



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Le Roux Attorneys
101 Cape Road
Port Elizabeth

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	M.B Gojo
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.N Mvunyiswa
Proportional	I Mosisidi
Proportional	I. Elia
Proportional	I.S Van De Walt
Proportional	J. Constable
Proportional	M. A Mshasha
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 2013, which are set out on pages 1 to 88 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 2013 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 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		318 272 066	275 251 336
Capital Replacement Reserve	2	95 532 283	75 142 035
Revaluation Reserve		1 642 127	1 226 989
Employee Benefits Reserve		17 632 892	11 645 194
Valuation Roll Reserve		330 838	919 491
Accumulated Surplus		203 133 925	186 317 627
Non-Current Liabilities		29 785 558	30 566 991
Long-term Liabilities	3	14 439 371	15 237 007
Employee benefits	4	10 220 582	10 726 761
Non-Current Provisions	5	5 125 605	4 603 223
Liabilities associated with Discontinued Operations	36.01	-	2 328 360
Current Liabilities		36 688 606	26 698 832
Consumer Deposits	6	949 266	532 757
Current Employee benefits	7	5 476 669	4 899 112
Provisions	8	-	-
Payables from exchange transactions	9	1 644 785	3 148 381
Unspent Conditional Government Grants and Receipts	10	27 825 349	17 318 480
Operating Lease Liability	20.1	1 340	1 970
Current Portion of Long-term Liabilities	3	791 198	798 132
Total Net Assets and Liabilities		384 746 230	334 845 519
ASSETS			
Non-Current Assets		211 700 752	187 680 390
Property, Plant and Equipment	12	201 257 572	177 155 254
Capitalised Restoration Cost	13	-	-
Investment Property	15	10 262 000	10 262 000
Intangible Assets	16	181 180	263 136
Non-Current Assets Held for Sale	14	1 787	84 851
Assets associated with Discontinued Operations	36.01	-	848 736
Current Assets		173 043 691	146 231 542
Inventory	17	3 751 818	3 521 067
Receivables from exchange transactions	18	12 606 610	14 687 943
Receivables from non-exchange transactions	19	838 937	599 419
Unpaid Conditional Government Grants and Receipts	10	-	342 129
Operating Lease Asset	20.2	83 370	58 542
Taxes	11	1 510 022	1 125 142
Cash and Cash Equivalents	21	154 252 933	125 897 298
Total Assets		384 746 230	334 845 519

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012	2012
			Restated - Note 36 and Note 37	Previously Reported
Notes	R	R	R	R
REVENUE				
Revenue from Non-exchange Transactions		130 328 670	133 973 865	133 965 867
Taxation Revenue		4 311 689	4 001 011	4 001 011
Property taxes	22	4 311 689	4 001 011	4 001 011
Transfer Revenue		123 760 561	129 922 399	129 914 401
Government Grants and Subsidies - Capital	23	20 143 049	22 106 014	22 106 014
Government Grants and Subsidies - Operating	23	103 398 274	107 758 386	107 758 386
Public Contributions and Donations		-	50 000	50 000
Contributed Assets		219 238	7 998	-
Other Revenue		2 256 420	50 455	50 455
Actuarial Gains		2 079 250	-	-
Fines		65 462	50 455	50 455
Third Party Payments		111 708	-	-
Revenue from Exchange Transactions		41 062 168	31 142 423	31 129 970
Service Charges	24	25 267 381	19 950 838	19 950 838
Rental of Facilities and Equipment		423 707	570 499	558 046
Interest Earned - external investments		7 476 031	6 790 249	6 790 249
Interest Earned - outstanding debtors		1 092 245	881 990	881 990
Licences and Permits		1 749 913	1 680 258	1 680 258
Agency Services		1 618 737	579 596	579 596
Other Income	25	1 194 973	688 992	688 992
Transfer of Functions - Water and Sanitation		2 239 181	-	-
Total Revenue		171 390 838	165 116 287	165 095 836
EXPENDITURE				
Employee Related Costs	26	40 017 604	30 793 033	30 793 033
Remuneration of Councillors	27	8 858 218	8 386 846	8 386 846
Debt Impairment	28	5 093 346	2 694 143	2 694 143
Depreciation and Amortisation	29	12 914 217	11 578 656	11 675 067
Impairment		522 382	352 641	116 766
Repairs and Maintenance	30	2 554 473	3 405 197	3 405 197
Actuarial losses	4	-	561 491	561 491
Finance Charges	31	1 147 102	1 259 394	1 717 717
Bulk Purchases	32	19 167 363	15 130 377	15 130 377
Grants and Subsidies Paid	33	333 000	731 837	731 837
Other Operating Grant Expenditure	34	15 231 233	25 442 356	26 240 396
General Expenses	35	21 953 645	17 210 283	17 209 501
Loss on disposal of PPE/Investment Property		992 665	85 282	85 282
Total Expenditure		128 785 247	117 631 536	118 747 653
NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		42 605 591	47 484 752	46 348 183
Discontinued Operations (Water and Sanitation)	36.01	-	(199 653)	(199 653)
NET SURPLUS FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		42 605 591	47 285 099	46 148 530

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	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 2011	56 463 739	844 413	5 644 845	689 618	160 193 431	223 836 047
Correction of error - Note - 37.10	-	-	-	-	3 747 615	3 747 615
Restated Balance at 1 JULY 2011	56 463 739	844 413	5 644 845	689 618	163 941 045	227 583 661
Net Surplus/(Deficit) for the year	-	-	-	-	47 285 099	47 285 099
Transfer to CRR	18 678 296	-	-	-	(18 678 296)	-
Revaluation on Land and Buildings - Restated	-	382 576	-	-	-	382 576
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	1 226 989	11 645 194	919 491	186 317 627	275 251 336
Net Surplus/(Deficit) for the year	-	-	-	-	42 605 591	42 605 591
Transfer to CRR	20 390 249	-	-	-	(20 390 249)	-
Revaluation on Land and Buildings	-	415 138	-	-	-	415 138
Valuation Roll expenses	-	-	-	(838 653)	838 653	-
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	250 000	(250 000)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	5 987 698	-	(5 987 698)	-
Balance at 30 JUNE 2013	95 532 283	1 642 127	17 632 892	330 838	203 133 925	318 272 066

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other - Restated 2012		35 066 252	29 569 773
Government		134 390 321	123 562 445
Interest		7 476 031	6 790 249
Payments			
Suppliers and employees - Restated 2012		(109 279 753)	(109 123 306)
Finance charges		(1 147 102)	(1 259 394)
Transfers and Grants		(333 000)	(731 837)
Cash generated by operations	38	66 172 749	48 807 931
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(37 641 212)	(38 960 379)
Proceeds on Disposal of Fixed Assets		236 209	212 979
Purchase of Intangible Assets		(24 049)	(68 352)
Decrease in Long-term Receivables		-	13 695
Net Cash from Investing Activities		(37 429 052)	(38 802 056)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	281 615
Loans repaid		(804 570)	(727 712)
Increase in Consumer Deposits		416 509	190 938
Net Cash from Financing Activities		(388 061)	(255 159)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		28 355 635	9 750 715
Cash and Cash Equivalents at the beginning of the year		125 897 298	116 146 583
Cash and Cash Equivalents at the end of the year	39	154 252 933	125 897 298
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		28 355 635	9 750 715

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

The Municipality resolved 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 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption 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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements 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. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements 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. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Standard	Description	Effective Date
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in associates 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 have any interest in associates.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<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>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Standard	Description	Effective Date
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<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>	Unknown

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

1.9. RESERVES

1.9.1 *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/ 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 is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 *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.

1.9.3 *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 the Statement of Financial Performance. .

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.

1.9.4 *Valuation Roll Reserve*

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.10. LEASES

1.10.1 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, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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

1.10.2 Municipality as Lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. 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.

1.13. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.14. PROVISIONS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15. EMPLOYEE BENEFITS

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

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

1.15.1 Post Retirement Medical Obligations

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

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

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

1.15.2 Long Service Awards

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15.3 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.15.4 Staff Bonuses Accrued

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

1.15.5 Provision for Performance Bonuses

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

1.15.6 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 the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. 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 recognised in the Statement of Financial Performance 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality 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 Municipality 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.

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 is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

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 the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, 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>Community</u>	
Roads and Paving	5 - 104	Buildings	100
Pedestrian Malls	22 - 50	Recreational Facilities	20 - 30
Electricity	15 - 60	Security	5
Water	10 - 75	Halls	100
Sewerage	10 - 75	Libraries	100
		Parks and gardens	15 - 20
		Other assets	30 - 50

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Finance lease assets

Office equipment	3
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Other

Buildings	100
Specialist vehicles	15
Other vehicles	5 - 15
Office equipment	5 - 15
Furniture and fittings	5 - 15
Bins and containers	5 - 7
Specialised plant and Equipment	10 - 30
Other plant and Equipment	3 - 15
Computer equipment	5 - 14

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

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

1.16.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.17.2 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of 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 - 11

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.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

1.18.2 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 recognised in the Statement of Financial Performance 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.

1.18.4 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 the Statement of Financial Performance.

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.

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

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

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

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

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

1.20.2 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.

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(b) Internal sources of information

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

1.21. INVENTORIES

1.21.1 *Initial Recognition*

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

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

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

1.21.2 *Subsequent Measurement*

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

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.

1.22. FINANCIAL INSTRUMENTS

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

1.22.1 Initial Recognition

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

1.22.2 Subsequent Measurement

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

1.22.2.1 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

1.22.2.2 Payables and Annuity Loans

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

1.22.2.3 Cash and Cash Equivalents

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

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

1.22.2.4 Non-Current Investments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.22.3 De-recognition of Financial Instruments

1.22.3.1 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.

1.22.3.2 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.

1.22.4 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

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

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

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

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

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

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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. 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 recognise all unclaimed 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, in which case it will be expensed.

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

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

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.

1.23.2 Revenue from Exchange Transactions

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

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

Interest revenue is recognised using the effective interest rate method.

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.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

1.24. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

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

Management personnel include:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.25. 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.

1.26. 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.

1.27. 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.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.29.1 Post retirement medical obligations and Long service awards

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

1.29.2 Impairment of Receivables

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

1.29.3 Property, Plant and Equipment

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

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.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4 Intangible Assets

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

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

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

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

1.29.5 Investment Property

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

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

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

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.29.6 Provisions and Contingent Liabilities

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

1.29.7 Revenue Recognition

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

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

1.29.8 Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Contract Price Adjustment factor (CPA) was used to calculate the effect of time value of money.

1.29.9 Provision for Staff leave

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

1.29.10 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 2013

1.29.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is sold.

1.29.12 Componentisation of Infrastructure assets

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

1.30. 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.

