Planning & Development	1 178 247	1 785 588	125 576	2 838 259	2 838 259
Corporate Services	14 556 675	271 962	22 934	14 805 704	14 805 704
Public Safety	445 530	10 829	-	456 359	456 359
Budget & Treasury	1 806 296	507 355	291 756	2 021 895	2 021 895
Road Transport	74 256 795	30 266 524	237 566	104 285 752	104 285 752
Waste Water Management	266 651	17 823	312	284 161	284 161
Water	120 158	24 724	18 000	126 883	126 883
Electricity	6 754 214	1 511 330	-	8 265 544	8 265 544
Community & Social Services	3 989 905	33 773	8 559	4 015 119	4 015 119
Health	1 496	-	-	1 496	1 496
Sport & Recreation	6 014 419	22 326	-	6 036 745	6 036 745
Waste Management	3 335 365	1 709 172	-	5 044 537	5 044 537
	121 675 737	44 213 674	1 035 109	164 854 302	164 854 302

**APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
10 061 093	(12 237 985)	(2 176 891)	Executive & Council	1 826 716	(12 269 114)	(10 442 398)
4 514 296	(4 259 780)	254 516	Planning & Development	3 351 070	(4 516 426)	(1 165 356)
5 720 450	(5 038 575)	681 875	Corporate Services	137 691	(6 838 685)	(6 700 994)
9 882 882	(9 615 238)	267 644	Housing	13 653 515	(14 252 733)	(599 218)
614 983	(1 835)	613 148	Public Safety	29 270	(1 001)	28 269
17 209 342	(6 149 060)	11 060 283	Budget & Treasury	60 254 709	(4 761 449)	55 493 260
19 629 811	(7 434 708)	12 195 104	Road Transport	20 968 451	(8 519 833)	12 448 618
-	-	-	Waste Water Management	4 983 365	(4 959 830)	23 535
-	-	-	Water	4 495 471	(4 322 237)	173 234
11 156 126	(11 659 513)	(503 387)	Electricity	10 820 534	(16 834 571)	(6 014 037)
1 899 744	(1 532 451)	367 293	Community & Social Services	607 034	(1 690 950)	(1 083 916)
512 005	(494 657)	17 348	Health	547 840	(547 840)	-
238 290	(20 928)	217 362	Sport & Recreation	-	(44 348)	(44 348)
6 003 330	(5 193 335)	809 995	Waste Management	4 367 582	(5 818 234)	(1 450 652)
87 442 353	(63 638 064)	23 804 289	Sub Total	126 043 248	(85 377 249)	40 665 998
(46 550)	(46 550)	-	Less Inter-Departmental Charges	(49 804)	49 804	-
87 395 803	(63 684 614)	23 804 289	Total	125 993 444	(85 327 445)	40 665 998

**APPENDIX D(1) - Unaudited
SENQU MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	3 937 597	3 379 180	558 417	16.53%	New General Valuation Roll
Government Grants and Subsidies - Capital	34 378 128	38 351 550	(3 973 422)	-10.36%	
Government Grants and Subsidies - Operating	60 284 382	73 596 735	(13 312 353)	-18.09%	Funding for delayed housing projects not received
Fines	53 517	15 000	38 517	256.78%	Difficult to estimate. Function performed by Department of Transport
Service Charges	12 036 262	20 851 844	(8 815 582)	-42.28%	Free Basic Services provided
Water Services Authority Contribution	6 760 616	7 748 120	(987 504)	-12.75%	WSA Budget virement
Rental of Facilities and Equipment	541 542	180 000	361 542	200.86%	Improved Control over facilities
Interest Earned - External Investments	5 087 335	4 500 000	587 335	13.05%	Improved Cash Management
Interest Earned - Outstanding Debtors	919 207	640 000	279 207	43.63%	Increase in outstanding consumer debtors
Licences and Permits	1 165 950	1 221 400	(55 450)	-4.54%	
Agency Services	517 585	547 844	(30 259)	-5.52%	
Other Revenue	361 125	276 615	84 510	30.55%	
Total Revenue	126 043 248	151 308 288	(25 265 040)		
EXPENDITURE					
Executive & Council	(12 269 114)	(12 359 431)	90 317	-0.73%	
Planning & Development	(4 516 426)	(8 956 716)	4 440 290	-49.57%	Assets purchased from LED funding are disclosed under capital expenditure
Corporate Services	(6 838 685)	(7 614 350)	775 665	-10.19%	
Housing	(14 252 733)	(22 488 729)	8 235 996	-36.62%	Housing Project delayed because of land invasion.
Public Safety	(1 001)	(8 310)	7 309	-87.96%	Amount (R 7 309) immaterial
Budget & Treasury	(4 761 449)	(8 002 700)	3 241 251	-40.50%	Vacant posts were not filled due to lack of office space
Road Transport	(8 519 833)	(13 353 226)	4 833 393	-36.20%	Project undertaken on behalf of Department of Transport has not commenced
Waste Water Management	(4 959 830)	(8 041 829)	3 081 999	-38.32%	Different accounting treatment of depreciation and free basic services
Water	(4 322 237)	(6 658 650)	2 336 413	-35.09%	Different accounting treatment of depreciation and free basic services
Electricity	(16 834 571)	(19 462 107)	2 627 536	-13.50%	Different accounting treatment of depreciation and free basic services
Community & Social Services	(1 690 950)	(4 061 801)	2 370 851	-58.37%	Librarian posts were not filled.
Health	(547 840)	(547 844)	4	0.00%	
Sport & Recreation	(44 348)	(422 024)	377 676	-89.49%	Rural Sportfields were not maintained
Waste Management	(5 818 234)	(8 502 013)	2 683 779	-31.57%	Different accounting treatment of depreciation and free basic services
Total Expenditure	(85 377 249)	(120 479 730)	35 102 481		
SURPLUS / (DEFICIT) FOR THE YEAR	40 665 998	30 828 558	9 837 440		

