



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

NY Mtyali
MW Mpelwane
GN Mbonzana
NM Kwinana
S Mziki
M Mafilika
J Constable

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	B.S Majodina
2	P.G. Key
3	N. Nombula
4	N. M. Kwinana
5	J Lamani
6	N.C Mraji
7	N.A Mkhontwana
8	M.G. Moeletsi
9	A.P April
10	S. Mfisa
11	M.N Ngedane
12	M.P Bingwa
13	L.M Tokwe
14	M.J Mjali
15	S.S Ndzongana
16	M.M Mafilika
17	P.N August
18	B. Ngogodo
19	N.C Motemekoane
Proportional	A. P. Kwinana
Proportional	A.H Sobhuza
Proportional	G. Mbonyana
Proportional	G.S Mvunyiswa
Proportional	I Mosisidi
Proportional	I. Elia
Proportional	H Van De Walt
Proportional	J. Constable
Proportional	M. A Moshasha
Proportional	M. Senoamali
Proportional	M.A Mangali
Proportional	M.J Sereba
Proportional	M.W. Mpelwane
Proportional	N.M Nthako
Proportional	N.Y Mtyali
Proportional	R.M Joubert
Proportional	S. Mziki
Proportional	S.S Tindleni

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

M M Yawa
Municipal Manager

Date

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R (Actual)	2011 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		270 361 470	223 836 046
Capital Replacement Reserve	2	75 142 035	56 463 739
Revaluation Reserve		1 221 307	844 413
Employee Benefits Reserve		11 645 194	5 644 845
Valuation Roll Reserve		919 491	689 618
Accumulated Surplus		181 433 443	160 193 430
Non-Current Liabilities		29 090 804	28 226 488
Long-term Liabilities	3	15 237 007	15 703 059
Employee benefits	4	10 726 761	9 429 630
Non-Current Provisions	5	3 127 036	3 093 799
Liabilities associated with Discontinued Operations	38.02	2 328 360	-
Current Liabilities		33 196 581	37 835 526
Consumer Deposits	6	532 757	341 819
Current Employee benefits	7	4 899 112	5 213 040
Provisions	8	6 497 749	6 072 663
Payables from exchange transactions	9	3 148 381	1 936 088
Unspent Conditional Government Grants and Receipts	10	17 318 480	23 489 875
Taxes	11	-	-
Operating Lease Liability	21.1	1 970	3 865
Cash and Cash Equivalents	22	-	-
Current Portion of Long-term Liabilities	3	798 132	778 177
Total Net Assets and Liabilities		334 977 215	289 898 061
ASSETS			
Non-Current Assets		187 035 328	160 576 211
Property, Plant and Equipment	12	172 718 835	146 090 055
Capitalised Restoration Cost	13	1 510 395	1 637 299
Investment Property	15	12 548 500	12 548 500
Intangible Assets	16	257 598	300 357
Long-Term Receivables	17	-	-
Non-Current Assets Held for Sale	14	84 851	33 694
Assets associated with Discontinued Operations	38.02	848 736	-
Current Assets		147 008 300	129 288 155
Inventory	18	4 310 567	5 153 854
Receivables from exchange transactions	19	14 687 943	4 625 668
Receivables from non-exchange transactions	20	599 419	942 838
Unpaid Conditional Government Grants and Receipts	10	342 129	321 568
Operating Lease Asset	21.2	45 800	33 327
Taxes	11	1 125 142	2 050 622
Current Portion of Long-term Receivables	17	-	13 695
Cash and Cash Equivalents	22	125 897 298	116 146 583
Total Assets		334 977 215	289 898 061

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011	2011
			Restated - Note 38 and Note 39	Previously Reported
Notes	R	R	R	R
REVENUE				
Revenue from Non-exchange Transactions		133 965 867	122 871 016	122 871 016
Taxation Revenue		4 001 011	4 197 252	4 197 252
Property taxes	23	4 001 011	4 197 252	4 197 252
Transfer Revenue		129 914 401	117 971 825	117 971 825
Government Grants and Subsidies - Capital	24	22 106 014	41 478 066	41 478 066
Government Grants and Subsidies - Operating	24	107 758 386	76 493 759	76 493 759
Public Contributions and Donations		50 000	-	-
Other Revenue		50 455	701 939	701 939
Actuarial Gains		-	632 639	632 639
Fines		50 455	69 300	69 300
Revenue from Exchange Transactions		31 129 970	21 993 821	34 281 592
Service Charges	25	19 950 838	13 905 420	16 655 202
Water Services Authority Contribution	26	-	-	9 286 090
Rental of Facilities and Equipment		558 046	375 048	375 048
Interest Earned - external investments		6 790 249	4 915 084	4 915 084
Interest Earned - outstanding debtors		881 990	885 008	1 136 907
Licences and Permits		1 680 258	950 871	950 871
Agency Services		579 596	462 566	462 566
Other Income	27	688 992	499 824	499 824
Gain on disposal of Property, Plant and Equipment		-	-	-
Total Revenue		165 095 836	144 864 838	157 152 609
EXPENDITURE				
Employee Related Costs	28	30 793 033	26 260 794	34 732 945
Remuneration of Councillors	29	8 386 846	7 158 923	7 158 923
Debt Impairment	30	2 694 143	829 110	1 332 557
Depreciation and Amortisation	31	11 675 067	10 480 013	10 810 725
Impairment		116 766	-	-
Repairs and Maintenance	32	3 405 197	2 703 133	3 015 464
Actuarial losses	4	561 491	29 389	48 981
Finance Charges	33	1 717 717	1 566 307	1 570 656
Bulk Purchases	34	15 130 377	12 494 708	12 494 708
Grants and Subsidies Paid	35	731 837	798 812	798 812
Other Operating Grant Expenditure	36	26 240 396	33 748 293	33 748 293
General Expenses	37	17 209 501	13 115 301	14 765 959
Loss on disposal of PPE/Investment Property		85 282	446 900	458 428
Total Expenditure		118 747 653	109 631 682	120 936 451
NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		46 348 183	35 233 155	36 216 157
Discontinued Operations (Health)	38.01	-	(68 355)	(68 355)
Discontinued Operations (Water and Sanitation)	38.02	(199 653)	1 223 260	-
NET SURPLUS FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		46 148 530	36 388 061	36 147 803

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve	Revaluation Reserve	Employee Benefits Reserve	Valuation Roll Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 30 JUNE 2010	39 964 908	566 134	-	-	143 537 414	184 068 456
Correction of error - Note - 39.05	-	-	-	-	3 101 251	3 101 251
Restated Balance at 1 JULY 2010	39 964 908	566 134	-	-	146 638 664	187 169 706
Net Surplus/(Deficit) for the year	-	-	-	-	36 388 061	36 388 061
Transfer to CRR	16 498 831	-	-	-	(16 498 831)	-
Revaluation on Land and Buildings	-	278 279	-	-	-	278 279
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	689 618	(689 618)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	5 644 845	-	(5 644 845)	-
Balance at 30 JUNE 2011	56 463 739	844 413	5 644 845	689 618	160 193 430	223 836 046
Net Surplus/(Deficit) for the year	-	-	-	-	46 148 530	46 148 530
Transfer to CRR	18 678 296	-	-	-	(18 678 296)	-
Revaluation on Land and Buildings	-	376 894	-	-	-	376 894
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	229 873	(229 873)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	6 000 349	-	(6 000 349)	-
Balance at 30 JUNE 2012	75 142 035	1 221 307	11 645 194	919 491	181 433 443	270 361 470

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other - Restated 2011		28 625 958	46 976 466
Government - Restated 2011		123 562 445	129 266 644
Interest		6 790 249	4 915 084
Payments			
Suppliers and employees		(108 526 424)	(106 145 612)
Finance charges		(1 717 717)	(1 566 307)
Transfers and Grants		(731 837)	(798 812)
Cash generated by operations	40	48 002 675	72 647 463
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(38 155 123)	(31 595 704)
Proceeds on Disposal of Fixed Assets		212 979	764 417
Purchase of Intangible Assets		(68 352)	(81 758)
Decrease in Long-term Receivables		13 695	16 740
Net Cash from Investing Activities		(37 996 800)	(30 896 305)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		281 615	8 473 416
Loans repaid		(727 712)	(328 758)
Decrease in Consumer Deposits		190 938	(21 159)
Net Cash from Financing Activities		(255 159)	8 123 498
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		9 750 715	49 874 656
Cash and Cash Equivalents at the beginning of the year		116 146 583	66 271 927
Cash and Cash Equivalents at the end of the year	41	125 897 298	116 146 583
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		9 750 715	49 874 656

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES 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.

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

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

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

1.2. PRESENTATION CURRENCY

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

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. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

<p>The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:</p> <p>Standard</p>	<p>Description</p>	<p>Effective Date</p>
<p>GRAP 6 (Revised – Nov 2010)</p>	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<p>Unknown</p>
<p>GRAP 7 (Revised – Mar 2012)</p>	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>1 April 2013</p>
<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p>Unknown</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	<p>Unknown</p>
<p>GRAP 24 (Original – Nov 2007)</p>	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	<p>1 April 2012</p>
<p>GRAP 103 (Original – July 2008)</p>	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	<p>1 April 2012</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>Unknown</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>Unknown</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>Unknown</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

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

1.8. RESERVES

1.8.1 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 utilized.

1.8.2 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of the Valuation roll

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.8.3 *Employee Benefits Reserve*

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 *Revaluations Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 *Municipality as Lessee*

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

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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.9.2 Municipality as Lessor

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

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

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from 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 as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

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1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent 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 public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution 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.

1.13. 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 or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- 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 shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.14. 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 GRAP 25 – 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 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. Payments made by the Municipality 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(c) Provision for Staff Leave

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

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

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

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

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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1.15. 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 amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. 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. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

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

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

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

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

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

1.16.2 Subsequent Measurement – Cost Model

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

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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.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

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

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5 - 50	Buildings	100
Pedestrian Malls	20	Specialist vehicles	10 - 30
Electricity	15 - 60	Other vehicles	5 - 20
Water	15 - 20	Office equipment	5 - 15
Sewerage	10 - 50	Furniture and fittings	7 - 15
		Bins and containers	5 - 10
<u>Community</u>		Specialised plant and Equipment	10 - 30
Buildings	100	Other plant and Equipment	2 - 12
Recreational Facilities	20 - 30	Landfill sites	25 - 30
Security	5	Emergency equipment	10 - 30
Halls	20 - 30	Computer equipment	5 - 12
Libraries	20 - 30		
Parks and gardens	15 - 20		
Other assets	15 - 20		
<u>Heritage Assets and Land</u>			
Heritage assets	50- Infinite		
Land	Infinite		
<u>Finance lease assets</u>			
Office equipment	3		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 impairment is recognised in the Statement of Financial Performance.

1.16.5 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.

1.17. INTANGIBLE ASSETS

1.17.1 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 in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is

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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.

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 - 12

1.17.4 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.

1.18. INVESTMENT PROPERTY

1.18.1 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. Property with a currently undetermined use is also classified as investment property.

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

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

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

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

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

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 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.

1.19.2 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.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

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

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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 Statement of Financial Performance.

1.20.2 Non-cash-generating assets

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

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

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

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

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

1.21. NON CURRENT INVESTMENTS

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

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories

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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.

1.22.2 Subsequent Measurement

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

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.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

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

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.23.2 Subsequent Measurement

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

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1.23.2.1 Receivables

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

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed 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 an asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. 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.

1.23.2.3 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,

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highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

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

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

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

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

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

1.23.3.2 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.

1.23.4 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

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. 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.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be 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.