1.31. CAPITAL COMMITMENTS

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

1.32. EVENTS AFTER REPORTING DATE

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

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

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

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
ASSETS				
Current assets				
Cash	1 177 231	500 000	677 231	
Call investment deposits	153 075 703	101 123 354	51 952 348	51% Effect of under expenditure on grants
Consumer debtors	12 606 610	11 080 357	1 526 253	Transfer of Function - Water and Sanitation and correction on Opening balance of Joe
Other Receivables	2 432 329	6 663 460	(4 231 131)	14% Gqabi District Municipality (Water Services Authority)
Inventory	3 751 818	4 582 302	(830 483)	-63% Increased to a more realistic amount comparing to the 2012 financial statements
Total current assets	173 043 691	123 949 473	49 094 218	-18% Correction on Inventory-Land held for sale not budgeted for
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	10 262 000	12 548 500	(2 286 500)	-18% Correction on Investment Properties not budgeted for
Property, plant and equipment	201 259 359	219 499 393	(18 240 034)	-8%
Intangible Assets	181 180	257 598	(76 418)	-30%
Total non current assets	211 702 539	232 305 491	(20 602 952)	
TOTAL ASSETS	384 746 230	356 254 964	28 491 266	
LIABILITIES				
Current liabilities				
Borrowing	791 198	899 040	(107 842)	-12%
Consumer deposits	949 266	532 757	416 509	78%
Trade and other payables	29 471 474	3 301 184	26 170 290	793% Unspent Grants not budgeted for
Provisions and Employee Benefits	5 476 669	11 398 831	(5 922 162)	-52% Recalculation of Landfill site provision to area contaminated
Total current liabilities	36 688 606	16 131 811	20 556 795	
Non current liabilities				
Borrowing	14 439 371	14 337 967	101 404	1%
Provisions and Employee Benefits	15 346 187	16 211 763	(865 576)	-5%
Total non current liabilities	29 785 558	30 549 730	(764 172)	
TOTAL LIABILITIES	66 474 165	46 681 542	19 792 623	
NET ASSETS	318 272 065	309 573 422	8 698 643	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	203 133 925	205 164 091	(2 030 166)	-1%
Reserves	115 138 141	104 409 331	10 728 810	10% More contributed to reserves than budgeted for
TOTAL COMMUNITY WEALTH/EQUITY	318 272 066	309 573 422	8 698 643	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments (10% of line-item with a minimum of R1m)
ASSETS				
Current assets				
Cash	500 000	-	500 000	0%
Call investment deposits	95 279 068	5 844 286	101 123 354	6%
Consumer debtors	6 627 318	4 453 040	11 080 357	40% Decrease in Provision for Debt Impairment due to the transfer of the Water and Sanitation function
Other Receivables	3 067 507	3 595 953	6 663 460	54% Increased to a more realistic amount comparing to the 2012 financial statements
Inventory	5 669 239	(1 086 938)	4 582 302	-24% Reduced to a more realistic amount comparing to the 2012 financial statements
Total current assets	111 143 132	12 806 341	123 949 473	
Non current assets				
Investment property	12 548 500	-	12 548 500	0%
Property, plant and equipment	204 497 744	15 001 649	219 499 393	7%
Intangible Assets	303 424	(45 826)	257 598	-18%
Total non current assets	217 349 668	14 955 823	232 305 491	
TOTAL ASSETS	328 492 800	27 762 164	356 254 964	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 302 671	(403 631)	899 040	-45%
Consumer deposits	465 578	67 178	532 757	13%
Trade and other payables	2 129 697	1 171 487	3 301 184	35% Increased to a more realistic amount comparing to the 2012 financial statements
Provisions and Employee Benefits	12 305 629	(906 797)	11 398 831	-8%
Total current liabilities	16 203 575	(71 763)	16 131 811	
Non current liabilities				
Borrowing	13 194 211	1 143 756	14 337 967	8%
Provisions and Employee Benefits	17 050 673	(838 910)	16 211 763	-5%
Total non current liabilities	30 244 885	304 846	30 549 730	
TOTAL LIABILITIES	46 448 459	233 082	46 681 542	
NET ASSETS	282 044 341	27 529 081	309 573 422	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	180 156 776	25 007 316	205 164 091	12% Increased with appropriation to reserves amount for 2011/2012
Reserves	101 887 565	2 521 766	104 409 331	2%
TOTAL COMMUNITY WEALTH/EQUITY	282 044 341	27 529 081	309 573 422	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE				
Property rates	4 311 689	4 375 503	(63 814)	-1%
Service charges	25 267 381	21 627 921	3 639 460	17% Grap 9
Rental of facilities and equipment	423 707	262 260	161 447	62%
Interest earned - external investments	7 476 031	7 300 000	176 031	2%
Interest earned - outstanding debtors	1 092 245	774 032	318 213	41%
Fines	65 462	60 000	5 462	9%
Licences and permits	1 749 913	1 140 000	609 913	54%
Agency services	1 618 737	1 731 390	(112 653)	-7%
Government Grants and Subsidies - Operating	103 398 274	125 557 428	(22 159 154)	-18% Grants not spent in the financial year
Other revenue	5 844 350	1 847 792	3 996 559	216% Actuarial Gains, Third Party payments and Contributed assets not budgeted for
Total Operating Revenue	151 247 789	164 676 325	(13 428 536)	-
EXPENDITURE BY TYPE				
Employee related costs	40 017 604	47 475 641	(7 458 037)	-16% Performance bonuses not paid out, Vacant funded posts not filled.
Remuneration of councillors	8 858 218	9 086 172	(227 954)	-3%
Debt impairment	5 093 346	3 953 450	1 139 895	29% Non-payment of services in Sterkspruit
Depreciation & asset impairment	13 436 599	14 541 771	(1 105 172)	-8%
Finance charges	1 147 102	2 119 720	(972 618)	-46% Restatement on Interest on Landfill Site - Recalculated to area contaminated
Bulk purchases	19 167 363	20 071 600	(904 237)	-5%
Grants and subsidies paid	333 000	333 000	-	0%
Other expenditure	39 739 351	57 806 769	(18 067 418)	-31% Non-expenditure of Operational grants
Loss on disposal of PPE	992 665	-	992 665	100% Did not predict loss on disposals of assets
Total Operating Expenditure	128 785 247	155 388 123	(26 602 876)	
Operating Surplus for the year	22 462 542	9 288 202	13 174 340	
Government Grants and Subsidies - Capital	20 143 049	29 923 750	(9 780 701)	-33% Municipal Infrastructure Grant not spent in the financial year
Net Surplus for the year	42 605 591	39 211 952	3 393 639	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	
REVENUE BY SOURCE				
Property rates	4 424 881	(49 378)	4 375 503	-1%
Service charges	35 177 115	(13 549 194)	21 627 921	-63% Decrease in Service Charges due to the transfer of the Water and Sanitation function
Rental of facilities and equipment	283 020	(20 760)	262 260	-8%
Interest earned - external investments	6 000 000	1 300 000	7 300 000	18% Better interest rate
Interest earned - outstanding debtors	903 056	(129 024)	774 032	-17%
Fines	25 000	35 000	60 000	58%
Licences and permits	840 000	300 000	1 140 000	26% Bigger demand for services
Agency services	560 600	1 170 790	1 731 390	68% Agency fees from JGDM for the Water and Sanitation function previously not budgeted for
Government Grants and Subsidies - Operating	99 544 806	26 012 622	125 557 428	21% Unspent grants rolled-over
Other revenue	408 168	1 439 624	1 847 792	78% Budgeted for Transfer of Water and Sanitation liability to JGDM
Total Operating Revenue	148 166 646	16 509 680	164 676 325	
EXPENDITURE BY TYPE				
Employee related costs	49 846 445	(2 370 804)	47 475 641	-5%
Remuneration of councillors	9 056 245	29 927	9 086 172	0%
Debt impairment	5 580 391	(1 626 941)	3 953 450	-41% Decrease in Debt Impairment due to the transfer of the Water and Sanitation function.
Depreciation & asset impairment	13 810 422	731 349	14 541 771	5%
Finance charges	2 318 801	(199 081)	2 119 720	-9%
Bulk purchases	20 071 600	-	20 071 600	0%
Grants and subsidies paid	333 000	-	333 000	0%
Other expenditure	43 190 426	14 616 343	57 806 769	25% Budgeted for Housing and Kwezi-Naledi operating grant expenditure
Total Operating Expenditure	144 207 330	11 180 792	155 388 123	
Operating Surplus for the year	3 959 315	5 328 887	9 288 202	
Government Grants and Subsidies - Capital	26 623 750	3 300 000	29 923 750	11% Unspent grants rolled-over
Net Surplus for the year	30 583 065	8 628 887	39 211 952	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	35 066 252	24 668 408	10 397 844	42% Effect of transfer of Water and Sanitation function
Government	134 390 321	138 162 698	(3 772 377)	-3%
Interest	7 476 031	8 074 032	(598 001)	-7%
Payments				
Suppliers and Employees	(109 279 753)	(132 201 148)	22 921 394	-17% Effect of grants not spent in the financial year
Finance charges	(1 147 102)	(2 119 720)	972 618	-46% Restatement on Interest on Landfill Site - Recalculated to area contaminated
Transfers and Grants	(333 000)	(333 000)	-	0%
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>66 172 749</u>	<u>36 251 270</u>	<u>-</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	236 209	-	236 209	
Payments				
Capital assets	(37 665 261)	(59 727 082)	22 061 821	-37% Municipal Infrastructure Grant not spent in the financial year
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(37 429 052)</u>	<u>(59 727 082)</u>	<u>22 298 029</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	416 509	-	416 509	
Payments				
Repayment of borrowing	(804 570)	(798 132)	(6 438)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(388 061)</u>	<u>(798 132)</u>	<u>410 071</u>	
NET INCREASE/(DECREASE) IN CASH HELD	28 355 635	(24 273 944)	22 708 101	
Cash and Cash Equivalents at the beginning of the year	125 897 298	125 897 298	-	0%
Cash and Cash Equivalents at the end of the year	154 252 933	101 623 354	52 629 579	52% Effect of under-expenditure on grants

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	40 555 431	(15 887 023)	24 668 408	-64% Effect of transfer of Water and Sanitation function
Government	126 168 556	11 994 142	138 162 698	9%
Interest	6 903 056	1 170 976	8 074 032	15% Better interest rate
Payments				
Suppliers and Employees	(124 772 809)	(7 428 339)	(132 201 148)	6%
Finance charges	(2 318 801)	199 081	(2 119 720)	-9%
Transfers and Grants	(333 000)	-	(333 000)	0%
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>46 202 434</u>	<u>(9 951 163)</u>	<u>36 251 270</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current receivables	13 695	(13 695)	-	
Payments				
Capital assets	(45 153 750)	(14 573 332)	(59 727 082)	24% Additional budget provided for Khwezi-Naledi node and Sport fields
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(45 140 055)</u>	<u>(14 587 027)</u>	<u>(59 727 082)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	34 487	(34 487)	-	
Payments				
Repayment of borrowing	(1 206 177)	408 045	(798 132)	-51%
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(1 171 690)</u>	<u>373 557</u>	<u>(798 132)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>(109 311)</u>	<u>(24 164 633)</u>	<u>(24 273 944)</u>	
Cash and Cash Equivalents at the beginning of the year	95 888 380	30 008 919	125 897 298	24% Unspent grants rolled-over
Cash and Cash Equivalents at the end of the year	95 779 068	5 844 286	101 623 354	6%

INSERT ACCOUNTING POLICY

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
2	NET ASSET RESERVES		
	RESERVES	115 138 141	88 933 709
	Capital Replacement Reserve	95 532 283	75 142 035
	Employee Benefits Reserve	17 632 892	11 645 194
	Revaluations Reserve	1 642 127	1 226 989
	Valuation Roll Reserve	330 838	919 491
	Total Net Asset Reserve and Liabilities	115 138 141	88 933 709

3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	15 219 060	15 991 202
	Capitalised Lease Liability - At amortised cost	11 510	43 938
		15 230 570	16 035 140
	Less: Current Portion transferred to Current Liabilities	791 198	798 132
	Annuity Loans - At amortised cost	779 689	765 704
	Capitalised Lease Liability - At amortised cost	11 510	32 429
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	14 439 371	15 237 007

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	1 925 432	1 969 561
Payable within two to five years	7 195 606	7 372 124
Payable after five years	16 647 621	18 515 413
	25 768 659	27 857 098
Less: Future finance obligations	(10 549 599)	(11 865 896)
Present value of annuity obligations	15 219 060	15 991 202

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	11 738	35 215
Payable within two to five years	-	11 738
	11 738	46 954
Less: Future finance obligations	(229)	(3 015)
Present value of lease obligations	11 510	43 938

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	9 493 538	11 022 665
	Long Service Awards - Refer to Note 4.2	727 044	841 146
	Total Non-current Employee Benefit Liabilities	10 220 582	11 863 811

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4	EMPLOYEE BENEFITS (CONTINUE)	2013	2012
		R	R
	<u>Post Retirement Benefits</u>		
	Balance 1 July	11 204 297	8 951 931
	Contribution for the year	1 636 849	1 528 836
	Expenditure for the year	(204 096)	(181 671)
	Actuarial Loss/(Gain)	(1 911 095)	905 201
	Transfer of Function - Note 36.01	(1 029 209)	-
	Total post retirement benefits 30 June	9 696 746	11 204 297
	Less: Transfer of Current Portion - Note 7	(203 208)	(181 632)
	Balance 30 June	9 493 538	11 022 665
	 <u>Long Service Awards</u>		
	Balance 1 July	951 858	842 594
	Contribution for the year	209 133	236 705
	Expenditure for the year	(51 719)	(158 058)
	Actuarial Loss	(168 154)	30 617
	Transfer of Function - Note 36.01	(107 841)	-
	Total long service 30 June	833 277	951 858
	Less: Transfer of Current Portion - Note 7	(106 233)	(110 712)
	Balance 30 June	727 044	841 146
	 <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	12 156 155	9 794 525
	Contribution for the year	1 845 982	1 765 541
	Expenditure for the year	(255 814)	(339 729)
	Actuarial Loss/(Gain)	(2 079 250)	935 818
	Transfer of Function - Note 36.01	(1 137 050)	-
	Total employee benefits 30 June	10 530 023	12 156 155
	Less: Transfer of Current Portion - Note 7	(309 441)	(292 344)
	Balance 30 June	10 220 582	11 863 811
	 Attributable to:		
	Continued Operations	-	10 726 761
	Discontinued Operations	-	1 137 050
		-	11 863 811
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	112	96
	Continuation members (e.g. Retirees, widows, orphans)	5	5
	Total Members	117	101
	On 1 July 2012, 15 employees were transferred to Joe Gqabi District Municipality which resulted 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	6 904 449	8 584 474
	Continuation members	2 792 297	2 619 823
	Total Liability	9 696 746	11 204 297
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2011	2010
		R (million)	R (million)
	Total Liability	8.952	6.758

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUE)

Experience adjustments were calculated as follows:	2013 R (million)	2012 R (million)	2011 R (million)	2010 R (million)
Liabilities: (Gain) / loss	(1.777)	0.341	(1.277)	1.174
Assets: Gain / (loss)	-	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

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

Bonitas
Discovery
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 801 985, whereas the Interest Cost for the next year is estimated to be R 877 318.