**APPENDIX D (2) - Unaudited
 SENQU MUNICIPALITY
 ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
 GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2010 Actual	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
Executive & Council	8 052 267	11 329 320	(3 277 053)	-28.93%	Construction of Additional Offices was delayed.
Planning & Development	1 785 588	190 000	1 595 588	839.78%	Assets purchased with LED funds, were budgeted for under operational expenditure. Purchases delayed because of inadequate
Corporate Services	271 962	307 960	(35 998)	-11.69%	office space
Public Safety	10 829	10 920	(91)	-0.84%	
Budget & Treasury	507 355	284 130	223 225	78.56%	Unforeseen replacement of Mail Server
Road Transport	29 765 383	36 013 245	(6 247 862)	-17.35%	Contractors under performing
Waste Water Management	518 964	7 002 365	(6 483 401)	-92.59%	Contractors under performing
Water	24 724	-	24 724	0.00%	
Electricity	1 511 330	5 253 500	(3 742 170)	-71.23%	Delay in Loan Application Purchases delayed because of inadequate
Community & Social Services	33 773	68 550	(34 777)	-50.73%	office space
Sport & Recreation	22 326	-	22 326	0.00%	
Waste Management	1 709 172	1 800 000	(90 828)	-5.05%	
Total	44 213 674	62 259 990	(18 046 316)	-28.99%	

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

Grant Description	Balance 1 JULY 2009	Transfers	Restate (R)/ Transfer (T)	Restated balance 01-Jul-09	Contributions during the year	Interest on Investments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R		R	R	R	R	R	R
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
Performance Agreements	41 330	-		41 330	-	-	41 330	-	-
Equitable Share	-	-		-	54 621 205	-	54 621 205	-	-
Peach & Vegetable Processing	8 302	-		8 302	-	-	-	-	8 302
Holo Hlahatsi Agricultural Project	370 734	-		370 734	-	-	266 218	-	104 517
Commonage Management Plan	60 126	-		60 126	-	-	345	-	59 781
Surveying / Land Audit	580 994	(30 344)	T	550 650	-	-	550 650	-	-
Heritage Management	229 912	-		229 912	-	-	-	-	229 912
DEAT Brickmaking	(24 238)	-		(24 238)	24 238	-	-	-	-
Co-op's Development	2 993	-		2 993	-	-	-	-	2 993
LED (Lady Grey)	1 941	-		1 941	-	-	1 941	-	-
Prov Gov - Housing (Lady Grey)	1 544 981	-		1 544 981	577 157	-	-	137 720	1 984 417
Prov Gov - Housing (Hillside)	(167 243)	-		(167 243)	13 202 824	-	-	12 588 808	446 773
Municipal Finance Management	324 328	-		324 328	1 000 000	-	890 491	-	433 836
Municipal Support Programme	249 321	-		249 321	-	-	165 671	-	83 650
Disabled Project BE	4 483	-		4 483	-	-	4 483	-	-
Prov Gov - Valuation Roll	(11 219)	11 219	R	-	-	-	-	-	-
Municipal Infrastructure Grant	3 080 821	-		3 080 821	17 647 000	-	-	20 729 642	(1 821)
Implementation Ownership	404 878	-		404 878	-	-	171 332	-	233 546
Traffic Test Station (Sterkspruit)	104 879	-		104 879	-	-	-	-	104 879
Tourism	-	-		-	200 000	-	200 000	-	-
Rossouw Agricultural Project	223 578	-		223 578	-	-	130 767	-	92 811
Municipal Systems Improvement	322 670	(11 219)	R	311 451	237 330	-	585 101	-	(36 320)
Herschel People's Housing	6 578 613	-		6 578 613	-	365 580	-	169 632	6 774 561
Internet/Communication Systems	84 131	-		84 131	-	-	-	-	84 131
Health Subsidy	-	-		-	547 840	-	547 840	-	-
Plastic Products	2 319 298	-		2 319 298	1 366 735	-	2 275 986	-	1 410 047
Joe Gqabi DM - District Call Centre	210 388	-		210 388	-	-	123 004	-	87 383
Joe Gqabi DM - Community Participation	-	-		-	226 000	-	226 000	-	-
Sterkspruit Land Audit	-	30 344	T	30 344	-	-	30 344	-	-
Ward Committees	-	-		-	204 000	-	204 000	-	-
Total	16 546 000	-		16 546 000	89 854 329	365 580	61 036 709	33 625 802	12 103 399