1.24.2 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. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

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

1.26. UNAUTHORISED EXPENDITURE

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

1.27. IRREGULAR EXPENDITURE

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

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.29. CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. 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:

Post-retirement medical obligations and Long service awards

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

Impairment of Receivables

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

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

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

Intangible Assets

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

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

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

Investment Property

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

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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

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

Provisions and Contingent Liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue Recognition

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

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

Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

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

Provision for Performance bonuses

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

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

1.32. TAXES – VALUE ADDED TAX

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

1.33. CAPITAL COMMITMENTS

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

1.34. 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 2012

	2012 R	2011 R
2 NET ASSET RESERVES		
RESERVES	88 928 027	63 642 616
Capital Replacement Reserve	75 142 035	56 463 739
Employee Benefits Reserve	11 645 194	5 644 845
Revaluations Reserve	1 221 307	844 413
Valuation Roll Reserve	919 491	689 618
Total Net Asset Reserve and Liabilities	88 928 027	63 642 616

3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	15 991 202	16 407 798
Capitalised Lease Liability - At amortised cost	43 938	73 438
	16 035 140	16 481 236
Less: Current Portion transferred to Current Liabilities	798 132	778 177
	765 704	748 677
Annuity Loans - At amortised cost	32 429	29 500
Capitalised Lease Liability - At amortised cost		
Total Long-term Liabilities - At amortised cost using the effective interest rate method	15 237 007	15 703 059

Development Bank Loan

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.

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	1 969 561	1 988 898
Payable within two to five years	7 372 124	7 449 473
Payable after five years	18 515 413	19 813 481
	27 857 098	29 251 852
Less: Future finance obligations	(11 865 896)	(12 844 054)
Present value of annuity obligations	15 991 202	16 407 798

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	35 215	35 215
Payable within two to five years	11 738	46 954
	46 954	82 169
Less: Future finance obligations	(3 015)	(8 730)
Present value of lease obligations	43 938	73 438

Leases are secured by property, plant and equipment - Note 12

The capitalised lease liability consist out of the following contract:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
NRB Risk Solutions	Telephone System	10%	0%	3 Years	11/2013

4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	11 022 665	8 787 735
Long Service Awards - Refer to Note 4.2	841 146	641 895
Total Non-current Employee Benefit Liabilities	11 863 811	9 429 630

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4	EMPLOYEE BENEFITS (CONTINUE)	2012	2011
		R	R
	<u>Post Retirement Benefits</u>		
	Balance 1 July	8 951 931	8 217 745
	Contribution for the year	1 528 836	1 484 246
	Expenditure for the year	(181 671)	(117 421)
	Actuarial Loss/(Gain)	905 201	(632 639)
	Total post retirement benefits 30 June	11 204 297	8 951 931
	Less: Transfer of Current Portion - Note 7	(181 632)	(164 196)
	Balance 30 June	11 022 665	8 787 735
	 <u>Long Service Awards</u>		
	Balance 1 July	842 594	644 199
	Contribution for the year	236 705	149 414
	Expenditure for the year	(158 058)	-
	Actuarial Loss	30 617	48 981
	Total long service 30 June	951 858	842 594
	Less: Transfer of Current Portion - Note 7	(110 712)	(200 699)
	Balance 30 June	841 146	641 895
	 <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	9 794 525	8 861 944
	Contribution for the year	1 765 541	1 633 660
	Expenditure for the year	(339 729)	(117 421)
	Actuarial Loss/(Gain)	935 818	(583 658)
	Total employee benefits 30 June	12 156 155	9 794 525
	Less: Transfer of Current Portion - Note 7	(292 344)	(364 895)
	Balance 30 June	11 863 811	9 429 630
	 Attributable to:		
	Continued Operations	10 726 761	9 429 630
	Discontinued Operations	1 137 050	-
		11 863 811	9 429 630
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	96	93
	Continuation members (e.g. Retirees, widows, orphans)	5	5
	Total Members	101	98
	On 1 July 2012, 15 employees will be transferred to Joe Gqabi District Municipality which will result in a transfer of a total liability of R1 029 209 for Post Retirement Benefits.		
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	8 584 474	6 567 923
	Continuation members	2 619 823	2 384 008
	Total Liability	11 204 297	8 951 931
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2010	2009
		R (million)	R (million)
	Total Liability	8.217	6.758
		2008	2007
		R (million)	R (million)
		5.706	5.706

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUE)

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 Continued operation for the ensuing year is estimated to be R 798 331, whereas the Interest Cost for the next year is estimated to be R 838 518. For Discontinued operations the Current-service Cost for the ensuing year is estimated to be R 94 239, whereas the Interest Cost for the next year is estimated to be R 85 564.

Key actuarial assumptions used:	2012 %	2011 %
i) Rate of interest		
Discount rate	8.31%	8.78%
Health Care Cost Inflation Rate	7.21%	7.35%
Net Effective Discount Rate	1.03%	1.33%

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 for males and 58 for females, 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:	2012 R	2011 R
Present value of fund obligations	11 204 297	8 951 931
Net liability	11 204 297	8 951 931

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	8 951 931	8 217 745
Total expenses	1 347 165	1 366 825
Current service cost	750 242	733 518
Interest Cost	778 594	750 728
Benefits Paid	(181 671)	(117 421)
Actuarial (gains)/losses	905 201	(632 639)
Present value of fund obligation at the end of the year	11 204 297	8 951 931
Less: Transfer of Current Portion - Note 7	(181 632)	(164 196)
Balance 30 June	11 022 665	8 787 735

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	8.584	2.62	11.204	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	10.281	2.893	13.174	18%
Health care inflation	-1%	7.237	2.382	9.619	-14%
Post-retirement mortality	-1 year	8.879	2.724	11.603	4%
Average retirement age	-1 year	9.396	2.620	12.016	7%
Withdrawal Rate	-50%	9.377	2.620	11.997	7%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4	EMPLOYEE BENEFITS (CONTINUE)	2012	2011
4.2	Long Service Bonuses		
	The Long Service Bonus plans are defined benefit plans.		
	As at year end, the following number of employees were eligible for Long Service Bonuses.	<u>177</u>	<u>176</u>

On 1 July 2012, 32 employees will be transferred to Joe Gqabi District Municipality which will result in a transfer of a total liability of R107 841 for Long Service Bonuses.

The Current-service Cost for the Continued operation for the ensuing year is estimated to be R 159 778, whereas the Interest Cost for the next year is estimated to be R 49 355. For Discontinued operations the Current-service Cost for the ensuing year is estimated to be R 27 474, whereas the Interest Cost for the next year is estimated to be R 5 684.

Key actuarial assumptions used:	2012	2011
	%	%
i) Rate of interest		
Discount rate	6.13%	7.55%
General Salary Inflation (long-term)	6.03%	6.22%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.10%	1.26%

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

	2012	2011
	R	R
Present value of fund obligations	951 858	842 594
Net liability	<u>951 858</u>	<u>842 594</u>

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

	2010	2009	2008
	R	R	R
Total Liability	<u>644 199</u>	<u>586 437</u>	<u>541 843</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	842 594	644 199
Total expenses	78 647	149 414
Current service cost	180 503	95 816
Interest Cost	56 202	53 598
Benefits Paid	(158 058)	-
Actuarial (gains)/losses	30 617	48 981
Present value of fund obligation at the end of the year	951 858	842 594
Less: Transfer of Current Portion - Note 7	(110 712)	(200 699)
Balance 30 June	<u>841 146</u>	<u>641 895</u>

Sensitivity Analysis on changes to the Unfunded Accrued Liability

	Change	Liability (R)	% change
Assumption			
Central assumptions		0.952	
General salary inflation	1%	1.004	5%
General salary inflation	-1%	0.904	-5%
Average retirement age	-2 yrs	0.901	-5%
Average retirement age	2 yrs	1.066	12%
Withdrawal rates	-50%	1.117	17%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUE)

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

**2012
R**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

Contributions paid recognised in the Statement of Financial Performance

2 667 480

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund
SAMWU National Provident Fund
Liberty Life

561 018
72 463
2 832

636 313

5 NON-CURRENT PROVISIONS

**2012
R**

**2011
R**

Provision for Rehabilitation of Landfill-sites

3 127 036

3 093 799

Total Non-current Employee Benefit Liabilities

3 127 036

3 093 799

Landfill Sites

Balance 1 July
Interest accrual

9 166 462
458 323

8 580 361
586 100

Total provision 30 June

9 624 785

9 166 462

Less: Transfer of Current Portion to Current Provisions - Note 8

(6 497 749)

(6 072 663)

Balance 30 June

3 127 036

3 093 799

It is expected that outflows of economic benefits in respect of the provision for rehabilitation of landfill sites will incur in the 2035 financial year.

6 CONSUMER DEPOSITS

Electricity

532 757

341 819

Total Consumer Deposits

532 757

341 819

Guarantees held in lieu of Electricity Deposits

-

-

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7	CURRENT EMPLOYEE BENEFITS	2012 R	2011 R
	Current Portion of Post Retirement Benefits - Note 4	181 632	164 196
	Current Portion of Long-Service Provisions - Note 4	110 712	200 699
	Bonuses and Performance Bonuses	2 450 342	2 242 421
	Compensation for injuries on duty contribution	405 517	795 319
	Staff Leave	2 846 213	1 810 405
	Total Current Employee Benefits	5 994 417	5 213 040
	The movement in current employee benefits are reconciled as follows:		
	Attributable to:		
	Continued Operations	4 899 112	5 213 040
	Discontinued Operations	1 095 305	-
		5 994 417	5 213 040
	<u>Post Retirement Benefits</u>		
	Balance at beginning of year	164 196	147 072
	Adjustment from non-current	17 436	17 124
	Balance at end of year	181 632	164 196
	<u>Long-service Awards</u>		
	Balance at beginning of year	200 699	78 766
	Adjustment from non-current	(89 987)	121 933
	Balance at end of year	110 712	200 699
	<u>Bonuses and Performance Bonuses</u>		
	Balance at beginning of year	2 242 421	2 190 272
	Contribution to provision	1 319 072	1 851 139
	Expenditure incurred	(1 111 151)	(1 798 990)
	Balance at end of year	2 450 342	2 242 421
	Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
	<u>Task implementation backpay</u>		
	Balance at beginning of year	-	80 901
	Expenditure incurred	-	(80 901)
	Balance at end of year	-	-
	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.		
	<u>Compensation for injuries on duty contribution</u>		
	Balance at beginning of year	795 319	360 829
	Contribution to provision	444 765	434 490
	Expenditure incurred	(834 566)	-
	Balance at end of year	405 517	795 319
	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.		
	<u>Staff Leave</u>		
	Balance at beginning of year	1 810 405	1 845 022
	Contribution to provision	1 751 163	501 674
	Expenditure incurred	(715 355)	(536 290)
	Balance at end of year	2 846 213	1 810 405
	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.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
8	PROVISIONS		
	Current Portion of Rehabilitation of Landfill-sites - Note 5	6 497 749	6 072 663
	Total Provisions	6 497 749	6 072 663
9	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Other Payables	1 440 284	578 241
	Deposits: Other	3 700	8 787
	Payments received in advance	830 365	717 890
	Retentions	665 325	370 268
	DBSA Interest Accrual	304 712	260 901
	Total Trade Payables	3 244 387	1 936 088
	Attributable to:		
	Continued Operations	3 148 381	-
	Discontinued Operations	96 006	-
		3 244 387	-
	Payables are being recognised net of any discounts.		
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary		
	The carrying value of payables approximates its fair value.		
	The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.		
10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	17 318 480	23 489 875
	National Government Grants	8 164 825	7 196 397
	Provincial Government Grants	9 107 599	16 086 181
	District Municipality	46 056	207 297
	Less: Unpaid Grants	342 129	321 568
	National Government Grants	342 129	321 568
	Total Conditional Grants and Receipts	16 976 351	23 168 306
	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.		
11	TAXES		
11.01	VAT PAYABLE		
	VAT Payable	1 353 620	805 153
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	(983 966)	(559 713)
	Balance previously reported	-	-
	Vat on Debt Impairment recovered from Vat provision - 1 July 2010 - Note 39.01	-	647 190
	Vat on Debt Impairment recovered from Vat provision - 2010/2011 - Note 39.01	-	(87 478)
	Total Vat payable	369 654	245 440
11.02	VAT RECEIVABLE		
	VAT Receivable	1 806 736	2 296 063
	Total VAT receivable	1 806 736	2 296 063
11.03	NET VAT RECEIVABLE/(PAYABLE)	1 437 083	2 050 622
	Attributable to:		
	Continued Operations	1 125 142	2 050 622
	Discontinued Operations	311 940	-
		1 437 083	2 050 622
	VAT is payable/receivable on the cash basis.		