Key actuarial assumptions used:

	2013 %	2012 %
i) Rate of interest		
Discount rate	9.14%	8.31%
Health Care Cost Inflation Rate	7.93%	7.21%
Net Effective Discount Rate	1.12%	1.03%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

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:

	2013 R	2012 R
Present value of fund obligations	9 696 746	11 204 297
Net liability	9 696 746	11 204 297

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	11 204 297	8 951 931
Total expenses	1 432 753	1 347 165
Current service cost	798 331	750 242
Interest Cost	838 518	778 594
Benefits Paid	(204 096)	(181 671)
Actuarial (gains)/losses	(1 911 095)	905 201
Transfer of Function - Note 36.01	(1 029 209)	-
Present value of fund obligation at the end of the year	9 696 746	11 204 297
Less: Transfer of Current Portion - Note 7	(203 208)	(181 632)
Balance 30 June	9 493 538	11 022 665

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	6.904	2.792	9.696	

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%	8.396	3.070	11.466	18%
Health care inflation	-1%	5.738	2.549	8.287	-15%
Post-retirement mortality	-1 year	7.137	2.905	10.042	4%
Average retirement age	-1 year	7.450	2.792	10.242	6%
Withdrawal Rate	-50%	7.863	2.792	10.655	10%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		798 300	838 500	1 636 800	
Health care inflation	1%	968 200	987 100	1 955 300	19%
Health care inflation	-1%	664 700	718 800	1 383 500	-15%
Post-retirement mortality	-1 year	825 000	868 600	1 693 600	3%
Average retirement age	-1 year	772 300	899 800	1 672 100	2%
Withdrawal Rate	-50%	894 400	898 300	1 792 700	10%

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.

2013	2012
<u>195</u>	<u>177</u>

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

The Current-service Cost for the ensuing year is estimated to be R 200 448, whereas the Interest Cost for the next year is estimated to be R 55 506.

Key actuarial assumptions used:

2013	2012
%	%

i) Rate of interest

Discount rate	7.11%	6.13%
General Salary Inflation (long-term)	6.77%	6.03%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.31%	0.10%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

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

	2013	2012
	R	R
Present value of fund obligations	833 277	951 858
Net liability	<u>833 277</u>	<u>951 858</u>

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

	2010	2010	2009
	R	R	R
Total Liability	<u>842 594</u>	<u>644 199</u>	<u>586 437</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUE)

	2013	2012	2011	2010
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	(125 553)	10 204	79 620	9 439
Assets: Gain / (loss)	-	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	951 858	842 594
Total expenses	157 414	78 647
Current service cost	159 778	180 503
Interest Cost	49 355	56 202
Benefits Paid	(51 719)	(158 058)
Actuarial (gains)/losses	(168 154)	30 617
Transfer of Function - Note 36.01	(107 841)	-
Present value of fund obligation at the end of the year	833 277	951 858
Less: Transfer of Current Portion - Note 7	(106 233)	(110 712)
Balance 30 June	727 044	841 146

Sensitivity Analysis on changes to the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		0.833	
General salary inflation	1%	0.881	6%
General salary inflation	-1%	0.790	-5%
Average retirement age	-2 yrs	0.781	-6%
Average retirement age	2 yrs	0.886	6%
Withdrawal rates	-50%	1.030	24%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		159 800	49 400	209 200	
Health care inflation	1%	167 200	52 200	219 400	5%
Health care inflation	-1%	152 900	46 800	199 700	-5%
Post-retirement mortality	-2 yrs	154 100	46 600	200 700	-4%
Average retirement age	+2 yrs	171 600	55 600	227 200	9%
Withdrawal Rate	-50%	189 700	58 500	248 200	19%

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4 EMPLOYEE BENEFITS (CONTINUE)

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the Cape Joint Pension Fund was for the year ended 30 June 2012 and revealed that the fund is in a sound financial position with a funding level of 99.4% (30 June 2011 - 98.1%). The last actuarial valuation performed for the Cape Retirement Fund was for the year ended 30 June 2012 and revealed that the fund is in a sound financial position with a funding level of 108% (30 June 2011 - 116.9%).

Contributions paid recognised in the Statement of Financial Performance

2013 R	2012 R
2 899 109	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 paid 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	567 874	561 018
SAMWU National Provident Fund	71 437	72 463
Liberty Life	2 832	2 832
	642 143	636 313

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

5 125 605	4 603 223
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Total Non-current Employee Benefit Liabilities

5 125 605	4 603 223
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Landfill Sites

Balance 1 July	4 603 223	9 166 462
Correction on Opening balance of Landfill Site Provision - Note 37.07	-	(4 845 520)
Restated Balance 1 July	4 603 223	4 320 942
Additions	522 382	282 282
Balance previously reported	-	458 323
Correction on 2011/2012 additions on Landfill Site Provision - Note 37.07	-	(176 041)
Total provision 30 June	5 125 605	4 603 223
Less: Transfer of Current Portion to Current Provisions - Note 8	-	-
Balance previously reported	-	(6 497 749)
Correction on Current portion of Landfill sites transferred to Current Provision - Note 37.07	-	6 497 749
Balance 30 June	5 125 605	4 603 223

It is expected that outflows of economic benefits in respect of the provision for rehabilitation of landfill sites will occur beyond the 3-Year Medium Term Revenue and Expenditure Framework period.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Landfill Sites

	<u>Lady Grey Landfill Site (Current cell)</u>	<u>Lady Grey Landfill Site (Cell 2)</u>	<u>Barkly East Landfill Site (Cell to be capped)</u>	<u>Barkly East Landfill Site (Currently in use)</u>	<u>Barkly East Landfill Site (Remaining cells)</u>
Area (m ²)	2 010	2 400	650	1 400	6 300
Earthworks - Shape Landfill (R10/m ²)	20 100	24 000	6 500	14 000	63 000
Topsoil (R45/m ²)	90 450	108 000	29 250	63 000	311 490
Cost of Storm water Cut off drain (R75/m)	6 750	-	4 500	4 875	10 500
Preliminary and general (Rand)	23 460	26 400	8 050	16 375	76 998
Contingencies (Rand)	14 076	15 840	4 830	9 825	46 199
Engineering Design (Rand)	21 677	24 394	7 438	15 131	71 146
Cost/m ² for rehabilitation (Rand)	87.82	82.76	93.18	88.00	91.96

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5 NON-CURRENT PROVISIONS (CONTINUE)

Old Landfill Sites

	<u>Lady Grey - Old Landfill Site</u>	<u>Barkly East - Old Landfill Site</u>
Area (m ²)	9 053	21 184
Cost/m ² for rehabilitation (Rand)	87.82	93.18

Waste Disposal Sites

	<u>Rhodes Waste Disposal site</u>	<u>Rossouw Waste Disposal site</u>	<u>Sterkspruit Waste Disposal site</u>
Area (m ²)	540	390	8 600
Earthworks - Shape Landfill (R10/m ²)	5 400	3 900	86 000
Topsoil (R45/m ²)	24 300	17 550	387 000
Cost of Storm water Cut off drain (R75/m)	5 625	5 250	16 500
Fencing (R500/m)	105 000	50 000	410 000
Preliminary and general (Rand)	28 065	15 340	179 900
Contingencies (Rand)	16 839	9 204	107 940
Engineering Design (Rand)	25 932	14 174	166 228
Cost/m ² for rehabilitation (Rand)	391.04	295.94	157.39

6 CONSUMER DEPOSITS

	2013 R	2012 R
Electricity	949 266	532 757
Total Consumer Deposits	949 266	532 757
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.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	203 208	181 632
Current Portion of Long-Service Provisions - Note 4	106 233	110 712
Bonuses and Performance Bonuses	3 103 987	2 450 342
Compensation for injuries on duty contribution	-	405 517
Staff Leave	2 063 241	2 846 213
Total Current Employee Benefits	5 476 669	5 994 417

The movement in current employee benefits are reconciled as follows:

Attributable to:

Continued Operations	-	4 899 112
Discontinued Operations	-	1 095 305
	-	5 994 417

Post Retirement Benefits

Balance at beginning of year	181 632	164 196
Adjustment from non-current	21 576	17 436
Balance at end of year	203 208	181 632

Long-service Awards

Balance at beginning of year	110 712	200 699
Adjustment from non-current	(4 479)	(89 987)
Balance at end of year	106 233	110 712

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7	CURRENT EMPLOYEE BENEFITS (CONTINUE)	2013	2012
		R	R
	<u>Bonuses and Performance Bonuses</u>		
	Balance at beginning of year	2 450 342	2 242 421
	Contribution to provision	1 238 031	1 319 072
	Expenditure incurred	(53 412)	(1 111 151)
	Transfer of Function - Note 36.01	(530 974)	-
	Balance at end of year	<u>3 103 987</u>	<u>2 450 342</u>

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

Compensation for injuries on duty contribution

Balance at beginning of year	405 517	795 319
Contribution to provision	439 071	444 765
Expenditure incurred	(844 588)	(834 566)
Balance at end of year	<u>-</u>	<u>405 517</u>

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

Staff Leave

Balance at beginning of year	2 846 213	1 810 405
Contribution to provision	529 618	1 751 163
Expenditure incurred	(843 547)	(715 355)
Transfer of Function - Note 36.01	(469 043)	-
Balance at end of year	<u>2 063 241</u>	<u>2 846 213</u>

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

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 5	-	-
Balance previously reported	-	6 497 749
Correction on Current portion of Landfill sites transferred from Non-current Provision - Note 37.08	-	(6 497 749)
Total Provisions	<u>-</u>	<u>-</u>

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	63 721	1 440 284
Deposits: Other	10 640	3 700
Payments received in advance	626 597	830 365
Retentions	666 585	665 325
DBSA Interest Accrual	277 242	304 712
Total Trade Payables	<u>1 644 785</u>	<u>3 244 387</u>

Attributable to:

Continued Operations	-	3 148 381
Discontinued Operations	-	96 006
	<u>-</u>	<u>3 244 387</u>

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2013 R	2012 R
	Unspent Grants	27 825 349	17 318 480
	National Government Grants	19 652 757	8 164 825
	Provincial Government Grants	8 172 591	9 107 599
	District Municipality	-	46 056
	Less: Unpaid Grants	-	342 129
	National Government Grants	-	342 129
	Total Conditional Grants and Receipts	27 825 349	16 976 351
	<p>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. Application for roll-overs was submitted to National Treasury. No grants were withheld.</p>		
11	TAXES		
11.01	VAT PAYABLE		
	VAT Payable	1 371 733	1 353 620
	Less: Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	(949 635)	(983 966)
	Total Vat payable	422 097	369 654
11.02	VAT RECEIVABLE		
	VAT Receivable	1 932 120	1 806 736
	Total VAT receivable	1 932 120	1 806 736
11.03	NET VAT RECEIVABLE/(PAYABLE)	1 510 022	1 437 083
	Attributable to:		
	Continued Operations	-	1 125 142
	Discontinued Operations	-	311 940
		-	1 437 083

VAT is payable/receivable on the cash basis.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2013	2012
		R	R
	Carrying value of assets retired from active use and transferred to Non-Current assets held for sale:		
	Cost	29 241	130 671
	Other assets	29 241	130 671
	Accumulated depreciation	27 454	45 819
	Other assets	27 454	45 819
	Carrying value	1 786	84 851

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:

	2013	2014	2015
	R	R	R
Effect on Property, plant and equipment	(504 059)	(504 059)	(504 059)

13	CAPITALISED RESTORATION COST	2013	2012
		R	R
	Net Carrying amount at 1 July	4 603 223	4 320 942
	Cost	4 603 223	4 320 942
	Balance previously reported	-	2 120 286
	Correction of error - Cost on 1 July 2011 Recalculated to the 'area contaminated' - Note 37.09	-	2 200 656
	Accumulated Depreciation	-	-
	Balance previously reported	-	(482 987)
	Correction of error - Transferred to Accumulated Impairments - Note 37.09	-	482 987
	Accumulated Impairments	(4 603 223)	(4 320 942)
	Balance previously reported	-	-
	Correction of error - Transferred from Accumulated Depreciation - Note 37.09	-	(482 987)
	Correction of error - Accumulated Impairments Recalculated to the 'area contaminated' - Note 37.09	-	(3 837 955)
	Acquisitions	522 382	282 282
	Balance previously reported	-	-
	Correction of error - Acquisitions for 2011/2012 Recalculated to the 'area contaminated' - Note 37.09	-	282 282
	Depreciation for the year	-	-
	Balance previously reported	-	(80 498)
	Correction of error - Transferred to Impairments - Note 37.09	-	80 498
	Impairment	(522 382)	(282 282)
	Balance previously reported	-	(46 407)
	Correction of error - Impairment for 2011/2012 Recalculated to the 'area contaminated' - Note 37.09	-	46 407
	Correction of error - Transferred to Impairments - Note 37.09	-	(80 498)
	Correction of error - Impairment for 2011/2012 Recalculated to the 'area contaminated' - Note 37.09	-	(201 784)
	Net Carrying amount at 30 June	-	-
	Cost	5 125 605	4 603 223
	Accumulated Impairments	(5 125 605)	(4 603 223)

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14	NON-CURRENT ASSETS HELD FOR SALE	2013	2012
		R	R
	Non-current assets held for sale at beginning of year - at book value	84 851	33 694
	Additions for the year	517 468	349 419
		<hr/>	<hr/>
	Non-current assets sold/written off during the year	602 319	383 113
		(600 533)	(298 261)
		<hr/>	<hr/>
	Non-current assets held for sale at end of year - at book value	1 787	84 851
		<hr/> <hr/>	<hr/> <hr/>

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

15	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	10 262 000	10 262 000
	Fair Value	10 262 000	10 262 000
	Balance previously reported	-	12 548 500
	Correction of error - Derecognise Investment Property - 1 July 2011 - At Fair value - Note 37.04	-	(2 286 500)
		<hr/>	<hr/>
	Net Carrying amount at 30 June	10 262 000	10 262 000
	Fair Value	10 262 000	10 262 000

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 valuations were performed by Umhlaba Valuers and the valuer was Mr Hein McLeod, a professional valuer with registration number 3257. Properties were valued on the comparative sales method of valuation, based on the active market values in the area. Mr McLeod indicated that there were no significant changes in property values against that of the prior year.