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2012 R	2011 R
	Carrying value of assets retired from active use and held for disposal:		
	Cost	130 671	53 215
	Other assets	130 671	53 215
	Accumulated depreciation	45 819	19 521
	Other assets	45 819	19 521
	Carrying value	84 851	33 694
	Assets pledged as security:		
	No assets are pledged as security for Senqu Municipality		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Infrastructure	70 359	-
		70 359	-
	The main reasons for the Impairments above are the replacement of old electricity infrastructure as well as deterioration of gravel roads due to flooding.		
	Effect of changes in accounting estimates		
	The useful lives and the residual values of Property, Plant and Equipment have been reviewed at year end. The effect of the changes are shown below:		
		2012 R	2013 R
	Effect on Property, plant and equipment	804 574	804 574
13	CAPITALISED RESTORATION COST	2012 R	2011 R
	Net Carrying amount at 1 July	1 637 299	1 717 797
	Cost	2 120 286	2 120 286
	Accumulated Depreciation	(482 987)	(402 489)
	Depreciation for the year	(80 498)	(80 498)
	Impairment	(46 407)	-
	Net Carrying amount at 30 June	1 510 395	1 637 299
	Cost	2 120 286	2 120 286
	Accumulated Depreciation	(563 484)	(482 987)
	Accumulated Impairments	(46 407)	-
14	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	33 694	24 720
	Additions for the year	349 419	1 111 092
		383 113	1 135 812
	Non-current assets sold/written off during the year	(298 261)	(1 102 118)
	Non-current assets held for sale at end of year - at book value	84 851	33 694

Non-current assets are items written off and sold at auctions during the financial year.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	12 548 500	12 548 500
Fair Value	12 548 500	12 548 500
Net Carrying amount at 30 June	12 548 500	12 548 500
Fair Value	12 548 500	12 548 500

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

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

The municipality's registered valuer, Mr Hein McLeod, indicated that there were no significant changes in property values against that of the prior year.

	300 357	321 043
16 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	300 357	321 043
Cost	585 350	503 593
Balance previously reported	-	502 373
Correction of opening balance - 1 July 2010 - Note 39.04	-	1 220
Accumulated Amortisation	(284 993)	(182 550)
Balance previously reported	-	(181 988)
Correction of Accumulated Depreciation - 1 July 2010 - Note 39.04	-	(562)
Acquisitions	68 352	81 758
Disposals	(536)	-
Amortisation	(110 576)	(102 444)
Balance previously reported	-	(102 240)
Correction of Depreciation on Intangible assets for 2010/2011 - Note 39.04	-	(203)
Net Carrying amount at 30 June	257 598	300 357
Cost	625 882	585 350
Accumulated Amortisation	(368 285)	(284 993)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

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.

17 LONG-TERM RECEIVABLES		
Staff Housing Loans - At amortised cost	-	13 695
Less: Current portion transferred to current receivables	-	13 695
Staff Housing Loans - At amortised cost	-	13 695
Total Long Term Receivables	-	-

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 2011.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
18 INVENTORY		
Electricity materials	1 077 667	1 920 954
Land held for sale	3 232 900	3 232 900
Total Inventory	4 310 567	5 153 854
No inventory assets were pledged as security for liabilities.		
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	6 923 785	3 777 618
Water	2 512 603	1 906 602
Housing Rentals	251 795	219 456
Refuse	3 059 131	2 471 194
Sewerage	2 238 134	1 813 583
Other Arrears	10 825 739	1 519 852
Gariep Municipality (R 700 000 Short-term operating loan including interest)	857 634	788 724
Joe Gqabi District Municipality (Water Services Authority)	9 286 090	-
Payments in advance	588 723	581 862
Other	93 291	149 266
Balance previously reported	-	-
3 year maintenance contract for Conlog transferred to Prepaid expense - Note 39.02	-	149 266
Total Service Receivables	25 811 187	11 708 303
Less: Allowance for Doubtful Debts	(10 586 448)	(7 082 635)
Net Service Receivables	15 224 739	4 625 668
Total Net Receivables from Exchange Transactions	15 224 739	4 625 668
Attributable to:		
Continued Operations	14 687 943	4 625 668
Discontinued Operations	536 796	-
	15 224 739	4 625 668
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	2 602 875	1 890 074
31 - 60 Days	788 489	622 588
61 - 90 Days	491 711	283 935
+ 90 Days	3 444 629	1 395 260
Payment received in advance	(403 919)	(414 238)
Total	6 923 785	3 777 618
<u>(Water): Ageing</u>		
Current (0 - 30 days)	387 518	245 311
31 - 60 Days	89 123	79 661
61 - 90 Days	74 711	52 780
+ 90 Days	2 047 407	1 601 339
Payment received in advance	(86 155)	(72 489)
Total	2 512 603	1 906 602

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)	2012	2011
		R	R
	<u>(Housing Rentals): Ageing</u>		
	Current (0 - 30 days)	11 741	11 569
	31 - 60 Days	11 206	6 445
	61 - 90 Days	5 599	4 942
	+ 90 Days	284 454	249 193
	Payment received in advance	(61 205)	(52 693)
	Total	251 795	219 456
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	208 255	185 938
	31 - 60 Days	97 296	85 673
	61 - 90 Days	77 490	62 823
	+ 90 Days	2 703 684	2 167 751
	Payment received in advance	(27 593)	(30 991)
	Total	3 059 131	2 471 194
	<u>(Sewerage): Ageing</u>		
	Current (0 - 30 days)	99 454	90 195
	31 - 60 Days	56 253	50 977
	61 - 90 Days	47 728	37 026
	+ 90 Days	2 044 550	1 646 836
	Payment received in advance	(9 850)	(11 450)
	Total	2 238 134	1 813 583
	<u>(Other): Ageing</u>		
	Current (0 - 30 days)	588 723	581 862
	+ 90 Days	857 634	788 724
	Total	1 446 358	1 370 585
	<u>Reconciliation of Provision for Bad Debts</u>		
	Balance at beginning of year	7 082 635	6 435 725
	Contribution to provision	3 781 095	646 910
	Bad Debts (written off)	(277 283)	-
	Balance at end of year	10 586 448	7 082 635

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.

20	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	<u>Service Receivables</u>		
	Rates	4 642 380	4 871 371
	R/D Cheques	-	900
	Payments in advance	241 642	136 028
	Total Service Receivables	4 884 022	5 008 299
	Less: Allowance for Doubtful Debts	(4 284 602)	(4 065 461)
	Net Service Receivables	599 419	942 838
	Total Net Receivables from Non-Exchange Transactions	599 419	942 838

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

Refer to note for balances deferred beyond 12 months from year end.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)

Ageing of Receivables from Non-Exchange Transactions

	2012 R	2011 R
<i>(Rates): Ageing</i>		
Current (0 - 30 days)	36 432	61 077
31 - 60 Days	134 803	169 905
61 - 90 Days	110 428	144 454
+ 90 Days	4 602 360	4 631 963
Payment received in advance	(241 642)	(136 028)
Total	4 642 380	4 871 371

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
The ageing of amounts past due but not impaired is as follows:			
2012			
1 month past due	489 666	22 035	511 701
2 + months past due	2 411 094	513 286	2 924 381
Total	2 900 761	535 321	3 436 082
2011			
1 month past due	506 863	30 830	537 693
2 + months past due	1 154 257	873 551	2 027 808
Total	1 661 120	904 381	2 565 501

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
2012			
Total	10 586 448	4 284 602	14 871 050
2011			
Total	7 082 635	4 065 461	11 148 096

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

	2012 R	2011 R
Balance at beginning of the year	4 065 461	3 379 814
Contributions to provision	281 356	685 647
Bad Debts (written off)	(62 215)	-
Balance at end of year	4 284 602	4 065 461

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

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
21	OPERATING LEASE ARRANGEMENTS		
21.1	The Municipality as Lessee		
	Balance on 1 July	3 865	7 658
	Movement during the year	(1 894)	(3 793)
	Balance on 30 June	1 970	3 865
	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	14 321	20 421
	1 to 5 Years	-	14 321
	Total Operating Lease Arrangements	14 321	34 742
21.2	The Municipality as Lessor		
	Balance on 1 July	33 327	9 770
	Operating Lease Asset for the current year	12 474	23 556
	Balance on 30 June	45 800	33 327
	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	176 680	312 819
	1 to 5 Years	449 033	625 713
	Total Operating Lease Arrangements	625 713	938 531
	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 2016		
22	CASH AND CASH EQUIVALENTS		
	Assets		
	Call and short-term Investments Deposits	124 993 004	113 870 357
	Primary Bank Account	903 394	2 275 326
	Cash Floats	900	900
	Total Cash and Cash Equivalents - Assets	125 897 298	116 146 583
	The municipality has the following bank account:		
	Current Accounts		
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	903 394	2 275 326
		903 394	2 275 326
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8		
	Cash book balance at beginning of year	2 275 326	404 461
	Cash book balance at end of year	903 394	2 275 326
	Bank statement balance at beginning of year	2 156 859	357 219
	Bank statement balance at end of year	2 825 633	2 156 859
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Standard Bank 388489162/0	64 516 516	56 706 989
	Standard Bank 388489731/0	54 019 271	51 024 339
	Standard Bank 388486066/0	6 457 216	6 139 029
		124 993 004	113 870 357

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential Property
Commercial Property
Agricultural Purposes
State - National / Provincial Services
Vacant Property

2012
R

2011
R

5 366 512 5 173 032

1 667 976	1 556 743
797 036	725 983
1 908 503	1 736 561
139 827	188 780
853 172	964 965

Less: Rebates

(1 365 501) (975 780)

Total Assessment Rates

4 001 011 4 197 252

Valuations - 1 JULY 2011

Rateable Land and Buildings

Residential Property
Commercial Property
Public Benefits Organisations
Agricultural Purposes
State - National / Provincial Services
Municipal Property
Vacant Property

1 690 003 260 1 701 411 110

260 011 500	263 756 500
103 538 000	103 005 000
20 116 000	10 018 000
1 161 388 360	1 155 215 110
26 459 000	31 781 000
39 493 000	56 431 500
78 997 400	81 204 000

Total Assessment Rates

1 690 003 260 1 701 411 110

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

Rates:

Residential
Commercial
Agricultural
State - National / Provincial Services
Vacant Property

0.6415c/R 0.594c/R
0.7698c/R 0.7128c/R
0.1604c/R 0.1485c/R
0.6415c/R 0.594c/R
1.0800c/R 1.00c/R

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.

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

24

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share - Refer to Note 24.01

2012
R

2011
R

79 190 000 66 492 733

79 190 000	66 492 733
------------	------------

Conditional Grants

National: Municipal Infrastructure Grant (MIG)
National: Municipal Finance Management (MFMA)
National: Municipal Systems Improvement Grant
National: Neighbourhood Development Partnership Grant
National: Expanded Public Works Program
Peach & Vegetable Processing
Holo Hlahatsi Agricultural Project
Co-op's Development
Prov Gov - Housing (Lady Grey)
Prov Gov - Housing (Hillside)
Implementation Ownership
Traffic Test Station (Sterkspruit)
Rossouw Agricultural Project
Internet/Communication Systems
I.E.C - Elections
Plastic Products
Provincial Roads (Musong Road)
Greenest Municipality
Small Town
Commonage Management Plan
Municipal Support Programme
Joe Gqabi DM - District Call Centre
Joe Gqabi DM - IDP
Tourism
Libraries

50 674 401 51 479 092

23 176 983	15 474 325
1 395 578	1 688 258.55
790 000	713 680
1 931 571	3 803 603
1 625 000	1 088 000
8 302	-
620	-
2 993	-
1 618 897	365 520
6 213 391	9 606 620
45 060	135 270
-	104 879
43 230	-
84 131	-
-	750 000
115 913	1 203 967
12 085 399	15 591 452
-	200 000
97 218	-
12 000	1 725
61 858	21 792
87 383	-
-	50 000
-	20 000
1 278 873	660 000

Total Government Grants and Subsidies

129 864 401 117 971 825

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
	Government Grants and Subsidies - Capital	22 106 014	41 478 066
	Government Grants and Subsidies - Operating	107 758 386	76 493 759
		<u>129 864 401</u>	<u>117 971 825</u>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	79 190 000	66 492 733
	Executive & Council	300 000	263 680
	Budget & Treasury	2 031 567	2 160 051
	Planning & Development	2 211 847	5 079 295
	Community & Social Services	1 278 873	860 000
	Housing	7 877 349	10 107 411
	Sport & Recreation	3 306 137	-
	Waste Management	133 567	128 192
	Road Transport	33 535 060	32 880 463
		<u>129 864 400</u>	<u>117 971 825</u>
	The municipality does not expect any significant changes to the level of grants. No grants had been withheld.		
24.01	Equitable share	<u>79 190 000</u>	<u>66 492 733</u>
	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.		
24.02	National: Municipal Infrastructure Grant (MIG)		
	Balance unspent at beginning of year	(267 146)	(1 821)
	Current year receipts	23 102 000	15 209 000
	Conditions met - transferred to revenue	(23 176 983)	(15 474 325)
	Balance transferred to current assets	<u>(342 129)</u>	<u>(267 146)</u>
	Municipal Infrastructure grant was used to construct roads, pavement, community centres and stormwater channels in Senqu.		
24.03	National: Municipal Finance Management (MFMA)		
	Balance unspent at beginning of year	(54 422)	433 836
	Current year receipts	1 450 000	1 200 000
	Conditions met - transferred to revenue	(1 395 578)	(1 688 259)
	Balance transferred to current (assets)/liabilities	<u>-</u>	<u>(54 422)</u>
	Municipal Finance Management grant was used to implement the reforms of the MFMA.		
24.04	National: Municipal Systems Improvement Grant		
	Balance unspent at beginning of year	-	(36 320)
	Current year receipts	790 000	750 000
	Conditions met - transferred to revenue	(790 000)	(713 680)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	The MSIG was used to improve municipal systems in terms of ward committees and create a functional asset register.		
24.05	National: Neighbourhood Development Partnership Grant		
	Balance unspent at beginning of year	7 196 397	-
	Current year receipts	2 900 000	11 000 000
	Conditions met - transferred to revenue	(1 931 571)	(3 803 603)
	Balance transferred to current liabilities	<u>8 164 825</u>	<u>7 196 397</u>
	The NDPG is received to to attract private and community investment to unlock the social and economic potential within the Senqu area.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
24.06	<i>National: Expanded Public Works Program</i>		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 625 000	1 088 000
	Conditions met - transferred to revenue	(1 625 000)	(1 088 000)
	Balance transferred to current liabilities	-	-
	The EPWP is received to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.		
24.07	<i>Peach & Vegetable Processing</i>		
	Balance unspent at beginning of year	8 302	8 302
	Conditions met - transferred to revenue	(8 302)	-
	Balance transferred to current liabilities	-	8 302
	Local Economic Development project for Peach and Vegetable processing.		
24.08	<i>Holo Hlahatsi Agricultural Project</i>		
	Balance unspent at beginning of year	104 517	104 517
	Conditions met - transferred to revenue	(620)	-
	Balance transferred to current liabilities	103 897	104 517
	Local Economic Development project for Holo Hlahatsi Agricultural project.		
24.09	<i>Heritage Management</i>		
	Balance unspent at beginning of year	-	229 912
	Transferred to Joe Gqabi District Municipality	-	(229 912)
	Balance transferred to current liabilities	-	-
	Local Economic Development project for Heritage management.		
24.10	<i>Co-op's Development</i>		
	Balance unspent at beginning of year	2 993	2 993
	Conditions met - transferred to revenue	(2 993)	-
	Balance transferred to current liabilities	-	2 993
	Local Economic Development project for Co-op's development.		
24.11	<i>Prov Gov - Housing (Lady Grey)</i>		
	Balance unspent at beginning of year	1 618 897	1 984 417
	Conditions met - transferred to revenue	(1 618 897)	(365 520)
	Balance transferred to current liabilities	-	1 618 897
	Grant received from Provincial Government for housing projects.		
24.12	<i>Prov Gov - Housing (Hillside)</i>		
	Balance unspent at beginning of year	1 280 832	446 773
	Current year receipts	5 762 799	10 440 679
	Conditions met - transferred to revenue	(6 213 391)	(9 606 620)
	Balance transferred to current liabilities	830 240	1 280 832
	Grant received from Provincial Government for housing projects.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012	2011
		R	R
24.13	Implementation Ownership		
	Balance unspent at beginning of year	98 276	233 546
	Conditions met - transferred to revenue	(45 060)	(135 270)
	Balance transferred to current liabilities	<u>53 216</u>	<u>98 276</u>
	Grant was used to transfer ownership from council to owners. (Registering of title deeds.)		
24.14	Traffic Test Station (Sterkspruit)		
	Balance unspent at beginning of year	-	104 879
	Conditions met - transferred to revenue	-	(104 879)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	Grant was used to establish a traffic station in Sterkspruit.		
24.15	Rossouw Agricultural Project		
	Balance unspent at beginning of year	92 811	92 811
	Conditions met - transferred to revenue	(43 230)	-
	Balance transferred to current liabilities	<u>49 582</u>	<u>92 811</u>
	Local Economic Development project for Rossouw Agricultural Project.		
24.16	Herschel People's Housing		
	Balance unspent at beginning of year	7 094 314	6 774 561
	Current year receipts - Interest	318 187	319 752
	Balance transferred to current liabilities	<u>7 412 501</u>	<u>7 094 314</u>
	Grant received from Provincial Government for housing projects.		
24.17	Internet/Communication Systems		
	Balance unspent at beginning of year	84 131	84 131
	Conditions met - transferred to revenue	(84 131)	-
	Balance transferred to current liabilities	<u>-</u>	<u>84 131</u>
	Establish to comply with the MFMA with regards to all information technology requirements mentioned in the act.		
24.18	I.E.C - Elections		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	750 000
	Conditions met - transferred to revenue	-	(750 000)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	Grant was used for I.E.C elections.		
24.19	Plastic Products		
	Balance unspent at beginning of year	206 080	1 410 047
	Conditions met - transferred to revenue	(115 913)	(1 203 967)
	Balance transferred to current liabilities	<u>90 167</u>	<u>206 080</u>
	Local Economic Development project for plastic products.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
24.20	Provincial Roads (Musong Road)		
	Balance unspent at beginning of year	5 394 538	-
	Current year receipts	6 753 994	20 985 990
	Conditions met - transferred to revenue	(12 085 399)	(15 591 452)
	Balance transferred to current liabilities	<u>63 134</u>	<u>5 394 538</u>
	The grant was received to upgrade municipal roads in the area.		
24.21	Greenest Municipality		
	Balance unspent at beginning of year	-	-
	Current year receipts	300 000	200 000
	Conditions met - transferred to revenue	-	(200 000)
	Balance transferred to current liabilities	<u>300 000</u>	<u>-</u>
	The grant is received for working towards the goal of 'greening' the environment as well as proactively preserving it for future generations.		
24.22	Second Economy Regeneration (LED Strategy)		
	Balance unspent at beginning of year	100 489	-
	Current year receipts	106 591	100 489
	Conditions met - transferred to revenue	(97 218)	-
	Balance transferred to current liabilities	<u>109 862</u>	<u>100 489</u>
	Grant is received to improve planning in the Senqu area.		
24.23	Clean Audit		
	Balance unspent at beginning of year	-	-
	Current year receipts	95 000	-
	Balance transferred to current liabilities	<u>95 000</u>	<u>-</u>
	Grant is received to target a clean audit report for Senqu Municipality.		
24.24	Commonage Management Plan		
	Balance unspent at beginning of year	58 056	59 781
	Conditions met - transferred to revenue	(12 000)	(1 725)
	Balance transferred to current liabilities	<u>46 056</u>	<u>58 056</u>
	Local Economic Development project for Commonage Management Plan.		
24.25	Municipal Support Programme		
	Balance unspent at beginning of year	61 858	83 650
	Conditions met - transferred to revenue	(61 858)	(21 792)
	Balance transferred to current liabilities	<u>-</u>	<u>61 858</u>
	Grant was used to improve internal controls in the municipality.		
24.26	Joe Gqabi DM - District Call Centre		
	Balance unspent at beginning of year	87 383	87 383
	Conditions met - transferred to revenue	(87 383)	-
	Balance transferred to current liabilities	<u>-</u>	<u>87 383</u>
	Grant received from District Municipality for a call centre for Senqu.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
24.27	Joe Gqabi DM - IDP		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	50 000
	Conditions met - transferred to revenue	-	(50 000)
	Balance transferred to current liabilities	-	-
	Grant received from District Municipality to assist with compilation of IDP.		
24.28	Tourism		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	20 000
	Conditions met - transferred to revenue	-	(20 000)
	Balance transferred to current liabilities	-	-
	Local Economic Development project for Tourism.		
24.29	Libraries		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 278 873	660 000
	Conditions met - transferred to revenue	(1 278 873)	(660 000)
	Balance transferred to current liabilities	-	-
	The grant was received for the upkeep and operational cost for libraries.		
25	SERVICE CHARGES		
	Electricity	18 002 849	12 156 465
	Service Charges	21 420 661	15 270 595
	Less: Rebates	(3 417 812)	(3 114 130)
	Refuse removal	1 947 988	1 748 956
	Service Charges	5 673 114	4 500 580
	Less: Rebates	(3 725 125)	(2 751 625)
	Total Service Charges	19 950 838	13 905 420
	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.		
	Balance previously reported		16 655 202
	Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(2 749 782)
	Restated balance		13 905 420
26	WATER SERVICES AUTHORITY CONTRIBUTION		
	Joe Gqabi District Municipality - Water and Sewerage functions	-	-
	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.		
	Balance previously reported		9 286 090
	Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(9 286 090)
	Restated balance		-

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27 OTHER INCOME		
Sundry Income	544 325	391 151
Building Plan & Inspection Fees	66 786	10 861
Electr. Re-Connection Fees	46 034	58 890
Cemetery Fees	14 289	13 632
Pound Fees	17 557	25 290
Total Other Income	688 992	499 824
28 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	20 128 969	17 630 020
Employee related costs - Contributions for UIF, pensions and medical aids	4 009 645	3 218 466
Travel, motor car, telephone, assistance and other allowances	84 050	62 110
Bonuses	2 465 989	2 645 549
Housing Benefits and Allowances	17 539	16 800
Leave Reserve Fund	1 490 886	314 172
Overtime Payments	481 905	451 385
Workmens Compensation Contributions	348 508	288 631
Contribution to provision - Long Service Awards - Note 4	236 705	149 414
Contribution to provision - Post Retirement Medical - Note 4	1 528 836	1 484 246
Total Employee Related Costs	30 793 033	26 260 794
Balance previously reported		34 732 945
Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(8 472 151)
Restated balance		26 260 794
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.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - MM Yawa		
Annual Remuneration	1 110 442	1 046 486
Bonus/Performance Bonuses	369 023	581 185
Car Allowance	82 800	82 800
Telephone allowance	18 000	18 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 581 763	1 729 969
Remuneration of the Director Technical Services - RN Crozier		
Annual Remuneration	910 330	887 306
Bonus/Performance Bonuses	323 994	507 991
Car Allowance	93 600	93 600
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 341 421	1 502 394
Remuneration of Director Community and Social Services - CNL Gologolo		
Annual Remuneration	757 822	705 840
Performance Bonuses	106 349	187 798
Car Allowance	48 000	48 000
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	925 668	955 136
Remuneration of the Director Financial Services - Mr CR Venter		
Annual Remuneration	1 074 658	1 013 067
Performance Bonuses	253 266	445 584
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 341 421	1 472 148