16	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	263 136	295 005
	Cost	546 587	506 055
	Balance previously reported	-	585 350
	Correction of error - Intangible assets incorrectly capitalised - 1 July 2011 - Note 37.03	-	(79 295)
		<hr/>	<hr/>
	Accumulated Amortisation	(283 452)	(211 051)
	Balance previously reported	-	(284 993)
	Correction of error - Backlog Depreciation incorrectly calculated - 1 July 2011 - Note 37.03	-	43 229
	Correction of error - Backlog Depreciation previously incorrectly calculated - 1 July 2011 - Note 37.03	-	30 714
		<hr/>	<hr/>
	Acquisitions	24 049	68 352
	Disposals	(519)	(536)
	Amortisation	(105 485)	(99 686)
	Balance previously reported	-	(110 576)
	Correction of error - Depreciation for 2011/2012 incorrectly capitalised - Note 37.03	-	10 891
		<hr/>	<hr/>
	Net Carrying amount at 30 June	181 180	263 136
	Cost	567 136	546 587
	Accumulated Amortisation	(385 956)	(283 452)

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
17	INVENTORY		
	Electricity materials	1 308 418	1 077 667
	Land held for sale	2 443 400	2 443 400
	Balance previously reported	-	3 232 900
	Correction of error - Derecognise Inventory - Land held for sale - 1 July 2011 - Note 37.05	-	(789 500)
	Total Inventory	3 751 818	3 521 067
	No inventory assets were pledged as security for liabilities.		
18	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Service Receivables		
	Electricity	9 748 275	6 923 785
	Water	-	2 512 603
	Housing Rentals	249 024	251 795
	Refuse	3 688 937	3 059 131
	Sewerage	-	2 238 134
	Other Arrears	8 395 203	10 825 739
	Gariiep Municipality (R 700 000 Short-term operating loan including interest)	-	857 634
	Joe Gqabi District Municipality (Water Services Authority)	7 887 134	9 286 090
	Payments in advance	508 069	588 723
	Other	-	93 291
	Total Service Receivables	22 081 439	25 811 187
	Less: Allowance for Doubtful Debts	(9 474 829)	(10 586 448)
	Net Service Receivables	12 606 610	15 224 739
	Total Net Receivables from Exchange Transactions	12 606 610	15 224 739
	Attributable to:		
	Continued Operations	-	14 687 943
	Discontinued Operations	-	536 796
		-	15 224 739
	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.		
	In June 2007 Senqu Municipality extended a loan to Gariiep Municipality for the payment of staff salaries. The loan granted was supposed to be a short-term loan that would be paid back within 3 months of granting the loan. The matter has been so long outstanding that it was decided to write the loan off, as the municipality also do with other bad debts.		
	Ageing of Receivables from Exchange Transactions		
	(Electricity): Ageing		
	Current (0 - 30 days)	2 770 563	2 602 875
	31 - 60 Days	1 607 479	788 489
	61 - 90 Days	899 275	491 711
	+ 90 Days	4 813 894	3 444 629
	Payment received in advance	(342 937)	(403 919)
	Total	9 748 275	6 923 785
	(Water): Ageing		
	Current (0 - 30 days)	-	387 518
	31 - 60 Days	-	89 123
	61 - 90 Days	-	74 711
	+ 90 Days	-	2 047 407
	Payment received in advance	-	(86 155)
	Total	-	2 512 603

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18	RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)	2013	2012
		R	R
	<u>(Housing Rentals): Ageing</u>		
	Current (0 - 30 days)	11 063	11 741
	31 - 60 Days	22 988	11 206
	61 - 90 Days	5 896	5 599
	+ 90 Days	279 691	284 454
	Payment received in advance	(70 614)	(61 205)
	Total	249 024	251 795
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	222 387	208 255
	31 - 60 Days	126 458	97 296
	61 - 90 Days	104 744	77 490
	+ 90 Days	3 329 866	2 703 684
	Payment received in advance	(94 518)	(27 593)
	Total	3 688 937	3 059 131
	<u>(Sewerage): Ageing</u>		
	Current (0 - 30 days)	-	99 454
	31 - 60 Days	-	56 253
	61 - 90 Days	-	47 728
	+ 90 Days	-	2 044 550
	Payment received in advance	-	(9 850)
	Total	-	2 238 134
	<u>(Other): Ageing</u>		
	Current (0 - 30 days)	508 069	682 015
	+ 90 Days	7 887 134	10 143 724
	Total	8 395 203	10 825 739
	<u>Reconciliation of Provision for Bad Debts</u>		
	Balance at beginning of year	10 586 448	7 082 635
	Transfer of Function - Note 36.01	(4 309 947)	-
	Contribution to provision	4 674 564	3 781 095
	Bad Debts (written off)	(1 476 236)	(277 283)
	Balance at end of year	9 474 829	10 586 448

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.

19	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	<u>Service Receivables</u>		
	Rates	5 511 550	4 642 380
	Payments in advance	118 528	241 642
	Other Receivables	54 559	-
	Total Service Receivables	5 684 637	4 884 022
	Less: Allowance for Doubtful Debts	(4 845 700)	(4 284 602)
	Net Service Receivables	838 937	599 419
	Total Net Receivables from Non-Exchange Transactions	838 937	599 419

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.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)

Ageing of Receivables from Non-Exchange Transactions	2013 R	2012 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	49 713	36 432
31 - 60 Days	174 082	134 803
61 - 90 Days	119 559	110 428
+ 90 Days	5 286 725	4 602 360
Payment received in advance	(118 528)	(241 642)
Total	5 511 550	4 642 380

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<u>The ageing of amounts past due but not impaired is as follows:</u>			
2013			
1 month past due	810 665	51 104	861 769
2 + months past due	739 830	524 690	1 264 520
Total	1 550 494	575 795	2 126 289
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

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
2013			
Total	9 474 829	4 845 700	14 320 529
2012			
Total	10 586 448	4 284 602	14 871 050

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

	2013 R	2012 R
Balance at beginning of the year	4 284 602	4 065 461
Contributions to provision	696 391	281 356
Bad Debts (written off)	(135 293)	(62 215)
Balance at end of year	4 845 700	4 284 602

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 2013

20	OPERATING LEASE ARRANGEMENTS	2013 R	2012 R
20.1	The Municipality as Lessee		
	Balance on 1 July	1 970	3 865
	Movement during the year	(630)	(1 894)
	Balance on 30 June	<u>1 340</u>	<u>1 970</u>
	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	23 819	14 321
	1 to 5 Years	104 553	-
	Total Operating Lease Arrangements	<u>128 371</u>	<u>14 321</u>
20.2	The Municipality as Lessor		
	Balance on 1 July	58 542	33 327
	Correction on Operating Lease Asset Opening balance - Note 37.01	-	288
	Restated Balance on 1 July	58 542	33 615
	Operating Lease Asset for the current year	24 828	24 927
	Balance previously reported	-	12 474
	Correction on Operating Lease Asset movement for 2011/2012 - Note 37.01	-	12 453
	Balance on 30 June	<u>83 370</u>	<u>58 542</u>
	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	281 237	281 378
	1 to 5 Years	612 845	832 698
	More than 5 Years	96 997	158 382
	Total Operating Lease Arrangements	<u>991 080</u>	<u>1 272 458</u>
	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 periods ranging until 2019		
21	CASH AND CASH EQUIVALENTS		
	Assets		
	Call and short-term Investments Deposits	153 075 703	124 993 004
	Primary Bank Account	1 176 531	903 394
	Cash Floats	700	900
	Total Cash and Cash Equivalents - Assets	<u>154 252 933</u>	<u>125 897 298</u>
	The municipality has the following bank account:		
	Current Accounts		
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	1 176 531	903 394
		<u>1 176 531</u>	<u>903 394</u>
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8		
	Cash book balance at beginning of year	903 394	2 275 326
	Cash book balance at end of year	1 176 531	903 394
	Bank statement balance at beginning of year	2 825 633	2 156 859
	Bank statement balance at end of year	911 904	2 825 633
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Standard Bank 388489162/0	89 272 777	64 516 516
	Standard Bank 388489731/0	57 039 042	54 019 271
	Standard Bank 388486066/0	6 763 884	6 457 216
		<u>153 075 703</u>	<u>124 993 004</u>

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22	PROPERTY RATES	2013	2012
		R	R
	<u>Actual</u>		
	Rateable Land and Buildings	5 624 278	5 366 512
	Residential Property	1 735 384	1 667 976
	Commercial Property	886 265	797 036
	Agricultural Purposes	1 993 952	1 908 503
	State - National / Provincial Services	158 921	139 827
	Vacant Property	849 755	853 172
	Less: Rebates	(1 312 589)	(1 365 501)
	Total Assessment Rates	4 311 689	4 001 011
	<u>Valuations</u>		
	Rateable Land and Buildings	1 694 091 860	1 690 003 260
	Residential Property	264 641 600	260 011 500
	Commercial Property	103 742 000	103 538 000
	Public Benefits Organisations	18 161 000	20 116 000
	Agricultural Purposes	1 164 631 860	1 161 388 360
	State - National / Provincial Services	29 213 500	26 459 000
	Municipal Property	39 162 000	39 493 000
	Vacant Property	74 539 900	78 997 400
	Total Assessment Rates	1 694 091 860	1 690 003 260
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rates:		
	Residential	0.6800c/R	0.6415c/R
	Commercial	0.8160c/R	0.7698c/R
	Agricultural	0.1700c/R	0.1604c/R
	State - National / Provincial Services	0.6800c/R	0.6415c/R
	Vacant Property	1.1400c/R	1.0800c/R

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.

23	GOVERNMENT GRANTS AND SUBSIDIES	2013	2012
		R	R
	Unconditional Grants	89 723 000	79 190 000
	Equitable Share - Refer to Note 23.01	89 723 000	79 190 000
	Conditional Grants	33 818 323	50 674 401
	National: Municipal Infrastructure Grant (MIG)	15 949 170	23 176 983
	National: Municipal Finance Management (MFMA)	1 500 000	1 395 577.72
	National: Municipal Systems Improvement Grant	800 000	790 000
	National: Neighbourhood Development Partnership Grant	10 154 769	1 931 571
	National: Expanded Public Works Program	1 857 000	1 625 000
	National: Dept Sport (Youth Development - Sport Fields)	175 203	-
	Peach & Vegetable Processing	-	8 302
	Holo Hlahatsi Agricultural Project	103 897	620
	Co-op's Development	-	2 993
	Prov Gov - Housing (Lady Grey)	-	1 618 897
	Prov Gov - Housing (Hillside)	507 727	6 213 391
	Implementation Ownership	53 216	45 060
	Rossouw Agricultural Project	49 582	43 230
	Internet/Communication Systems	-	84 131
	Plastic Products	90 167	115 913
	Provincial Roads (Musong Road)	626 675	12 085 399
	Greenest Municipality	500 000	-
	Second Economy Regeneration (LED)	109 862	97 218
	Clean Audit	95 000	-
	Commonage Management Plan	46 056	12 000
	Municipal Support Programme	-	61 858
	Joe Gqabi DM - District Call Centre	-	87 383
	Libraries	1 200 000	1 278 873
	Total Government Grants and Subsidies	123 541 323	129 864 401

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013 R	2012 R
	Government Grants and Subsidies - Capital	20 143 049	22 106 014
	Government Grants and Subsidies - Operating	103 398 274	107 758 386
		<u>123 541 323</u>	<u>129 864 401</u>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	89 723 000	79 190 000
	Executive & Council	300 000	300 000
	Budget & Treasury	2 095 000	2 031 567
	Planning & Development	10 554 334	2 211 847
	Community & Social Services	3 678 226	1 278 873
	Housing	560 941	7 877 349
	Sport & Recreation	3 094 896	3 306 137
	Waste Management	500 000	133 567
	Road Transport	13 034 926	33 535 060
		<u>123 541 323</u>	<u>129 864 400</u>
	The municipality does not expect any significant changes to the level of grants. No grants had been withheld.		
23.01	Equitable share	<u>89 723 000</u>	<u>79 190 000</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.		
23.02	National: Municipal Infrastructure Grant (MIG)		
	Balance unspent at beginning of year	(342 129)	(267 146)
	Current year receipts	28 025 000	23 102 000
	Conditions met - transferred to revenue	(15 949 170)	(23 176 983)
	Balance transferred to current (assets)/liabilities	<u>11 733 701</u>	<u>(342 129)</u>
	Municipal Infrastructure Grant was utilised to construct roads, pavement, community centres and storm water channels in Senqu.		
23.03	National: Municipal Finance Management (MFMA)		
	Balance unspent at beginning of year	-	(54 422)
	Current year receipts	1 500 000	1 450 000
	Conditions met - transferred to revenue	(1 500 000)	(1 395 578)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	Municipal Finance Management grant was used to implement the reforms of the MFMA.		
23.04	National: Municipal Systems Improvement Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts	800 000	790 000
	Conditions met - transferred to revenue	(800 000)	(790 000)
	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.		
23.05	National: Neighbourhood Development Partnership Grant		
	Balance unspent at beginning of year	8 164 825	7 196 397
	Current year receipts	10 205 000	2 900 000
	Conditions met - transferred to revenue	(10 154 769)	(1 931 571)
	Returned to the National Revenue Fund	(296 000)	-
	Balance transferred to current liabilities	<u>7 919 056</u>	<u>8 164 825</u>
	The NDPG is utilised 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 2013

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013 R	2012 R
23.06	<i>National: Expanded Public Works Program</i>		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 857 000	1 625 000
	Conditions met - transferred to revenue	(1 857 000)	(1 625 000)
	Balance transferred to current liabilities	-	-
	The EPWP was utilised to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.		
23.07	<i>National: Dept Sport (Youth Development - Sport Fields)</i>		
	Balance unspent at beginning of year	-	-
	Current year receipts	175 203	-
	Conditions met - transferred to revenue	(175 203)	-
	Balance transferred to current liabilities	-	-
	The Department of Sport grant was utilised to provide new and improved sport facilities within the Senqu area.		
23.08	<i>Peach & Vegetable Processing</i>		
	Balance unspent at beginning of year	-	8 302
	Conditions met - transferred to revenue	-	(8 302)
	Balance transferred to current liabilities	-	-
	The Peach and Vegetable Processing grant was utilised as a Local Economic Development project within the Senqu area.		
23.09	<i>Holo Hlahatsi Agricultural Project</i>		
	Balance unspent at beginning of year	103 897	104 517
	Conditions met - transferred to revenue	(103 897)	(620)
	Balance transferred to current liabilities	-	103 897
	The Holo Hlahatsi Agricultural grant was utilised as a Local Economic Development project within the Senqu area.		
23.10	<i>Co-op's Development</i>		
	Balance unspent at beginning of year	-	2 993
	Conditions met - transferred to revenue	-	(2 993)
	Balance transferred to current liabilities	-	-
	The Co-op's development grant was utilised as a Local Economic Development project within the Senqu area.		
23.11	<i>Prov Gov - Housing (Lady Grey)</i>		
	Balance unspent at beginning of year	-	1 618 897
	Conditions met - transferred to revenue	-	(1 618 897)
	Balance transferred to current liabilities	-	-
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
23.12	<i>Prov Gov - Housing (Hillside)</i>		
	Balance unspent at beginning of year	830 240	1 280 832
	Current year receipts	130 909	5 762 799
	Conditions met - transferred to revenue	(507 727)	(6 213 391)
	Balance transferred to current liabilities	453 423	830 240
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013 R	2012 R
23.13	<i>Implementation Ownership</i>		
	Balance unspent at beginning of year	53 216	98 276
	Conditions met - transferred to revenue	(53 216)	(45 060)
	Balance transferred to current liabilities	<u>-</u>	<u>53 216</u>
	The Implementation Ownership grant was utilised to transfer ownership from council to owners. (Registering of title deeds.)		
23.14	<i>Rossouw Agricultural Project</i>		
	Balance unspent at beginning of year	49 582	92 811
	Conditions met - transferred to revenue	(49 582)	(43 230)
	Balance transferred to current liabilities	<u>-</u>	<u>49 582</u>
	The Rossouw Agricultural grant was utilised as a Local Economic Development project within the Senqu area.		
23.15	<i>Herschel People's Housing</i>		
	Balance unspent at beginning of year	7 412 501	7 094 314
	Current year receipts - Interest	306 667	318 187
	Balance transferred to current liabilities	<u>7 719 169</u>	<u>7 412 501</u>
	The grant was received to be utilised for housing projects within the Senqu area.		
23.16	<i>Internet/Communication Systems</i>		
	Balance unspent at beginning of year	-	84 131
	Conditions met - transferred to revenue	-	(84 131)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	Establish to comply with the MFMA with regards to all information technology requirements mentioned in the act.		
23.17	<i>Plastic Products</i>		
	Balance unspent at beginning of year	90 167	206 080
	Conditions met - transferred to revenue	(90 167)	(115 913)
	Balance transferred to current liabilities	<u>-</u>	<u>90 167</u>
	The Plastic Products grant was utilised as a Local Economic Development project within the Senqu area.		
23.18	<i>Provincial Roads (Musong Road)</i>		
	Balance unspent at beginning of year	63 134	5 394 538
	Current year receipts	563 541	6 753 994
	Conditions met - transferred to revenue	(626 675)	(12 085 399)
	Balance transferred to current liabilities	<u>-</u>	<u>63 134</u>
	The grant was received from Provincial Government and utilised to upgrade municipal roads in the area.		
23.19	<i>Greenest Municipality</i>		
	Balance unspent at beginning of year	300 000	-
	Current year receipts	200 000	300 000
	Conditions met - transferred to revenue	(500 000)	-
	Balance transferred to current liabilities	<u>-</u>	<u>300 000</u>
	The grant was utilised for working towards the goal of 'greening' the environment as well as proactively preserving it for future generations.		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013 R	2012 R
23.20	<i>Second Economy Regeneration (LED Strategy)</i>		
	Balance unspent at beginning of year	109 862	100 489
	Current year receipts	-	106 591
	Conditions met - transferred to revenue	(109 862)	(97 218)
	Balance transferred to current liabilities	<u>-</u>	<u>109 862</u>
	<p>The grant was received from Provincial Government to improve planning in the Senqu area.</p>		
23.21	<i>Clean Audit</i>		
	Balance unspent at beginning of year	95 000	-
	Current year receipts	-	95 000
	Conditions met - transferred to revenue	(95 000)	-
	Balance transferred to current liabilities	<u>-</u>	<u>95 000</u>
	<p>The grant was received from Provincial Government to target a clean audit report for Senqu Municipality.</p>		
23.22	<i>Commonage Management Plan</i>		
	Balance unspent at beginning of year	46 056	58 056
	Conditions met - transferred to revenue	(46 056)	(12 000)
	Balance transferred to current liabilities	<u>-</u>	<u>46 056</u>
	<p>The Commonage Management Plan grant was utilised as a Local Economic Development project within the Senqu area.</p>		
23.23	<i>Municipal Support Programme</i>		
	Balance unspent at beginning of year	-	61 858
	Conditions met - transferred to revenue	-	(61 858)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	<p>The Municipal Support grant was utilised to improve internal controls in the municipality.</p>		
23.24	<i>Joe Gqabi DM - District Call Centre</i>		
	Balance unspent at beginning of year	-	87 383
	Conditions met - transferred to revenue	-	(87 383)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	<p>The District Call Centre grant was received from District Municipality for a call centre for Senqu.</p>		
23.25	<i>Libraries</i>		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 200 000	1 278 873
	Conditions met - transferred to revenue	(1 200 000)	(1 278 873)
	Balance transferred to current liabilities	<u>-</u>	<u>-</u>
	<p>The Libraries grant was utilised for the up keeping and operational cost for libraries.</p>		
24	SERVICE CHARGES		
	Electricity	22 762 907	18 002 849
	Service Charges	26 438 375	21 420 661
	<u>Less:</u> Rebates	(3 675 468)	(3 417 812)
	Refuse removal	2 504 474	1 947 988
	Service Charges	6 449 098	5 673 114
	<u>Less:</u> Rebates	(3 944 624)	(3 725 125)
	Total Service Charges	<u>25 267 381</u>	<u>19 950 838</u>
	<p>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.</p>		

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25 OTHER INCOME		
Sundry Income	1 011 640	544 325
Building Plan & Inspection Fees	17 766	66 786
Electr. Re-Connection Fees	36 910	46 034
Cemetery Fees	14 122	14 289
Pound Fees	20 070	17 557
Retention Withheld	94 465	-
Total Other Income	1 194 973	688 992
26 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	27 628 238	20 128 969
Employee related costs - Contributions for UIF, pensions and medical aids	5 970 423	4 009 645
Travel, motor car, telephone, assistance and other allowances	104 500	84 050
Bonuses	2 994 045	2 465 989
Housing Benefits and Allowances	23 226	17 539
Leave Reserve Fund	529 618	1 490 886
Overtime Payments	482 501	481 905
Workmens Compensation Contributions	439 071	348 508
Contribution to provision - Long Service Awards - Note 4	209 133	236 705
Contribution to provision - Post Retirement Medical - Note 4	1 636 849	1 528 836
Total Employee Related Costs	40 017 604	30 793 033
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		
<i>Remuneration of the Municipal Manager - MM Yawa</i>		
Annual Remuneration	1 243 009	1 181 505
Performance Bonuses	-	297 960
Car Allowance	82 800	82 800
Telephone allowance	21 500	18 000
Contributions to UIF, Medical and Pension Funds	1 713	1 497
Total	1 349 022	1 581 763
<i>Remuneration of the Director Technical Services - RN Crozier</i>		
Annual Remuneration	1 033 083	981 058
Performance Bonuses	-	253 266
Car Allowance	93 600	93 600
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 713	1 497
Total	1 140 396	1 341 421
<i>Remuneration of Director Community and Social Services - CNL Gologolo</i>		
Annual Remuneration	798 119	757 822
Performance Bonuses	-	106 349
Car Allowance	48 000	48 000
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 713	1 497
Total	859 832	925 668
<i>Remuneration of the Director Financial Services - Mr CR Venter</i>		
Annual Remuneration	1 126 683	1 074 658
Performance Bonuses	-	253 266
Telephone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 713	1 497
Total	1 140 396	1 341 421

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

26	EMPLOYEE RELATED COSTS (CONTINUE)	2013 R	2012 R
	<i>Remuneration of Director Corporate and Support Services - ML Theron (July 2012 - Sept 2012)</i>		
	Annual Remuneration	185 961	805 828
	Performance Bonuses	-	106 349
	Telephone allowance	3 000	12 000
	Contributions to UIF, Medical and Pension Funds	374	1 497
	Total	189 335	925 675
	<i>Remuneration of Director Corporate and Support Services - TE Wonga (Oct 2012 - June 2013)</i>		
	Annual Remuneration	563 897	-
	Telephone allowance	9 000	-
	Car Allowance	82 000	-
	Contributions to UIF, Medical and Pension Funds	1 338	-
	Total	656 235	-
	<i>Remuneration of Director IPME - DP Agyemang (July 2012 - Sept 2012)</i>		
	Annual Remuneration	255 758	898 332
	Performance Bonuses	-	93 960
	Telephone allowance	3 000	12 000
	Car Allowance	17 100	68 400
	Housing Allowance	7 500	30 000
	Contributions to UIF, Medical and Pension Funds	374	1 497
	Total	283 732	1 104 190
	<i>Remuneration of Director IPME - P Bushula (Oct 2012 - June 2013)</i>		
	Annual Remuneration	747 545	-
	Telephone allowance	9 000	-
	Contributions to UIF, Medical and Pension Funds	103 695	-
	Total	860 239	-
27	REMUNERATION OF COUNCILLORS		
	Mayor	665 421	630 735
	Speaker	536 311	508 356
	Executive Committee Members	1 672 110	1 584 606
	Councillors	5 520 635	5 247 601
	Other Councillors' contributions and allowances	463 741	415 548
	Total Councillors' Remuneration	8 858 218	8 386 846
	<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		
28	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 18	4 674 564	2 837 041
	Receivables from non-exchange transactions - Note 19	696 391	281 356
	Total Contribution to Impairment Provision	5 370 955	3 118 397
	Portion attributable to VAT - Refer to note - 11.01	34 331	(424 254)
	Transfer of Function - Note 36.01	(311 940)	-
	Debt impairment recognised in statement of financial performance	5 093 346	2 694 143