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28	EMPLOYEE RELATED COSTS (CONTINUE)	2012 R	2011 R
	<i>Remuneration of Director Corporate and Support Services - ML Theron</i>		
	Annual Remuneration	747 394	705 538
	Bonus/Performance Bonuses	164 783	257 440
	Telephone allowance	12 000	12 000
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Total	925 675	976 476
	<i>Remuneration of Director IPME - DP Agyemang</i>		
	Annual Remuneration	833 624	725 809
	Bonus/Performance Bonuses (Housing)	158 668	24 731
	Telephone allowance	12 000	11 000
	Car Allowance	68 400	66 900
	Housing Allowance	30 000	-
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Total	1 104 190	829 937
29	REMUNERATION OF COUNCILLORS		
	Mayor	630 735	691 602
	Speaker	508 356	582 592
	Executive Committee Members	1 584 606	1 335 346
	Councillors	5 247 601	4 448 532
	Other Councillors' contributions and allowances	415 548	100 851
	Total Councillors' Remuneration	8 386 846	7 158 923
	<i>In-kind Benefits</i>		
	The 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 Mayor may utilise official Council transportation when engaged in official duties.		
	<i>Certification by the Municipal Manager</i>		
	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		
30	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 19	2 837 041	55 985
	Receivables from non-exchange transactions - Note 20	281 356	685 647
	Total Contribution to Impairment Provision	3 118 397	741 632
	Portion attributable to VAT - Refer to note - 11.01	(424 254)	87 478
	Debt impairment recognised in statement of financial performance	2 694 143	829 110
	Balance previously reported		1 332 557
	Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(590 925)
	Portion attributable to VAT - Refer to note - 11.01		87 478
	Restated balance		829 110
31	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	11 483 993	10 297 072
	Intangible Assets	110 576	102 444
	Capitalised Restoration Cost	80 498	80 498
	Total	11 675 067	10 480 013

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
32 REPAIRS AND MAINTENANCE		
Buildings	30 399	461 332
Tools and equipment	165 013	147 121
Furniture and office equipment	4 272	5 812
Vehicles and Implements	1 136 253	926 000
Streets and stormwater	1 051 926	568 163
Sport Fields	28 464	160 572
Electricity Reticulation	605 665	148 718
Fencing	17 312	35 055
Street Lights	181 432	217 805
Traffic and Road signs	29 712	7 911
Other	154 748	24 644
	3 405 197	2 703 133
Balance previously reported		3 015 464
Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(326 835)
Correction of prior year error - Note 39.06		14 504
Restated balance		2 703 133
33 FINANCE CHARGES		
Long-term Liabilities - DBSA	1 253 679	974 902
Finance leases	5 715	5 305
Landfill Site	458 323	586 100
Total finance charges	1 717 717	1 566 307
Balance previously reported		1 570 656
Less: Discontinued Operations (Water and Sewerage) - Note 38.02		(4 349)
Restated balance		1 566 307
34 BULK PURCHASES		
Electricity	15 130 377	12 494 708
Total Bulk Purchases	15 130 377	12 494 708
35 GRANTS AND SUBSIDIES		
Grants-in-aid and Donations	731 837	798 812
Total Grants and Subsidies	731 837	798 812
36 OTHER OPERATING GRANT EXPENDITURE		
Asset Register Project	468 787	422 277
Call Centre Project	459 957	-
Commonage Management Project	12 000	1 725
Co-op's Development Project	1 990	-
Database Project	218 955	19 116
Greenest Municipality Project	-	160 056
Holo Hlahatsi Agricultural Project	620	-
Housing Hillside Project	6 213 391	9 606 620
Housing Lady Grey Project	-	365 520
IDP and Budget Project	251 764	297 622
Job Creation Project	3 788 731	3 372 464
LED Strategy Project	20 727	-
Local Economic Development Project	21 336	-
MFMA Implementation Project	1 354 637	1 515 243
MIG PMU Project	846 256	756 520
Musong Road Project	10 601 227	13 676 712
Neighbourhood Development Project	1 694 361	3 336 494
Plastic Products Project	104 447	95 163
Revitalization 2nd Economy Project	97 218	-
Rossouw Agricultural Project	38 934	-
Town Register Project	45 060	122 760
Total Operating grant expenditure	26 240 396	33 748 293

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37 GENERAL EXPENSES	2012 R	2011 R
Audit Fees	1 509 690	1 780 916
Advertisements	186 938	200 664
Bank Charges	209 728	167 776
Books, Magazines & Publications	88 696	112 319
Computer Costs	533 920	214 022
Electricity Purchases	189 255	157 335
Insurance: External	251 812	209 019
Legal Costs	737 334	259 891
Membership Fees	219 166	210 028
Printing & Stationary	329 637	277 262
Professional Services	1 639 788	792 740
Performance Management Project	600 121	468 847
Lady Grey LED Project	-	5 966
Agriculture Rural Project	24 758	29 547
SPU Project	120 820	108 651
Youth Cleaning Project	4 750	9 250
Valuation Roll Project	87 333	168 880
Refuse Removal Project	809 265	817 208
Subsistence & Traveling	2 208 051	1 937 229
Telephone Charges	957 804	450 546
Tourism	319 779	272 786
Training	470 927	320 297
Travel and Accommodation	1 515 310	1 434 824
Vehicle: Fuel & Oil	1 703 474	1 273 455
Ward Committees	1 159 164	279 730
Sundry	1 331 980	1 156 114
General Expenses	<u>17 209 501</u>	<u>13 115 301</u>

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.

Balance previously reported	14 765 959
Less: Discontinued Operations (Water and Sewerage) - Note 38.02	(1 650 659)
Restated balance	<u>13 115 301</u>

38 DISCONTINUED OPERATIONS

38.01 Health

The Health function was transferred to the Eastern Cape Provincial Department of Health in January 2011. Details of the Discontinued Operations are listed below:

Income

Government Grants and Subsidies - Operating	-	263 338
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Expenditure

Employee Related Costs	-	(260 176)
Repairs and Maintenance	-	(4 680)
General Expenses	-	(49 376)
Profit/Loss on Disposal of Assets	-	(17 460)

Total effect of Discontinued Operations	<u>-</u>	<u>(68 355)</u>
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The effect of Discontinued Operations on the cashflow is as follows:

Changes in Operating Activities	-	(68 355)
	<u>-</u>	<u>(68 355)</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
38	DISCONTINUED OPERATIONS (CONTINUE)		
38.02	Water and Sewerage		
	The municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.		
	<u>The effect of Discontinued Operations on the Statement of Financial Position is as follows:</u>		
	Assets associated with Discontinued Operations		
	Receivable from exchange transactions (Water and sanitation)	4 846 743	-
	Less: Allowance for Doubtful Debts (Water and sanitation)	(4 309 947)	-
	Taxes	311 940	-
		<u>848 736</u>	<u>-</u>
	Liabilities associated with Discontinued Operations		
	Employee Benefits	1 137 050	-
	Current Employee Benefits	1 095 305	-
	Payables from exchange transactions	96 006	-
		<u>2 328 360</u>	<u>-</u>
	<u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u>		
	Income		
	Service Charges	3 385 091	2 749 782
	Water Services Authority Contribution	9 286 090	9 286 090
	Interest Earned - outstanding debtors	286 574	251 900
	Expenditure		
	Employee Related Costs	(9 982 883)	(8 472 151)
	Debt Impairment	(944 054)	(590 925)
	Repairs and Maintenance	(192 364)	(326 835)
	Actuarial losses	(374 327)	(19 592)
	Finance Charges	-	(4 349)
	General Expenses	(1 663 779)	(1 650 659)
	Total effect of Discontinued Operations	<u>(199 653)</u>	<u>1 223 260</u>
	<u>The effect of Discontinued Operations on the Cashflow Statement is as follows:</u>		
	Changes in Operating Activities	(199 653)	1 223 260
		<u>(199 653)</u>	<u>1 223 260</u>
39	CORRECTION OF ERROR IN TERMS OF GRAP 3		2011 R
	Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.		
39.01	Taxes		
	Balance previously reported		1 490 910
	Vat on Debt Impairment recovered from Vat provision - 1 July 2010 - Note 39.05		647 190
	Vat on Debt Impairment recovered from Vat provision - 2010/2011 - Note 39.06		(87 478)
	Total		<u>2 050 622</u>
39.02	Receivables From Exchange Transactions		
	Balance previously reported		4 476 402
	3 year maintenance contract for Conlog incorrectly capitalised - Transferred to Prepaid expense - Note 39.03		149 266
	Total		<u>4 625 668</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2011
39	CORRECTION OF ERROR IN TERMS OF GRAP 3	R
39.03	Property, Plant and Equipment	
	Balance previously reported	143 457 980
	Correction of Backlog Depreciation for Rural road error in prior year - Note 39.05	2 427 472
	Correction of Depreciation for 2010/2011 for Rural road error in prior year - Note 39.06	328 216
	Correction of Property, Plant and Equipment incorrectly capitalised - Note 39.05	(37 969)
	Correction of Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - Note 39.05	17 928
	Correction of Depreciation for 2010/2011 for Property, Plant and Equipment incorrectly capitalised - Note 39.06	5 047
	First time recognition of Property, Plant and Equipment - 1 July 2010 - Note 39.05	69 901
	Backlog Depreciation for Property, Plant and Equipment previously not recognised - Note 39.05	(28 298)
	Depreciation for 2010/2011 for Property, Plant and Equipment previously not recognised - Note 39.06	(9 424)
	Reversal of Disposal of Property, Plant and Equipment - Note 39.05	29 730
	Effect on Backlog Depreciation for reversal of disposal of Property, Plant and Equipment - Note 39.05	(25 361)
	Effect on Depreciation for 2010/2011 for reversal of disposal of Property, Plant and Equipment - Note 39.06	(3 682)
	First time recognition of Property, Plant and Equipment - 2010/2011 - Note 39.06	4 154
	Depreciation for 2010/2011 for Property, Plant and Equipment previously not recognised - Note 39.06	(191)
	Reversal of Disposal of Property, Plant and Equipment - Note 39.06	26 751
	Effect on Depreciation for 2010/2011 for reversal of disposal of Property, Plant and Equipment - Note 39.06	(15 224)
	3 year maintenance contract for Conlog incorrectly capitalised - Cost - Note 39.06	(167 925)
	3 year maintenance contract for Conlog incorrectly capitalised - Depreciation - Note 39.06	10 950
	Total	<u><u>146 090 055</u></u>
39.04	Intangible Assets	
	Balance previously reported	299 902
	Correction of opening balance on Intangible Assets - 1 July 2010 - Note 39.05	1 220
	Correction of Accumulated Depreciation on Intangible Assets - 1 July 2010 - Note 39.05	(562)
	Correction of Depreciation on Intangible assets for 2010/2011 - Note 39.06	(203)
	Total	<u><u>300 357</u></u>
39.05	Accumulated Surplus/(Deficit)	
	Correction of Backlog Depreciation for Rural road error in prior year - Note 39.03	2 427 472
	Correction of Property, Plant and Equipment incorrectly capitalised - Note 39.03	(37 969)
	Correction of Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - Note 39.03	17 928
	First time recognition of Property, Plant and Equipment - 1 July 2010 - Note 39.03	69 901
	Backlog Depreciation for Property, Plant and Equipment previously not recognised - Note 39.03	(28 298)
	Reversal of Disposal of Property, Plant and Equipment - Note 39.03	29 730
	Effect on Backlog Depreciation for reversal of disposal of Property, Plant and Equipment - Note 39.03	(25 361)
	Correction of opening balance on Intangible Assets - 1 July 2010 - Note 39.04	1 220
	Correction of Accumulated Depreciation on Intangible Assets - 1 July 2010 - Note 39.04	(562)
	Vat on Debt Impairment recovered from Vat provision - 1 July 2010 - Note 39.01	647 190
	Total	<u><u>3 101 251</u></u>
39.06	Statement of Financial Performance	
	Balance previously reported	36 147 803
	Correction of Depreciation on Intangible assets for 2010/2011 - Note 39.04	(203)
	Correction of Depreciation for 2010/2011 for Rural road error in prior year - Note 39.03	328 216
	Correction of Depreciation for 2010/2011 for Property, Plant and Equipment incorrectly capitalised - Note 39.03	5 047
	Depreciation for 2010/2011 for Property, Plant and Equipment previously not recognised - Note 39.03	(9 424)
	Effect on Depreciation for 2010/2011 for reversal of disposal of Property, Plant and Equipment - Note 39.03	(3 682)
	First time recognition of Property, Plant and Equipment - 2010/2011 - Note 39.03	4 154
	Depreciation for 2010/2011 for Property, Plant and Equipment previously not recognised - Note 39.03	(191)
	Reversal of Disposal of Property, Plant and Equipment - Note 39.03	11 527
	3 year maintenance contract for Conlog incorrectly capitalised - Note 39.03	(7 709)
	Vat on Debt Impairment recovered from Vat provision - 2010/2011 - Note 39.01	(87 478)
	Total	<u><u>36 388 061</u></u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
40	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year - From Continuing Operations	46 348 183	35 233 155
	Adjustments for:		
	Depreciation	11 675 067	10 480 013
	Loss on disposal of property, plant and equipment	85 282	464 361
	Impairments	116 766	-
	Contribution from/to employee benefits - non-current	1 765 541	1 633 660
	Contribution from/to employee benefits - non-current - expenditure incurred	(339 729)	(117 421)
	Contribution from/to employee benefits - non-current - actuarial losses	935 818	-
	Contribution from/to employee benefits - non-current - actuarial gains	-	(583 658)
	Contribution to employee benefits – current	3 515 000	2 787 303
	Contribution to employee benefits – current - expenditure incurred	(2 661 072)	(2 416 181)
	Contribution to provisions – current	458 323	586 100
	Contribution to provisions – bad debt	3 118 397	741 632
	Bad debts written off	(339 497)	-
	Grants Received - Restated 2011	123 562 445	129 266 644
	Grant recognised as revenue - Restated 2011	(129 864 401)	(117 971 825)
	Unspent Grant withheld by National Treasury	110 000	-
	Unspent Grant transferred back to Joe Gqabi District Municipality	-	(229 912)
	Operating lease income accrued	(12 474)	(23 556)
	Operating lease expenses accrued	(1 894)	(3 793)
	Operating Surplus/(Deficit) before discontinued operations and changes in working capital	58 471 755	59 846 522
	Surplus/(Deficit) for the year from Discontinued Operations - Note 38	(199 653)	1 154 905
	Other adjustments associated with discontinued operations		
	Bad debts	944 054	590 925
	Operating Surplus/(Deficit) before changes in working capital	59 216 156	61 592 352
	Changes in working capital	(11 213 481)	11 055 111
	Increase in Payables for Exchange Transactions	1 308 298	612 233
	Increase/(Decrease) in Taxes	613 540	7 635 364
	(Increase)/Decrease in Inventory	843 287	(1 437 182)
	(Increase)/Decrease in Receivables from exchange transactions	(14 102 884)	4 831 062
	Increase in Other Receivables from non-exchange transactions	124 278	(586 366)
	Cash generated/(absorbed) by operations	48 002 675	72 647 463
41	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 22	124 993 004	113 870 357
	Cash Floats - Note 22	900	900
	Bank - Note 22	903 394	2 275 326
	Total cash and cash equivalents	125 897 298	116 146 583
42	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 41	125 897 298	116 146 583
	Less:	125 897 298	116 146 583
	Unspent Committed Conditional Grants - Note 10	17 318 480	23 168 306
	Net cash resources available for internal distribution	108 578 818	92 978 277
	Allocated to:		
	Capital Replacement Reserve	75 142 035	56 463 739
	Valuation Roll Reserve	919 491	689 618
	Employee Benefit Reserve	11 645 194	5 644 845
	Resources available for Working capital requirements	33 436 783	36 514 538
43	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 3	16 035 140	16 481 236
	Used to finance property, plant and equipment - at cost	(16 035 140)	(16 481 236)
	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.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
44.1 Operational				
Revenue by source				
Property taxes	4 001 011	4 174 416	(173 405)	-4%
Government Grants and Subsidies - Capital	22 106 014	22 091 031	14 983	0%
Government Grants and Subsidies - Operating	107 758 386	125 317 376	(17 558 990)	-14%
Public Contributions and Donations	50 000	50 000	-	0%
Fines	50 455	25 000	25 455	102%
Service Charges	23 335 928	24 300 180	(964 252)	-4%
Water Services Authority Contribution	9 286 090	9 734 836	(448 746)	-5%
Rental of Facilities and Equipment	558 046	267 000	291 046	109%
Interest Earned - external investments	6 790 249	6 400 000	390 249	6%
Interest Earned - outstanding debtors	1 168 564	851 940	316 624	37%
Licences and Permits	1 680 258	990 000	690 258	70%
Agency Services	579 596	410 000	169 596	41%
Other Income	688 992	670 075	18 917	3%
	<u>178 053 591</u>	<u>195 281 854</u>	<u>(17 228 263)</u>	<u>-9%</u>
Expenditure by nature				
Employee Related Costs	(40 775 916)	(45 460 099)	4 684 183	-10%
Remuneration of Councillors	(8 386 846)	(8 565 156)	178 310	-2%
Debt Impairment	(3 638 197)	(5 264 520)	1 626 323	-31%
Depreciation and Amortisation	(11 675 067)	(13 028 700)	1 353 633	-10%
Repairs and Maintenance	(3 597 561)	(3 101 953)	(495 608)	16%
Actuarial losses	(935 818)	(428 520)	(507 298)	118%
Finance Charges	(1 717 717)	(1 914 745)	197 028	-10%
Bulk Purchases	(15 130 377)	(17 303 100)	2 172 723	-13%
Grants and Subsidies Paid	(731 837)	(734 000)	2 163	0%
Other Operating Grant Expenditure	(26 240 396)	(46 678 843)	20 438 447	-44%
General Expenses	(18 873 280)	(21 835 480)	2 962 200	-14%
Loss on disposal of PPE/Investment Property	(85 282)	-	(85 282)	100%
	<u>(131 905 060)</u>	<u>(164 315 116)</u>	<u>32 495 337</u>	<u>-20%</u>
Net Surplus for the year (After Discontinued Operations)	<u>46 148 530</u>	<u>30 966 738</u>	<u>15 267 074</u>	<u>49%</u>