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
29 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment - Restated 2012	12 808 732	11 478 970
Intangible Assets - Restated 2012	105 485	99 686
Capitalised Restoration Cost - Restated 2012	-	-
Total Depreciation and Amortisation	12 914 217	11 578 656
30 REPAIRS AND MAINTENANCE		
Buildings	204 175	30 399
Tools and equipment	205 960	165 013
Furniture and office equipment	4 942	4 272
Vehicles and Implements	1 046 801	1 136 253
Streets and stormwater	385 841	1 051 926
Sport Fields	4 160	28 464
Electricity Reticulation	555 069	605 665
Fencing	19 698	17 312
Street Lights	1 240	181 432
Traffic and Road signs	36 874	29 712
Other	89 711	154 748
Total Repairs and Maintenance	2 554 473	3 405 197
31 FINANCE CHARGES		
Long-term Liabilities - DBSA	1 144 315	1 253 679
Finance leases	2 787	5 715
Landfill Site - Restated 2012	-	-
Total Finance charges	1 147 102	1 259 394
32 BULK PURCHASES		
Electricity	19 167 363	15 130 377
Total Bulk Purchases	19 167 363	15 130 377
33 GRANTS AND SUBSIDIES		
Grants-in-aid and Donations	333 000	731 837
Total Grants and Subsidies	333 000	731 837
34 OTHER OPERATING GRANT EXPENDITURE		
Asset Register Project	455 049	468 787
Call Centre Project	77 408	459 957
Clean Audit Project	97 238	-
Commonage Management Project	31 200	12 000
Co-op's Development Project	-	1 990
Database Project	-	218 955
Greenest Municipality Project	395 509	-
Holo Hlahatsi Agricultural Project	-	620
Housing Hillside Project	507 726	6 213 391
IDP and Budget Project	356 652	251 764
Job Creation Project	6 005 386	3 788 731
LED Strategy Project	-	20 727
Local Economic Development Project	154 238	21 336
MFMA Implementation Project	1 693 930	1 354 637
MIG PMU Project	1 096 854	846 256
Musong Road Project	2 425 870	10 601 227
Neighbourhood Development Project	1 633 777	896 321
Plastic Products Project	123 356	104 447
Revitalization 2nd Economy Project	102 000	97 218
Rossouw Agricultural Project	24 206	38 934
Town Register Project	50 835	45 060
Total Operating grant expenditure - Restated 2012	15 231 233	25 442 356

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35	GENERAL EXPENSES	2013 R	2012 R
	Audit Fees	1 593 872	1 509 690
	Advertisements	426 771	186 938
	Bank Charges	196 476	209 728
	Books, Magazines & Publications	33 721	88 696
	Communication	678 176	72 835
	Computer Costs	1 082 183	533 920
	Electricity Purchases	775 300	189 255
	Insurance: External	313 538	251 812
	Legal Costs	388 870	737 334
	Membership Fees	488 346	219 166
	Printing & Stationary	468 839	329 637
	Professional Services	1 384 819	1 639 788
	Performance Management Project	1 128 671	600 121
	Lady Grey LED Project	985	-
	Agriculture Rural Project	-	25 540
	SPU Project	371 274	120 820
	Youth Cleaning Project	-	4 750
	Valuation Roll Project	838 653	87 333
	Refuse Removal Project	22 211	809 265
	Subsistence & Traveling	2 675 758	2 208 051
	Telephone Charges	1 171 586	957 804
	Tourism	494 785	319 779
	Training	959 049	470 927
	Transport Costs	115 612	59 757
	Travel and Accommodation	1 767 469	1 515 310
	Vehicle: Fuel & Oil	1 748 464	1 703 474
	Ward Committees	1 248 583	1 159 164
	Sundry	1 579 633	1 199 388
	Total General Expenses - Restated 2012	21 953 645	17 210 283

36 DISCONTINUED OPERATIONS

36.01 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.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:

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
	-	848 736

Liabilities associated with Discontinued Operations

Employee Benefits	-	1 137 050
Current Employee Benefits	-	1 095 305
Payables from exchange transactions	-	96 006
	-	2 328 360

The effect of Discontinued Operations on the Statement of Financial Performance is as follows:

Income

Service Charges	-	3 385 091
Water Services Authority Contribution	-	9 286 090
Interest Earned - outstanding debtors	-	286 574

Expenditure

Employee Related Costs	-	(9 982 883)
Debt Impairment	-	(944 054)
Repairs and Maintenance	-	(192 364)
Actuarial losses	-	(374 327)
Finance Charges	-	-
General Expenses	-	(1 663 779)

Total effect of Discontinued Operations

-	(199 653)
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The effect of Discontinued Operations on the Cash flow Statement is as follows:

Changes in Operating Activities	-	(199 653)
	-	(199 653)

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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37	CORRECTION OF ERROR IN TERMS OF GRAP 3		
		Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.	
37.01	Operating Lease Asset		
	Balance previously reported		45 800
	Correction on Operating Lease Asset Opening balance - Note 37.10		288
	Correction on Operating Lease Asset movement for 2011/2012 - Note 37.11		12 453
	Total		58 542
37.02	Property, Plant and Equipment		
	Balance previously reported		172 718 835
	Correction of Backlog Depreciation previously incorrectly calculated - 1 July 2011 - Note 37.10		2 932 592
	Correction of Kwezi-Naledi Node Previously not recognised - Work-in-Progress - Note 37.10		1 106 876
	First time recognition of Property, Plant and Equipment - 1 July 2011 - Note 37.10		54 525
	Backlog Depreciation for Property, Plant and Equipment previously not recognised - Note 37.10		(11 475)
	Depreciation for 2011/2012 for Property, Plant and Equipment previously not recognised - Note 37.11		(9 648)
	Property, Plant and Equipment incorrectly capitalised - 1 July 2011 - Note 37.10		(429 478)
	Effect on Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - 1 July 2011 - Note 37.10		41 091
	Effect on Depreciation for 2011/2012 for Property, Plant and Equipment incorrectly capitalised - Note 37.11		24 717
	Property, Plant and Equipment incorrectly capitalised - 2011/2012 - Note 37.11		(782)
	First time recognition of Donated Property, Plant and Equipment - 1 July 2011 - Note 37.10		24 208
	Backlog Depreciation for Donated Property, Plant and Equipment previously not recognised - Note 37.10		(9 941)
	Depreciation for 2011/2012 for Donated Property, Plant and Equipment previously not recognised - Note 37.11		(4 363)
	First time recognition of Donated Property, Plant and Equipment - 2011/2012 - Note 37.11		7 998
	Land and Buildings previously not recognised - 1 July 2011 - Note 37.10		710 100
	Total		177 155 255
37.03	Intangible Assets		
	Balance previously reported		257 598
	Intangible assets incorrectly capitalised - 1 July 2011 - Note 37.10		(79 295)
	Effect on Backlog Depreciation for Intangible assets incorrectly capitalised - 1 July 2011 - Note 37.10		43 229
	Effect on Depreciation for 2011/2012 for Intangible assets incorrectly capitalised - Note 37.11		10 891
	Correction of Backlog Depreciation previously incorrectly calculated - 1 July 2011 - Note 37.10		30 714
	Total		263 136
37.04	Investment Property		
	Balance previously reported		12 548 500
	Derecognise Investment Property - 1 July 2011 - At Fair value - Note 37.10		(2 286 500)
	Total		10 262 000
37.05	Inventory		
	Balance previously reported		4 310 567
	Derecognise Inventory - Land held for sale - 1 July 2011 - Note 37.10		(789 500)
	Total		3 521 067
37.06	Revaluation Reserve		
	Balance previously reported		1 221 307
	Revaluation on Land and Buildings for 2011/2012 previously not recognised - Note 37.11		5 682
	Total		1 226 989
37.07	Non-Current Provisions		
	Balance previously reported		3 127 036
	Correction on Opening balance of Landfill Site Provision - Note 37.10		(4 845 520)
	Correction on 2011/2012 additions on Landfill Site Provision - Note 37.11		(176 041)
	Correction on Current portion of Landfill sites transferred to Current Provision - Note 37.08		6 497 749
	Total		4 603 223
37.08	Provisions		
	Balance previously reported		6 497 749
	Correction on Current portion of Landfill sites transferred from Non-Current Provisions - Note 37.07		(6 497 749)
	Total		-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2012
37	CORRECTION OF ERROR IN TERMS OF GRAP 3	R
37.09	Capitalised Restoration Costs	
	Balance previously reported	1 510 395
	Correction on Cost on 1 July 2011 recalculated to the 'area contaminated' - Note 37.10	2 200 656
	Correction on Accumulated Impairments recalculated to the 'area contaminated' - Note 37.10	(3 837 955)
	Correction on Acquisitions for 2011/2012 recalculated to the 'area contaminated' - Note 37.11	282 282
	Correction on Impairment for 2011/2012 recalculated to the 'area contaminated' - Note 37.11	46 407
	Correction on Impairment for 2011/2012 recalculated to the 'area contaminated' - Note 37.11	(201 784)
	Total	-
37.10	Accumulated Surplus/(Deficit)	
	Correction on Operating Lease Asset Opening balance - Note 37.01	288
	Correction of Backlog Depreciation previously incorrectly calculated - 1 July 2011 - Note 37.02	2 963 306
	Correction of Kwezi-Naledi Node Previously not recognised - 1 July 2011 WIP - Note 37.02	308 836
	First time recognition of Property, Plant and Equipment - 1 July 2010 - Note 37.02	54 525
	Backlog Depreciation for Property, Plant and Equipment previously not recognised - Note 37.02	(11 475)
	Property, Plant and Equipment incorrectly capitalised - 1 July 2011 - Note 37.02	(429 478)
	Effect on Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - 1 July 2011 - Note 37.02	41 091
	Correction of opening balance on Intangible Assets - 1 July 2010 - Note 37.03	(79 295)
	Correction of Accumulated Depreciation on Intangible Assets - 1 July 2010 - Note 37.03	43 229
	First time recognition of Donated Property, Plant and Equipment - 1 July 2011 - Note 37.02	24 208
	Backlog Depreciation for Donated Property, Plant and Equipment previously not recognised - Note 37.02	(9 941)
	Land and Buildings previously not recognised - 1 July 2011 - Note 37.02	710 100
	Derecognise Investment Property - 1 July 2011 - At Fair value - Note 37.04	(2 286 500)
	Derecognise Inventory - Land held for sale - 1 July 2011 - Note 37.05	(789 500)
	Correction on Opening balance of Landfill Site Provision - Note 37.07	4 845 520
	Correction on Capitalised Restoration Cost - Cost on 1 July 2011 recalculated to the 'area contaminated' - Note 37.09	2 200 656
	Correction on Capitalised Restoration Costs - Accumulated Impairments recalculated to the 'area contaminated' - Note 37.09	(3 837 955)
	Total	3 747 615
37.11	Statement of Financial Performance	
	Balance previously reported	46 148 530
	Correction on Operating Lease Asset movement for 2011/2012 - Note 37.01	12 453
	Correction of Kwezi-Naledi Node Previously not recognised - 2011/2012 WIP - Note 37.02	798 040
	Depreciation for 2011/2012 for Property, Plant and Equipment previously not recognised - Note 37.02	(9 648)
	Effect on Depreciation for 2011/2012 for Property, Plant and Equipment incorrectly capitalised - Note 37.02	35 607
	Property, Plant and Equipment incorrectly capitalised - 2011/2012 - Note 37.02	(782)
	Depreciation for 2011/2012 for Donated Property, Plant and Equipment previously not recognised - Note 37.02	(4 363)
	First time recognition of Donated Property, Plant and Equipment - 2011/2012 - Note 37.02	7 998
	Revaluation on Land and Buildings for 2011/2012 previously not recognised - Note 37.06	(5 682)
	Correction of Interest Accrual on Landfill Site Provision - Note 37.07	176 041
	Correction on Capitalised Restoration Cost - Acquisitions for 2011/2012 recalculated to the 'area contaminated' - Note 37.09	282 282
	Correction on Capitalised Restoration Cost - Impairments for 2011/2012 recalculated to the 'area contaminated' - Note 37.09	46 407
	Correction on Capitalised Restoration Cost - Impairment for 2011/2012 recalculated to the 'area contaminated' - Note 37.09	(201 784)
	Total	47 285 099