Details of material variances

Government Grants and Subsidies - Operating	-14%	Operational Grants used for Capital Expenditure
Fines	102%	Traffic Law Enforcement improved
Rental of Facilities and Equipment	109%	Improved control over municipal assets
Interest Earned - outstanding debtors	37%	Increase in Consumer Debtors
Licences and Permits	70%	Service Delivery at Traffic Test Station improved
Agency Services	41%	Revenue enhancement improved
Debt Impairment	-31%	New improved formula applied
Repairs and Maintenance	16%	Under-estimated needs for repairs and maintenance
Actuarial losses	118%	Not budgeted for
Bulk Purchases	-13%	Change in electricity purchase tariff
Other Operating Grant Expenditure	-44%	Operational Grants used for Capital Expenditure
General Expenses	-14%	Slow progress on housing projects
Loss on disposal of PPE/Investment Property	100%	Did not predict loss on disposals

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

	2012 R	2011 R
	<u>Actual</u>	<u>Budget</u>
Electricity	(3 417 812)	(4 014 210)
Water	(1 711 571)	(1 713 020)
Sewerage	(2 956 994)	(2 960 000)
Refuse	(3 725 125)	(3 726 350)
General Expenses	11 811 502	12 413 580
	<u>-</u>	<u>-</u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 BUDGET COMPARISONS (CONTINUE)	2012 R	2011 R
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	(1 365 501)	(1 192 096)
General Expenses	1 365 501	1 192 096
	-	-

44.2 Expenditure by Vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Executive & Council	20 213 293	22 708 703	(2 495 410)	-11%
Planning & Development	7 638 333	17 396 450	(9 758 117)	-56%
Corporate Services	6 647 904	6 658 519	(10 615)	0%
Housing	6 975 151	18 428 795	(11 453 644)	-62%
Public Safety	3 348	5 740	(2 392)	-42%
Budget & Treasury	7 313 422	9 042 371	(1 728 949)	-19%
Road Transport	33 461 933	34 939 584	(1 477 651)	-4%
Waste Water Management	6 795 441	7 441 749	(646 308)	-9%
Water	6 361 966	6 972 290	(610 324)	-9%
Electricity	22 820 006	26 075 042	(3 255 036)	-12%
Community & Social Services	5 072 848	5 168 418	(95 570)	-2%
Sport & Recreation	47 183	149 052	(101 869)	-68%
Waste Management	8 554 232	9 328 403	(774 172)	-8%
Expenditure for the year (After Discontinued Operations)	131 905 059	164 315 116	(32 410 057)	-20%

Details of material variances

Executive & Council	-11%	Directors re-appointed at same salaries
Planning & Development	-56%	Slow progress Neighbourhood Development projects
Housing	-62%	Slow progress on Housing projects due to land disputes
Public Safety	-42%	Value (R 2 392) not material
Budget & Treasury	-19%	Budgeted Rates Rebate and Bad Debts Provision not utilised in full
Electricity	-12%	Change in electricity purchase tariff
Sport & Recreation	-68%	Depreciation cost over-budgeted

44.3 Capital expenditure by vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Executive & Council	101 609	150 000	(48 391)	-32%
Planning & Development	39 126	55 870	(16 744)	-30%
Corporate Services	464 004	550 000	(85 996)	-16%
Budget & Treasury	459 688	534 131	(74 444)	-14%
Road Transport	31 296 180	33 302 022	(2 005 842)	-6%
Electricity	1 316 720	1 560 500	(243 780)	-16%
Community & Social Services	588 521	615 000	(26 479)	-4%
Sport & Recreation	2 837 721	2 918 071	(80 350)	-3%
Waste Management	1 119 906	1 372 070	(252 164)	-18%
	38 223 475	41 057 664	(2 834 189)	-7%

Details of material variances

Executive & Council	-32%	Strict control to ensure that only items budgeted for are purchased
Planning & Development	-30%	Strict control to ensure that only items budgeted for are purchased
Corporate Services	-16%	Strict control to ensure that only items budgeted for are purchased
Budget & Treasury	-14%	Strict control to ensure that only items budgeted for are purchased
Electricity	-16%	Strict control to ensure that only items budgeted for are purchased
Waste Management	-18%	Strict control to ensure that only items budgeted for are purchased

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2012 R	2011 R
45.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	358 350	1 961 270
	Unauthorised expenditure current year - capital	-	7 515
	Unauthorised expenditure current year - operating	-	350 835
	Approved by Council or condoned	(358 350)	(1 961 270)
	Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>358 350</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

45.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1 735 953	3 113 593
Fruitless and wasteful expenditure current year	742 700	1 735 953
Condoned or written off by Council	(1 735 953)	(3 113 593)
Fruitless and wasteful expenditure awaiting condonement	<u>742 700</u>	<u>1 735 953</u>

Incident	Disciplinary steps/criminal proceedings
Electricity losses higher than the norm 2011	None - R 1 735 953
Electricity losses higher than the norm 2012	None - R742 700

45.3 **Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	-	1 568 252
Irregular expenditure current year	1 466 110	-
Condoned or written off by Council	-	(1 568 252)
Irregular expenditure awaiting further action	<u>1 466 110</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings		
Deviations from Supply Chain regulations - Evaluation criteria for awarding the tender was not used	None	400 000	-
Deviations from Supply Chain regulations - HDI criteria is not specified in the invitation for bid	None	269 111	-
CAATS: Employees did not declare interest	None	68 232	-
CAATS: Awards were made to the close family member	None	2 700	-
Deviations from Supply Chain regulations - Preferred supplier selected	None	199 728	-
Deviations from Supply Chain regulations - B-BBEE criteria was not used to evaluated the tender	None	426 520	-
Payments made to the supplier exceeded the tender price	None	99 819	-
		<u>1 466 110</u>	<u>-</u>

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

45.4 **Material Losses**

Electricity distribution losses		
Kwh purchased	24 640 468	23 279 166
Kwh sold	20 966 615	17 717 358
Kwh losses	3 673 853	5 561 808
Kwh cost	0.6139	0.5368
% Losses - Notes 41	14.91%	23.89%
Amount of Units lost considered fruitless expenditure above a norm of average 10%	1 209 807	3 233 891
Cost of units lost considered fruitless expenditure	742 700	1 735 953

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	2011 R
46.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	203 860	207 660
	Amount paid - current year	(203 860)	(207 660)
	Balance unpaid (included in creditors)	-	-
46.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	12 629	4 272
	Current year audit fee	1 674 894	2 190 499
	Amount paid - current year	(1 661 199)	(2 177 870)
	Amount paid - previous year	(12 629)	(4 272)
	Balance unpaid (included in creditors)	13 695	12 629
46.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	(2 163 537)	(9 162 052)
	Amounts received - previous year	1 228 689	8 971 263
	Amounts received - current year	7 611 902	7 194 446
	Amounts claimed - current year (payable)	(8 380 335)	(9 357 983)
	2009/2010 VAT claims disallowed by SARS	-	190 789
	Closing balance Cr/(Dt)	(1 703 281)	(2 163 537)
	Vat in suspense due to cash basis of accounting	103 456	64 993
	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.		
46.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	6 562 834	5 910 190
	Amount paid - current year	(6 562 834)	(5 910 190)
	Balance unpaid	-	-
46.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	4 700 119	3 980 045
	Amount paid - current year	(4 700 119)	(3 980 045)
	Balance unpaid (included in creditors)	-	-
46.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	No Councillors had arrear accounts outstanding for more than 90 days during the year		
	Refer to Note 54.1 for outstanding accounts at year-end for Councillors		
46.7	<u>Quotations awarded - Supply Chain Management</u>		
	No non-compliance with the Supply Chain Management Regulations were identified during the financial year		
46.8	<u>Reporting i.t.o Section 45 - Supply Chain Management Act</u>		
	Business were done with the following employee of the municipality with no influence in decision making:		
	<u>Staff Member</u> D. Oertel	<u>Entity</u> Mountain View Hotel	90 197 175 156

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47	CAPITAL COMMITMENTS	2012	2011
		R	R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	11 197 120	44 367 376
	Land & Buildings	80 197	51 486
	Infrastructure	11 116 923	44 315 890
	Total	11 197 120	44 367 376
	 This expenditure will be financed from:		
	Capital Replacement Reserve	3 186 001	13 707 641
	Government Grants - MIG	318 816	18 091 590
	Government Grants - NDPG	7 034 056	-
	Department of Transport	658 248	12 568 145
		11 197 120	44 367 376

48 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:

0.5% (2011 - 0.5%) Increase in interest rates	549 306	498 322
0.5% (2011 - 0.5%) Decrease in interest rates	(549 306)	(498 322)

(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.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	535 321	100.00%	904 381
<u>Exchange Receivables</u>				
Electricity	83.72%	2 428 482	75.37%	1 251 904
Water	3.63%	105 295	6.09%	101 163
Refuse	3.60%	104 464	5.02%	83 428
Sewerage	1.96%	56 882	3.53%	58 662
Other	7.09%	205 637	9.99%	165 963
	100.00%	2 900 761	100.00%	1 661 120

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 19 and 20 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:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	4 284 602	100.00%	4 065 461
<u>Exchange Receivables</u>				
Electricity	23.55%	2 493 611	18.40%	1 303 289
Water	20.52%	2 171 908	23.73%	1 680 985
Refuse	26.71%	2 827 205	32.33%	2 289 797
Sewerage	20.20%	2 138 039	24.17%	1 712 038
Other	9.03%	955 684	1.36%	96 527
	100.00%	10 586 448	100%	7 082 635

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

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

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

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	-	13 695
Receivables from exchange transactions	14 687 943	4 625 668
Receivables from non-exchange transactions	-	900
Cash and Cash Equivalents	125 897 298	116 146 583
Unpaid conditional grants and subsidies	342 129	321 568
	140 927 371	121 108 414

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL RISK MANAGEMENT (CONTINUE)

(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
2012				
Long Term liabilities - Annuity Loans	1 969 561	7 372 124	8 076 385	10 439 028
Capital repayments	765 704	3 161 210	4 229 088	7 835 200
Interest	1 203 857	4 210 914	3 847 297	2 603 829
Long Term liabilities - Finance Leases	35 215	11 738	-	-
Capital repayments	32 429	11 510	-	-
Interest	2 787	229	-	-
Provisions - Landfill Sites	-	-	-	28 061 969
Capital repayments	-	-	-	9 624 785
Interest	-	-	-	18 437 185
Trade and Other Payables	2 109 310	-	-	-
Unspent conditional government grants and receipts	17 318 480	-	-	-
	<u>21 432 566</u>	<u>7 383 862</u>	<u>8 076 385</u>	<u>38 500 998</u>
2011				
Long Term liabilities	1 988 898	7 449 473	8 173 071	11 640 410
Capital repayments	748 677	3 080 584	4 092 994	8 485 544
Interest	1 240 221	4 368 889	4 080 077	3 154 867
Long Term liabilities - Finance Leases	35 215	46 954	-	-
Capital repayments	29 500	43 938	-	-
Interest	5 715	3 015	-	-
Provisions - Landfill Sites	-	-	-	42 194 939
Capital repayments	-	-	-	9 166 462
Interest	-	-	-	33 028 477
Trade and Other Payables	957 297	-	-	-
Unspent conditional government grants and receipts	23 489 875	-	-	-
	<u>26 471 285</u>	<u>7 496 426</u>	<u>8 173 071</u>	<u>53 835 349</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

		2012	2011
49.1 Financial Assets	Classification	R	R
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	14 687 943	4 625 668
Receivables from non-exchange transactions - Restated 2011	Financial instruments at amortised cost	-	900
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	342 129	321 568
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	13 695
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	124 993 004	113 870 357
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	903 394	2 275 326
Cash Floats and Advances	Financial instruments at amortised cost	900	900
		140 927 371	121 108 414

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	140 927 371	121 108 414
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49.2 Financial Liability

	Classification		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	15 225 498	15 659 121
Capitalised Lease Liability	Financial instruments at amortised cost	11 510	-
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	1 440 284	578 241
Deposits: Other - Restated 2011	Financial instruments at amortised cost	973 737	639 957
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	17 318 480	23 489 875
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	765 704	748 677
Capitalised Lease Liability	Financial instruments at amortised cost	32 429	-
		36 432 967	41 486 139

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	36 432 967	41 486 139
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50 EVENTS AFTER THE REPORTING DATE

The Joe Gqabi District municipality, being the Water Service Authority, resolved to assume full responsibility for the operational functions of water and sanitation, as from 1 July 2012. The functions are therefore treated as Discontinued Operations.

51 IN-KIND DONATIONS AND ASSISTANCE

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

52 PRIVATE PUBLIC PARTNERSHIPS

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

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

53	CONTINGENT LIABILITY	2012	2011
		R	R
	Council have the following contingent liabilities at the end of the financial year 2011/12:		
	<u>Traffic Officers</u>		
	Appeal against arbitration outcome to reinstate traffic officers who were found guilty of corruption. This is a pending review in the Labour Court along with an ancillary urgent application. The potential cost of R550 000 includes the retrospective reinstatement of three former employees.	550 000	500 000
	<u>Gawe Review Application</u>		
	This is a pending review application at the Labour Court with a financial implication of R350 000.	350 000	350 000
	<u>Wage Curve</u>		
	The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is approximately a general 2% increase in remuneration as from October 2009.		
	<u>Landfill Sites</u>		
	The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.		
	<u>Services Rendered - Media 24</u>		
	A claim was instituted against the municipality in respect of services rendered by the Media 24 t/a National Magazines.	30 000	-

54 RELATED PARTIES

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

54.1 Related Party Transactions

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12
Year ended 30 JUNE 2012		
Councillors	3 198	61 774
N Mtyali	-	10 735
J Konstable	1 504	10 193
M Mjali	-	2 642
R M Joubert	1 479	8 457
Mpelwane	-	2 652
M Mfisa	-	6 214
M Mafilika	-	2 642
M Eliya	-	2 642
N C Motemekwana	-	2 842
S Thindleni	215	12 756
Municipal Manager and Section 57 Employees	2 522	20 500
R Crozier	2 522	17 850
ML Theron	-	2 650

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.

54.2 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 17 to the Annual Financial Statements.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

54 RELATED PARTIES (CONTINUE)

54.4 Other related party transactions

2012
R

2011
R

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

<u>Councillor/Staff Member</u>	<u>Entity</u>		
M A Theron	Lady Grey Joinery & Construction (Spouse is Director)	52 497	22 619
M A Theron	Copper Leaf Trading (Spouse is Director)	118 304	-
Z I Dumzela	Sphamandla WC (Spouse of Mayor is Director)	-	24 435 783
J Lamani	Sinawo Amandla Construction	2 700	-

The Joint Venture agreement between Nucon Roads & Civil (Pty) Ltd and Sphamandla WC is 80% / 20%. Mss B C Dumzela who is the spouse of Mr ZI Dumzela (previous Mayor of Senqu Municipality) is a director of Sphamandla WC. An amount of R24 435 783 was awarded to the Joint Venture of which Sphamandla WC have only 20% share. The total payments made on the Musong Road for the period 1 July 2010 to 30 June 2011 amounts to R 10 410 209.05.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions *	Disposals	Impairment	Closing Balance	Opening Balance	Depreciation Charge	Disposals/Rev	Impairment	Closing Balance	
	R	R	R		R	R	R	aluation	R	R	R
Land and Buildings	44 327 471	3 244 323	-	-	47 571 794	-	376 894	376 894	-	-	47 571 794
Land	8 156 500	-	-	-	8 156 500	-	-	-	-	-	8 156 500
Buildings	36 170 971	3 244 323	-	-	39 415 294	-	376 894	376 894	-	-	39 415 294
Infrastructure	120 966 083	31 197 461	-	1 245 530	150 918 015	36 289 694	8 879 886	-	1 175 170	43 994 410	106 923 605
Main: Roads	78 018 547	15 867 099	-	1 104 136	92 781 510	29 844 889	7 637 343	-	1 077 408	36 404 825	56 376 686
Main: Storm Water	32 144 392	1 480 066	-	-	33 624 457	3 450 647	967 859	-	-	4 418 507	29 205 950
Main: Waste Management	2 787 215	117 164	-	-	2 904 379	760 830	152 613	-	-	913 443	1 990 937
Main: Electricity	6 809 935	3 605 790	-	141 394	10 274 330	2 233 328	122 070	-	97 763	2 257 635	8 016 695
Taxi Ranks	1 205 995	10 127 343	-	-	11 333 337	-	-	-	-	-	11 333 337
Community Assets	9 579	-	-	-	9 579	319	320	-	-	639	8 939
Parks & Gardens	9 579	-	-	-	9 579	319	320	-	-	639	8 939
Leased Assets	91 610	-	-	-	91 610	19 493	30 620	-	-	50 114	41 496
Office Equipment	91 610	-	-	-	91 610	19 493	30 620	-	-	50 114	41 496
Other Assets	23 344 903	3 713 338	909 032	-	26 149 210	6 340 085	2 196 273	560 149	-	7 976 209	18 173 001
Motor Vehicles	5 667 423	-	170 117	-	5 497 306	1 565 343	423 524	75 638	-	1 913 228	3 584 077
Plant & Equipment	11 847 456	2 857 517	277 650	-	14 427 323	2 913 438	928 302	137 107	-	3 704 633	10 722 690
Office Equipment	1 527 965	209 306	342 541	-	1 394 730	543 634	214 754	263 980	-	494 409	900 321
Furniture & Fittings	2 150 552	232 207	36 149	-	2 346 611	567 516	225 067	22 125	-	770 459	1 576 152
Loose Equipment	163 109	23 485	43 143	-	143 451	50 525	27 718	33 006	-	45 237	98 215
Computer Equipment	1 985 508	390 823	39 431	-	2 336 900	698 597	376 329	28 294	-	1 046 632	1 290 267
Security Items	2 890	-	-	-	2 890	1 031	580	-	-	1 610	1 280
	188 739 646	38 155 123	909 032	1 245 530	224 740 207	42 649 591	11 483 993	937 043	1 175 170	52 021 371	172 718 835