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
38 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year - From Continuing Operations	42 605 591	47 484 752
Adjustments for:		
Depreciation	12 914 217	11 578 656
Loss on disposal of property, plant and equipment	992 665	85 282
Impairments	522 382	352 641
Contribution from/to employee benefits - non-current	1 845 982	1 765 541
Contribution from/to employee benefits - non-current - expenditure incurred	(255 814)	(339 729)
Contribution from/to employee benefits - non-current - actuarial losses	-	935 818
Contribution from/to employee benefits - non-current - actuarial gains	(2 079 250)	-
Contribution to employee benefits – current	2 206 720	3 515 000
Contribution to employee benefits – current - expenditure incurred	(1 741 547)	(2 661 072)
Contribution to provisions – current	-	-
Contribution to provisions – bad debt	5 059 014	3 118 397
Bad debts written off	(1 611 528)	(339 497)
Grants Received	134 390 321	123 562 445
Grant recognised as revenue	(123 541 323)	(129 864 401)
Unspent Grant withheld by National Treasury	296 000	110 000
Transfer of Function - Water and Sanitation	(6 215 128)	-
Operating lease income accrued	(24 828)	(24 927)
Operating lease expenses accrued	(630)	(1 894)
Operating Surplus/(Deficit) before discontinued operations and changes in working capital	65 362 844	59 277 011
Surplus/(Deficit) for the year from Discontinued Operations - Note 36	-	(199 653)
Other adjustments associated with discontinued operations		
Bad debts	-	944 054
Operating Surplus/(Deficit) before changes in working capital	65 362 844	60 021 412
Changes in working capital	809 905	(11 213 481)
Increase/(Decrease) in Payables from Exchange Transactions	(1 503 596)	1 308 298
Increase/(Decrease) in Taxes	(384 880)	613 540
(Increase)/Decrease in Inventory	(230 751)	843 287
(Increase)/Decrease in Receivables from exchange transactions	3 729 748	(14 102 884)
Increase in Other Receivables from non-exchange transactions	(800 616)	124 278
Cash generated/(absorbed) by operations	66 172 749	48 807 931
39 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 21	153 075 703	124 993 004
Cash Floats - Note 21	700	900
Bank - Note 21	1 176 531	903 394
Total cash and cash equivalents	154 252 933	125 897 298
40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 39	154 252 933	125 897 298
Less:	154 252 933	125 897 298
Unspent Committed Conditional Grants - Note 10	27 825 349	17 318 480
Net cash resources available for internal distribution	126 427 585	108 578 818
Allocated to:		
Capital Replacement Reserve	95 532 283	75 142 035
Valuation Roll Reserve	330 838	919 491
Employee Benefit Reserve	17 632 892	11 645 194
Resources available for Working capital requirements	30 895 301	33 436 783
41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	15 230 570	16 035 140
Used to finance property, plant and equipment - at cost	(15 230 570)	(16 035 140)
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 2013

42	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013 R	2012 R
42.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	358 350
	Unauthorised expenditure current year - capital	-	-
	Unauthorised expenditure current year - operating	-	-
	Approved by Council or condoned	-	(358 350)
	Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Budget Comparison by Vote - Unauthorised expenditure current year - Operating				
Executive & Council	19 369 927	19 440 904	(70 977)	-
Planning & Development	9 732 176	18 228 789	(8 496 614)	-
Corporate Services	10 831 387	11 267 036	(435 649)	-
Housing	1 413 640	9 421 237	(8 007 598)	-
Public Safety	17 607	46 879	(29 272)	-
Budget & Treasury	12 886 562	13 735 190	(848 628)	-
Road Transport	28 796 808	31 826 433	(3 029 625)	-
Electricity	29 427 526	30 531 685	(1 104 159)	-
Community & Social Services	5 864 475	7 246 450	(1 381 976)	-
Sport & Recreation	122 000	224 451	(102 451)	-
Waste Management	10 323 140	13 419 070	(3 095 930)	-
	128 785 247	155 388 125	(26 602 878)	-

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Budget Comparison by Vote - Unauthorised expenditure current year - Capital				
Executive & Council	713 767	821 589	(107 822)	-
Planning & Development	7 318 684	10 084 173	(2 765 489)	-
Corporate Services	2 191 225	2 210 000	(18 775)	-
Public Safety	-	500 000	(500 000)	-
Budget & Treasury	329 552	500 000	(170 448)	-
Road Transport	18 946 583	31 579 773	(12 633 189)	-
Electricity	775 468	965 000	(189 532)	-
Community & Social Services	2 868 326	3 633 408	(765 083)	-
Sport & Recreation	2 780 560	7 293 570	(4 513 010)	-
Waste Management	1 741 097	2 139 569	(398 473)	-
	37 665 261	59 727 082	(22 061 821)	-

42.2	Fruitless and wasteful expenditure		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	742 700	1 735 953
	Fruitless and wasteful expenditure current year	2 029 794	742 700
	Condoned or written off by Council	-	(1 735 953)
	Fruitless and wasteful expenditure awaiting condonement	2 772 494	742 700

Incident	Disciplinary steps/criminal proceedings
Electricity losses higher than the norm 2012	None - R742 700
Electricity losses higher than the norm 2013	None - R2 029 794

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
42	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)		
42.3	<u>Irregular expenditure</u>		
	Reconciliation of irregular expenditure:		
	Opening balance	1 466 110	-
	Irregular expenditure current year	762 757	1 466 110
	Condoned or written off by Council	-	-
	Irregular expenditure awaiting further action	<u>2 228 867</u>	<u>1 466 110</u>

Incident	Disciplinary steps/criminal proceedings		
<i>Deviations from Supply Chain regulations - Evaluation criteria for awarding the tender was not used</i>	None	-	400 000
<i>Deviations from Supply Chain regulations - HDI criteria is not specified in the invitation for bid</i>	None	-	269 111
<i>CAATS: Employees did not declare interest</i>	None	-	68 232
<i>CAATS: Awards were made to the close family member</i>	None	-	2 700
<i>Deviations from Supply Chain regulations - Preferred supplier selected</i>	None	-	199 728
<i>Deviations from Supply Chain regulations - B-BBEE criteria was not used to evaluated the tender</i>	None	-	426 520
<i>Payments made to the supplier exceeded the tender price</i>	None	227 127	99 819
<i>Deviations from Supply Chain regulations - Sect 44 - Awards to persons in service of state. (6 staff members)</i>	None	181 087	-
<i>Payments made in contravention with Section 11(1) of MFMA - UIF refund to Councillors.</i>	None	354 543	-
		<u>762 757</u>	<u>1 466 110</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.

42.4 **Material Losses**

Electricity distribution losses

Kwh purchased	25 626 083	24 640 468
Kwh sold	20 349 847	20 966 615
Kwh losses	5 276 236	3 673 853
Kwh cost	0.7480	0.6139
% Losses - Notes - 42.2	20.59%	14.91%
Amount of Units lost considered fruitless expenditure above a norm of average 10%	2 713 628	1 209 807
Cost of units lost considered fruitless expenditure	2 029 794	742 700

43 **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

43.1 **Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	400 000	203 860
Amount paid - current year	(400 000)	(203 860)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

43.2 **Audit fees - [MFMA 125 (1)(b)]**

Opening balance	13 695	12 629
Current year audit fee	1 593 872	1 674 894
Amount paid - current year	(1 593 872)	(1 661 199)
Amount paid - previous year	(13 695)	(12 629)
Balance unpaid (included in creditors)	<u>-</u>	<u>13 695</u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

43	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)	2013	2012
		R	R
43.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	(1 703 281)	(2 163 537)
	Amounts received - previous year	1 703 281	1 228 689
	Amounts received - current year	15 223 886	7 611 902
	Amounts claimed - current year (payable)	(17 078 658)	(8 380 335)
	Closing balance Cr/(Dt)	(1 854 772)	(1 703 281)
	Vat in suspense due to cash basis of accounting	1 293 873	103 456
	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.		
43.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	6 543 688	6 562 834
	Amount paid - current year	(6 543 688)	(6 562 834)
	Balance unpaid	-	-
43.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	4 894 398	3 558 211
	Amount paid - current year	(4 894 398)	(3 558 211)
	Balance unpaid (included in creditors)	-	-
43.6	<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 51.1 for outstanding accounts at year-end for Councillors		
43.7	<u>Quotations awarded - Supply Chain Management</u>		
	No non-compliance with the Supply Chain Management Regulations were identified during the financial year		
43.8	<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>	<u>Entity</u>	
	D. Oertel	Mountain View Hotel	90 197
44	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	28 728 555	10 531 795
	Land & Buildings	2 749 586	51 486
	Infrastructure	25 310 498	10 480 309
	Community	668 471	-
	Total - Restated 2012	28 728 555	10 531 795
	This expenditure will be financed from:		
	Capital Replacement Reserve	3 418 057	2 564 273
	Government Grants - MIG	22 555 074	275 218
	Government Grants - NDPG	-	7 034 056
	Department of Transport	-	658 248
	Department of Sport	2 755 424	-
		28 728 555	10 531 795

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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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 on-going basis.

	2013 R	2012 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2012 - 0.5%) Increase in interest rates	1 390 217	549 306
0.5% (2012 - 0.5%) Decrease in interest rates	(695 108)	(549 306)

(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. On-going 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 18 and 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	575 795	100.00%	535 321
<u>Exchange Receivables</u>				
Electricity	94.57%	1 466 329	83.72%	2 428 482
Water	0.00%	-	3.63%	105 295
Refuse	4.19%	64 995	3.60%	104 464
Sewerage	0.00%	-	1.96%	56 882
Other	1.24%	19 171	7.09%	205 637
	100.00%	1 550 494	100.00%	2 900 761

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 18 and 19 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.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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FINANCIAL RISK MANAGEMENT (CONTINUE)

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

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	4 845 700	100.00%	4 284 602
<u>Exchange Receivables</u>				
Electricity	61.85%	5 860 386	23.55%	2 493 611
Water	0.00%	-	20.52%	2 171 908
Refuse	36.12%	3 422 772	26.71%	2 827 205
Sewerage	0.00%	-	20.20%	2 138 039
Other	2.02%	191 671	9.03%	955 684
	100.00%	9 474 829	100%	10 586 448

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.

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

	2013 R	2012 R
Receivables from exchange transactions	12 606 610	14 687 943
Cash and Cash Equivalents	154 252 933	125 897 298
Unpaid conditional grants and subsidies	-	342 129
	166 859 544	140 927 371

(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.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45 FINANCIAL RISK MANAGEMENT (CONTINUE)

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
2013				
Long Term liabilities - Annuity Loans	1 925 432	7 195 606	7 855 737	8 791 884
Capital repayments	779 689	3 237 337	4 357 588	6 844 446
Interest	1 145 743	3 958 269	3 498 149	1 947 438
Long Term liabilities - Finance Leases	11 738	-	-	-
Capital repayments	11 510	-	-	-
Interest	229	-	-	-
Provisions - Landfill Sites	-	1 284 190.97	4 319 388.47	1 553 490
Capital repayments	-	1 284 191	4 319 388	1 553 490
Interest	-	-	-	-
Trade and Other Payables	1 018 187	-	-	-
	<u>2 955 358</u>	<u>8 479 797</u>	<u>12 175 126</u>	<u>10 345 375</u>
2012				
Long Term liabilities	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 - Restated	-	127 634.22	5 475 945.23	1 553 490
Capital repayments	-	127 634	5 475 945	1 553 490
Interest	-	-	-	-
Trade and Other Payables	2 414 021	-	-	-
	<u>4 418 798</u>	<u>7 511 496</u>	<u>13 552 330</u>	<u>11 992 519</u>

46 FINANCIAL INSTRUMENTS

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

		2013 R	2012 R
46.1 Financial Assets	Classification		
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	12 098 541	14 099 220
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	-	342 129
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	153 075 703	124 993 004
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	1 176 531	903 394
Cash Floats and Advances	Financial instruments at amortised cost	700	900
		<u>166 351 475</u>	<u>140 338 647</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		<u>166 351 475</u>	<u>140 338 647</u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46	FINANCIAL INSTRUMENTS (CONTINUE)		2013	2012
			R	R
46.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	14 439 371	15 225 498
	Capitalised Lease Liability	Financial instruments at amortised cost	-	11 510
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	63 721	1 440 284
	Deposits: Other	Financial instruments at amortised cost	954 467	973 737
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	779 689	765 704
	Capitalised Lease Liability	Financial instruments at amortised cost	11 510	32 429
			16 248 757	18 449 161
			<hr/>	<hr/>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		16 248 757	18 449 161
			<hr/>	<hr/>
47	EVENTS AFTER THE REPORTING DATE			
	Currently a Pending Investigation from the HAWKS is on-going, no one has been charged and there is no case number opened.			
48	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
49	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
50	CONTINGENT LIABILITY		2013	2012
			R	R
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:			
	<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	550 000
	<u>Gawe Review Application</u>			
	This is a pending review application at the Labour Court with a financial implication of R350 000.		-	350 000
	<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
	<u>Ex-gratia payment</u>			
	Upon termination of MM and 3 other Section 57 Managers contracts, an ex-gratia amount of 1.25 x the employees' gross annual salary will be paid to these employees.		7 417 680	7 417 680
	<u>Hawks matter</u>			
	Currently a Pending Investigation from the HAWKS is on-going, no one has been charged and there is no case number opened.			
	<u>Land Invasion</u>			
	The municipality is currently engaged in litigation in respect of a land invasion case in Sterkspruit with a financial implication of R87 690.		87 690	-

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

51 RELATED PARTIES

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

51.1 Related Party Transactions

	Rates - Levied 1 Jul 12 - 30 Jun 13	Service Charges - Levied 1 Jul 12 - 30 Jun 13
Year ended 30 JUNE 2013		
Councillors	3 397	79 709
N Mtyali	-	24 185
J Konstable	1 829	10 459
M Mjali	-	2 926
R M Joubert	1 568	6 925
Mpelwane	-	2 943
M Mfisa	-	6 745
M Mafilika	-	2 926
M Eliya	-	2 926
N C Motemekwana	-	2 926
S Thindleni	-	16 749
Municipal Manager and Section 57 Employees	2 904	6 208
R Crozier	2 904	3 282
ML Theron	-	2 926

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.