* Included in the Additions for 2011/2012 is an amount of R10 244 507 for work-in-progress.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value -
Restated - Note 39.03

	Cost				Accumulated Depreciation Disposals /Revaluation -				Carrying Value		
	Opening Balance R	Additions R	Disposals - Restated R	Impairment	Closing Balance R	Opening Balance R	Depreciation Charge R	Previously not recognised R	Impairment	Closing Balance R	R
Land and Buildings	35 018 710	9 308 761	-	-	44 327 471	-	278 279	278 279	-	-	44 327 471
Land	8 156 500	-	-	-	8 156 500	-	-	-	-	-	8 156 500
Buildings	26 862 210	9 308 761	-	-	36 170 971	-	278 279	278 279	-	-	36 170 971
Infrastructure	103 500 503	17 465 580	-	-	120 966 083	28 216 402	8 073 292	-	-	36 289 694	84 676 389
Main: Roads	75 731 935	2 286 612	-	-	78 018 547	22 842 815	7 002 074	-	-	29 844 889	48 173 658
Main: Storm Water	18 496 589	13 647 802	-	-	32 144 392	2 650 722	799 926	-	-	3 450 647	28 693 744
Main: Waste Management	2 674 765	112 449	-	-	2 787 215	608 529	152 301	-	-	760 830	2 026 385
Main: Electricity	5 661 218	1 148 716	-	-	6 809 935	2 114 337	118 991	-	-	2 233 328	4 576 607
Taxi Ranks	935 995	270 000	-	-	1 205 995	-	-	-	-	-	1 205 995
Community Assets	9 579	-	-	-	9 579	-	319	-	-	319	9 259
Parks & Gardens	9 579	-	-	-	9 579	-	319	-	-	319	9 259
Leased Assets	-	91 610	-	-	91 610	-	19 493	-	-	19 493	72 117
Office Equipment	-	91 610	-	-	91 610	-	19 493	-	-	19 493	72 117
Other Assets	20 717 089	4 729 753	2 101 939	-	23 344 903	5 278 583	1 925 702	864 200	-	6 340 085	17 004 818
Motor Vehicles	5 192 740	568 637	93 954	-	5 667 423	1 207 031	400 889	42 577	-	1 565 343	4 102 080
Plant & Equipment	11 700 607	1 818 397	1 671 548	-	11 847 456	2 635 511	870 163	592 235	-	2 913 438	8 934 018
Office Equipment	998 087	604 362	74 484	-	1 527 965	416 859	178 220	51 445	-	543 634	984 330
Furniture & Fittings	1 302 354	1 005 770	157 572	-	2 150 552	516 350	173 715	122 548	-	567 516	1 583 036
Loose Equipment	75 943	87 167	-	-	163 109	31 547	18 977	-	-	50 525	112 585
Computer Equipment	1 434 823	645 421	94 736	-	1 985 508	463 867	282 198	47 468	-	698 597	1 286 911
Specialised Vehicles	-	-	-	-	-	-	-	-	-	-	-
Security Items	12 535	-	9 645	-	2 890	7 418	1 540	7 927	-	1 031	1 859
	159 245 881	31 595 704	2 101 939	-	188 739 646	33 494 986	10 297 085	1 142 479	-	42 649 591	146 090 055

INSERT ACCOUNTING POLICY

**APPENDIX A - Unaudited
SENQU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2031	16 407 798	281 615	698 212	15 991 202
Total Annuity Loans				16 407 798	281 615	698 212	15 991 202
LEASE LIABILITY							
Finance Leases			2013	73 438	-	29 500	43 938
Total Lease Liabilities				73 438	-	29 500	43 938
TOTAL EXTERNAL LOANS				16 481 236	281 615	727 712	16 035 140

**APPENDIX B - Unaudited
SENQU MUNICIPALITY**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2012
GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Impairment	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Closing Balance	
Executive & Council	1 567 612	101 609	2 923	-	1 666 299	186 166	204 637	2 091	-	388 712	1 277 587
Planning & Development	2 768 230	39 126	16 883	-	2 790 472	516 534	254 087	11 236	-	759 385	2 031 087
Corporate Services	70 911 935	464 004	75 038	-	71 300 901	3 552 308	887 997	66 145	-	4 374 161	66 926 741
Budget & Treasury	2 726 179	459 688	499 670	-	2 686 197	1 098 318	436 465	319 023	-	1 215 760	1 470 438
Road Transport	113 099 043	31 296 180	253 128	1 104 136	143 037 959	34 093 764	8 960 612	132 924	1 077 408	41 844 044	101 193 915
Electricity	7 407 533	1 316 720	126	141 394	8 582 733	2 484 815	228 166	84	97 763	2 615 135	5 967 598
Community & Social Services	546 123	588 521	88 767	-	1 045 878	233 870	86 290	55 719	-	264 440	781 437
Sport & Recreation	24 650	2 837 721	-	-	2 862 371	2 703	4 782	-	-	7 485	2 854 886
Waste Management	2 822 191	1 119 906	318	-	3 941 780	766 107	154 639	212	-	920 534	3 021 245
	201 873 496	38 223 475	936 852	1 245 530	237 914 589	42 934 584	11 217 676	587 434	1 175 170	52 389 656	185 524 933

**APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
2 674 718	14 735 911	(12 061 193)	Executive & Council	2 526 000	20 213 293	(17 687 293)
5 079 295	8 577 200	(3 497 905)	Planning & Development	2 211 847	7 638 333	(5 426 486)
80 921	3 374 809	(3 293 889)	Corporate Services	114 742	6 647 904	(6 533 162)
10 118 272	10 732 714	(614 442)	Housing	7 944 135	6 975 151	968 984
25 290	4 991	20 299	Public Safety	67 557	3 348	64 209
70 569 375	7 074 612	63 494 762	Budget & Treasury	83 125 198	7 313 422	75 811 777
34 350 377	33 467 156	883 221	Road Transport	35 912 935	33 461 933	2 451 002
6 238 100	5 891 320	346 779	Waste Water Management	6 349 521	6 795 441	(445 920)
6 049 672	5 173 191	876 481	Water	6 608 233	6 361 966	246 267
15 829 865	18 632 533	(2 802 668)	Electricity	22 562 876	22 820 006	(257 130)
1 282 919	5 122 402	(3 839 483)	Community & Social Services	1 866 672	5 072 848	(3 206 176)
-	193 491	(193 491)	Sport & Recreation	3 306 137	47 183	3 258 954
4 853 806	7 715 863	(2 862 057)	Waste Management	5 457 735	8 554 232	(3 096 497)
157 152 609	120 696 193	36 456 415	Sub Total	178 053 590	131 905 059	46 148 530
263 338	(331 693)	(68 355)	Discontinued Operations (Health)	-	-	-
157 415 947	120 364 501	36 388 061	Total	178 053 590	131 905 059	46 148 530

APPENDIX D - Unaudited
SENQU MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property taxes	4 001 011	4 174 416	(173 405)	-4.15%	-
Government Grants and Subsidies - Capital	22 106 014	22 091 031	14 983	0.07%	-
Government Grants and Subsidies - Operating					Operational Grants used for Capital
	107 758 386	125 317 376	(17 558 990)	-14.01%	Expenditure
Public Contributions and Donations	50 000	50 000	-	0.00%	-
Fines	50 455	25 000	25 455	101.82%	Traffic Law Enforcement improved
Service Charges	23 335 928	24 300 180	(964 252)	-3.97%	-
Water Services Authority Contribution	9 286 090	9 734 836	(448 746)	-4.61%	-
Rental of Facilities and Equipment	558 046	267 000	291 046	109.01%	Improved control over municipal assets
Interest Earned - external investments	6 790 249	6 400 000	390 249	6.10%	-
Interest Earned - outstanding debtors	1 168 564	851 940	316 624	37.17%	Increase in Consumer Debtors
Licences and Permits					Service Delivery at Traffic Test Station
	1 680 258	990 000	690 258	69.72%	improved
Agency Services	579 596	410 000	169 596	41.36%	Revenue enhancement improved
Other Income	688 992	670 075	18 917	2.82%	-
Total Revenue	178 053 591	195 281 854	(17 228 263)		
EXPENDITURE					
Executive & Council	20 213 293	22 708 703	(2 495 410)	-10.99%	Directors re-appointed at same salaries Slow progress Neighbourhood
Planning & Development	7 638 333	17 396 450	(9 758 117)	-56.09%	Development projects
Corporate Services	6 647 904	6 658 519	(10 615)	-0.16%	-
					Slow progress on Housing projects due to
Housing	6 975 151	18 428 795	(11 453 644)	-62.15%	land disputes
Public Safety	3 348	5 740	(2 392)	-41.67%	Value (R 2 392) not material
					Budgeted Rates Rebate and Bad Debts
Budget & Treasury	7 313 422	9 042 371	(1 728 949)	-19.12%	Provision not utilised in full
Road Transport	33 461 933	34 939 584	(1 477 651)	-4.23%	-
Waste Water Management	6 795 441	7 441 749	(646 308)	-8.68%	-
Water	6 361 966	6 972 290	(610 324)	-8.75%	-
Electricity	22 820 006	26 075 042	(3 255 036)	-12.48%	Change in electricity purchase tariff
Community & Social Services	5 072 849	5 168 418	(95 569)	-1.85%	-
Sport & Recreation	47 183	149 052	(101 869)	-68.34%	Depreciation cost over-budgeted
Waste Management	8 554 232	9 328 403	(774 172)	-8.30%	-
Total Expenditure	131 905 060	164 315 116	(32 410 056)		
NET SURPLUS/(DEFICIT) FOR THE YEAR -					
AFTER DISCONTINUED OPERATIONS	46 148 530	30 966 738	15 181 792		

**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 2011	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 2012
	R	R	R	R	R	R
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
<u>National Government Grants</u>						
Equitable Share	-	79 190 000	-	79 190 000	-	-
Municipal Finance Management	(54 422)	1 450 000	-	1 395 578	-	-
Municipal Infrastructure Grant	(267 146)	23 102 000	-	1 155 100	22 021 883	(342 129)
Municipal Systems Improvement	-	790 000	-	790 000	-	-
NDPG (Neighbourhood Development Partnership Grant)	7 196 397	2 900 000	-	1 931 571	-	8 164 825
EPWP (Expanded Public Works Program)	-	1 625 000	-	1 625 000	-	-
Total National Government Grants	6 874 828	109 057 000	-	86 087 249	22 021 883	7 822 696
<u>Provincial Government Grants</u>						
Peach & Vegetable Processing	8 302	-	-	8 302	-	-
Holo Hlahatsi Agricultural Project	104 517	-	-	620	-	103 897
Co-op's Development	2 993	-	-	2 993	-	-
Prov Gov - Housing (Lady Grey)	1 618 897	-	-	1 618 897	-	-
Prov Gov - Housing (Hillside)	1 280 832	5 762 799	-	6 213 391	-	830 240
Implementation Ownership	98 276	-	-	45 060	-	53 216
Rossouw Agricultural Project	92 811	-	-	43 230	-	49 582
Herschel People's Housing	7 094 314	-	318 187	-	-	7 412 501
Internet/Communication Systems	84 131	-	-	-	84 131	-
Plastic Products	206 080	-	-	115 913	-	90 167
Provincial Roads (Musong Road)	5 394 538	6 753 994	-	12 085 399	-	63 134
Greenest Municipality	-	300 000	-	-	-	300 000
Second Economy Regeneration (LED)	100 489	106 591	-	97 218	-	109 862
Clean Audit	-	95 000	-	-	-	95 000
Total Provincial Government Grants	16 086 181	13 018 384	318 187	20 231 023	84 131	9 107 599
<u>District Municipality Grants</u>						
Commonage Management Plan	58 056	-	-	12 000	-	46 056
Municipal Support Programme	61 858	-	-	61 858	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	87 383	-	-
Libraries	-	1 278 873	-	1 278 873	-	-
Total District Municipality Grants	207 297	1 278 873	-	1 440 115	-	46 056
Total	23 168 306	123 354 257	318 187	107 758 386	22 106 014	16 976 351