51.2 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 to the Annual Financial Statements.

51.3 Compensation of key management personnel

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

51.4 Other related party transactions

	2013 R	2012 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
M A Theron	Copper Leaf Trading (Spouse is Director)	118 304
J Lamani	Sinawo Amandla Construction	2 700
M M Yawa	JoGeda (MM on Board of Directors)	333 000

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

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	R	aluation	R	R	
Land and Buildings	48 281 894	5 178 278	-	-	53 460 172	-	415 138	415 138	-	-	53 460 172
Land	8 316 600	700 000	-	-	9 016 600	-	-	-	-	-	9 016 600
Buildings	39 965 294	4 478 278	-	-	44 443 572	-	415 138	415 138	-	-	44 443 572
Infrastructure	150 918 015	10 250 299	409 293	-	160 759 021	40 060 810	9 817 170	212 734	-	49 665 246	111 093 775
Main: Roads	92 781 510	6 071 496	33 773	-	98 819 233	32 504 668	8 361 483	10 299	-	40 855 852	57 963 381
Main: Storm Water	33 624 457	2 440 745	123 035	-	35 942 167	4 392 280	988 874	61 914	-	5 319 240	30 622 927
Main: Waste Management	2 904 379	-	-	-	2 904 379	910 848	152 196	-	-	1 063 045	1 841 335
Main: Electricity	10 274 330	710 580	252 484	-	10 732 426	2 253 013	314 617	140 521	-	2 427 109	8 305 317
Taxi Ranks	11 333 337	1 027 478	-	-	12 360 816	-	-	-	-	-	12 360 816
Community Assets	1 116 454	10 340 307	-	-	11 456 762	640	3 889	-	-	4 530	11 452 232
Sports Fields	-	2 780 560	-	-	2 780 560	-	-	-	-	-	2 780 560
Node Development	1 106 876	7 273 915	-	-	8 380 791	-	3 570	-	-	3 570	8 377 221
Parks & Gardens	9 579	-	-	-	9 579	640	319	-	-	960	8 619
Cemetery	-	285 832	-	-	285 832	-	-	-	-	-	285 832
Leased Assets	91 610	-	-	-	91 610	50 114	30 537	-	-	80 650	10 960
Office Equipment	91 610	-	-	-	91 610	50 114	30 537	-	-	80 650	10 960
Other Assets	25 805 680	11 872 328	2 092 685	-	35 585 323	8 946 835	2 541 998	1 143 932	-	10 344 889	25 240 434
Motor Vehicles	5 497 306	675 124	824 041	-	5 348 388	2 425 608	519 628	339 167	-	2 606 069	2 742 319
Plant & Equipment	14 020 879	8 594 848	887 020	-	21 728 707	4 187 133	1 072 327	582 241	-	4 677 220	17 051 487
Office Equipment	1 411 558	282 884	54 646	-	1 639 796	485 865	226 826	25 997	-	686 694	953 101
Furniture & Fittings	2 365 276	206 518	109 892	-	2 461 902	769 731	236 308	57 302	-	948 737	1 513 166
Loose Equipment	143 451	145 879	8 541	-	280 788	44 030	25 945	4 752	-	65 222	215 566
Computer Equipment	2 364 320	230 234	208 545	-	2 386 009	1 032 857	403 782	134 473	-	1 302 154	1 083 855
Specialised Vehicles	-	1 736 842	-	-	1 736 842	-	56 605	-	-	56 605	1 680 237
Security Items	2 890	-	-	-	2 890	1 610	578	-	-	2 188	702
	226 213 653	37 641 212	2 501 978	-	261 352 887	49 058 399	12 808 732	1 771 804	-	60 095 315	201 257 572

* Included in the Additions for 2012/2013 is an amount of R8 354 805 for work-in-progress.

SENQU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

Reconciliation of Carrying Value -
Restated - Note 37.02

	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	45 037 571	3 244 323	-	-	48 281 894	-	382 576	382 576	-	-	48 281 894
Land	8 316 600	-	-	-	8 316 600	-	-	-	-	-	8 316 600
Buildings	36 720 971	3 244 323	-	-	39 965 294	-	382 576	382 576	-	-	39 965 294
Infrastructure	120 966 083	31 197 461	-	1 245 530	150 918 015	32 356 095	8 879 886	-	1 175 170	40 060 810	110 857 204
Main: Roads	78 018 547	15 867 099	-	1 104 136	92 781 510	25 944 733	7 637 343	-	1 077 408	32 504 668	60 276 842
Main: Storm Water	32 144 392	1 480 066	-	-	33 624 457	3 424 421	967 859	-	-	4 392 280	29 232 177
Main: Waste Management	2 787 215	117 164	-	-	2 904 379	758 235	152 613	-	-	910 848	1 993 531
Main: Electricity	6 809 935	3 605 790	-	141 394	10 274 330	2 228 706	122 070	-	97 763	2 253 013	8 021 317
Taxi Ranks	1 205 995	10 127 343	-	-	11 333 337	-	-	-	-	-	11 333 337
Community Assets	318 414	798 040	-	-	1 116 454	320	320	-	-	640	1 115 814
Node Development	308 836	798 040	-	-	1 106 876	-	-	-	-	-	1 106 876
Parks & Gardens	9 579	-	-	-	9 579	320	320	-	-	640	8 938
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	22 994 157	3 720 554	909 032	-	25 805 680	7 321 416	2 185 568	560 149	-	8 946 835	16 858 845
Motor Vehicles	5 667 423	-	170 117	-	5 497 306	2 077 722	423 524	75 638	-	2 425 608	3 071 698
Plant & Equipment	11 441 794	2 856 735	277 650	-	14 020 879	3 417 826	906 414	137 107	-	4 187 133	9 833 746
Office Equipment	1 544 793	209 306	342 541	-	1 411 558	531 660	218 185	263 980	-	485 865	925 692
Furniture & Fittings	2 161 220	240 205	36 149	-	2 365 276	564 645	227 210	22 125	-	769 731	1 595 545
Loose Equipment	163 109	23 485	43 143	-	143 451	49 318	27 718	33 006	-	44 030	99 421
Computer Equipment	2 012 929	390 823	39 431	-	2 364 320	679 213	381 937	28 294	-	1 032 857	1 331 463
Specialised Vehicles	-	-	-	-	-	-	-	-	-	-	-
Security Items	2 890	-	-	-	2 890	1 031	580	-	-	1 610	1 280
	189 407 836	38 960 379	909 032	1 245 530	226 213 653	39 697 324	11 478 970	942 725	1 175 170	49 058 399	177 155 254

**APPENDIX A - Unaudited
SENQU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS						
DBSA loan	Floating	103126/1	2029	11 057 553	631 860	10 425 693
DBSA loan	Fixed	103126/2	2030	4 933 649	140 281	4 793 367
Total Annuity Loans				15 991 202	772 142	15 219 060
LEASE LIABILITY						
Finance Leases			2013	43 938	32 429	11 510
Total Lease Liabilities				43 938	32 429	11 510
TOTAL EXTERNAL LOANS				16 035 140	804 570	15 230 570

**APPENDIX B - Unaudited
SENQU MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2013
GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions (Includes WIP)	Disposals	Closing Balance	Opening Balance	Additions	Disposals/Revaluation	Closing Balance	
Executive & Council	1 710 904	713 767	19 806	2 404 864	401 704	319 236	8 601	712 338	1 692 526
Planning & Development	3 189 457	7 318 684	10 336	10 497 806	881 412	273 487	9 059	1 145 839	9 351 967
Corporate Services	60 796 864	2 191 225	909 372	62 078 716	885 418	644 724	828 109	702 034	61 376 682
Budget & Treasury	2 840 027	329 552	270 684	2 898 894	1 185 842	431 799	173 194	1 444 446	1 454 448
Road Transport	147 473 446	18 946 583	736 486	165 683 544	40 831 354	10 125 892	436 063	50 521 183	115 162 360
Electricity	10 894 592	775 468	439 602	11 230 458	3 383 509	512 725	246 752	3 649 481	7 580 976
Community & Social Services	1 758 082	2 868 326	105 668	4 520 740	330 604	96 802	62 076	365 330	4 155 410
Sport & Recreation	2 398 427	2 780 560	-	5 178 987	7 485	89 020	-	96 505	5 082 482
Waste Management	5 960 441	1 741 097	13 523	7 688 014	1 434 523	420 533	10 930	1 844 114	5 843 901
	237 022 240	37 665 261	2 505 479	272 182 023	49 341 850	12 914 217	1 774 785	60 481 270	211 700 752

APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
2 526 000	20 222 941	(17 696 941)	Executive & Council	4 836 000	19 369 927	(14 533 927)
2 211 847	6 841 075	(4 629 228)	Planning & Development	10 554 334	9 732 176	822 158
114 742	6 617 979	(6 503 237)	Corporate Services	2 285 250	10 831 387	(8 546 137)
7 944 135	6 975 151	968 984	Housing	578 707	1 413 640	(834 933)
67 557	3 348	64 209	Public Safety	20 070	17 607	2 463
83 133 196	7 317 785	75 815 412	Budget & Treasury	93 177 985	12 886 562	80 291 423
35 912 935	33 461 934	2 451 001	Road Transport	15 386 969	28 796 808	(13 409 839)
6 349 521	6 795 441	(445 920)	Waste Water Management	-	-	-
6 608 233	6 361 966	246 267	Water	-	-	-
22 562 876	22 820 006	(257 130)	Electricity	30 115 520	29 427 526	687 994
1 879 126	5 072 848	(3 193 722)	Community & Social Services	4 150 637	5 864 475	(1 713 838)
3 306 137	47 183	3 258 954	Sport & Recreation	3 094 896	122 000	2 972 896
5 457 735	8 251 285	(2 793 551)	Waste Management	7 190 470	10 323 140	(3 132 670)
178 074 041	130 788 943	47 285 099	Total	171 390 838	128 785 247	42 605 591

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

Grant Description	Balance 1 JULY 2012	Contributions during the year	Interest on Investments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Returned National Revenue Fund	Balance 30 JUNE 2013
	R	R	R	R	R		R
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
Equitable Share	-	89 723 000	-	89 723 000	-	-	-
Municipal Finance Management	-	1 500 000	-	1 500 000	-	-	-
Municipal Infrastructure Grant	(342 129)	28 025 000	-	3 255 239	12 693 931	-	11 733 701
Municipal Systems Improvement	-	800 000	-	800 000	-	-	-
NDPG (Neighbourhood Development Partnership Grant)	8 164 825	10 205 000	-	2 880 854	7 273 915	296 000	7 919 056
EPWP (Expanded Public Works Program)	-	1 857 000	-	1 857 000	-	-	-
Dept Sport (Youth Development - Sport Fields)	-	175 203	-	-	175 203	-	-
Total National Government Grants	7 822 696	132 285 203	-	100 016 093	20 143 049	296 000	19 652 757
<u>Provincial Government Grants</u>							
Holo Hlahatsi Agricultural Project	103 897	-	-	103 897	-	-	-
Prov Gov - Housing (Hillside)	830 240	130 909	-	507 727	-	-	453 423
Implementation Ownership	53 216	-	-	53 216	-	-	-
Rossouw Agricultural Project	49 582	-	-	49 582	-	-	-
Herschel People's Housing	7 412 501	-	306 667	-	-	-	7 719 169
Plastic Products	90 167	-	-	90 167	-	-	-
Provincial Roads (Musong Road)	63 134	563 541	-	626 675	-	-	-
Greenest Municipality	300 000	200 000	-	500 000	-	-	-
Second Economy Regeneration (LED)	109 862	-	-	109 862	-	-	-
Clean Audit	95 000	-	-	95 000	-	-	-
Libraries	-	1 200 000	-	1 200 000	-	-	-
Total Provincial Government Grants	9 107 599	2 094 450	306 667	3 336 125	-	-	8 172 591
<u>District Municipality Grants</u>							
Commonage Management Plan	46 056	-	-	46 056	-	-	-
Total District Municipality Grants	46 056	-	-	46 056	-	-	-
Total	16 976 351	134 379 653	306 667	103 398 274	20 143 049	296 000	27 825 349