

# SENQU LOCAL MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

**30 JUNE 2018**

# SENQU LOCAL MUNICIPALITY

## INDEX

<b><u>Content</u></b>	<b><u>Page</u></b>
General Information	1 - 2
Approval of the Financial Statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	8 - 9
- Statement of Financial Performance	10 - 11
- Cash Flow Statement	12 - 13
Accounting Policies	14 - 44
Notes to the Financial Statements	45 - 95
<b>APPENDICES - Unaudited</b>	
A Schedule of External Loans	96
B Analysis of Property Plant and Equipment	97
C Segmental Statement of Financial Performance (Municipal Votes)	98
D Actual versus Budget - Capital and Operating Expenditure (Municipal Votes)	99
E Disclosure of Grants and Subsidies	100
F National Treasury Appropriation Statements	
- Revenue and Expenditure (Standard Classification)	101 - 102
- Revenue and Expenditure (Municipal Vote Classification)	103 - 104
- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	105 - 106
- Capital Expenditure by Vote, Standard Classification and Funding	107 - 109
- Cash Flows	110 - 111

---

# SENQU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Senqu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

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

### JURISDICTION

The Senqu Local Municipality includes the following areas:

Lady Grey	Rhodes
Barkly East	Herschel
Sterkspruit	Rossouw

### MEMBERS OF THE COUNCIL

Position	Councillor	Ward	Additional Portfolio
Executive Mayor	N.P Mposelwa	Proportional	Member of Executive Committee
Speaker	I Mosisidi	Ward 17	
Ward Councillor	P Jeje	Ward 1	
Ward Councillor	J Mposelwa	Ward 2	
Ward Councillor	S.M Ntlwatini	Ward 3	
Ward Councillor	AP Mqakelana	Ward 4	
Ward Councillor	SS Ndzongana	Ward 5	Member of Executive Committee
Ward Councillor	N.C Mraji	Ward 6	
Ward Councillor	M Gojo	Ward 7	
Ward Councillor	K.S Mpiti-Xhelesha	Ward 8	
Ward Councillor	J.D Somsila	Ward 9	
Ward Councillor	S Mfisa	Ward 10	
Ward Councillor	M.H Rorwana	Ward 11	
Ward Councillor	N Nyongwana	Ward 12	
Ward Councillor	Z Khoba	Ward 13	
Ward Councillor	TM. Dumzela	Ward 14	Member of Executive Committee
Ward Councillor	M Phuza	Ward 15	
Ward Councillor	M.A Mshasha	Ward 16	
PR Councillor	VV Stokhwe	Proportional	Chief Whip/Member of Executive
PR Councillor	G.N Mbonyana	Proportional	Member of Executive Committee
PR Councillor	PM Mnisi	Proportional	Member of Executive Committee
PR Councillor	M.C Kibe	Proportional	Member of Executive Committee
PR Councillor	M.N Mgojo	Proportional	
PR Councillor	N. January	Proportional	
PR Councillor	N.R Lose	Proportional	
PR Councillor	X.G Magcai	Proportional	
PR Councillor	NY Monakali	Proportional	
PR Councillor	M Ndoda	Proportional	
PR Councillor	A.P Kwinana	Proportional	
PR Councillor	B.S Maqala	Proportional	
PR Councillor	A Mkangala	Proportional	
PR Councillor	MTN Sehlolo	Proportional	
PR Councillor	N.M Phama	Proportional	
PR Councillor	MG Moeletsi	Proportional	

# SENQU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### **MUNICIPAL MANAGER**

M M Yawa

### **CHIEF FINANCIAL OFFICER**

K Fourie

### **REGISTERED OFFICE**

Murray Street, Lady Grey, 9755

### **POSTAL ADDRESS**

P.O. Box 18, Lady Grey, 9755

### **AUDITORS**

Auditor-General, P O Box 13252, East London

### **PRINCIPLE BANKERS**

Standard Bank, Lady Grey

### **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  
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  
Labour Relation Amendment Act (Act 6 of 2014)  
Collective Agreements  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations  
Municipal Regulation on Standard Chart of Accounts (mSCOA)

# SENQU LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 111 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 2019 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 LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>318 201 764</b>	<b>278 119 017</b>
Cash and Cash Equivalents	2	294 260 038	253 169 330
Receivables from exchange transactions	3	10 125 530	10 527 644
Receivables from non-exchange transactions	4	1 651 089	2 736 988
Taxes	5	11 307 712	10 678 286
Operating Lease Asset	6.1	160 078	235 062
Inventory	7	697 318	771 706
<b>Non-Current Assets</b>		<b>416 431 111</b>	<b>365 501 395</b>
Investment Property	8	30 323 000	28 311 500
Property, Plant and Equipment	9	384 691 575	335 511 405
Intangible Assets	10	318 475	392 606
Capitalised Restoration Cost (PPE)	11	1 098 063	1 285 883
<b>Total Assets</b>		<b>734 632 876</b>	<b>643 620 412</b>
<b>Current Liabilities</b>		<b>38 874 221</b>	<b>31 904 304</b>
Borrowings	12	840 402	827 098
Consumer Deposits	13	1 564 134	1 432 479
Payables from exchange transactions	14	9 042 075	7 921 445
Payables from non-exchange transactions	15	15 919 090	11 688 458
Operating Lease Liability	6.2	-	2 895
Current Employee benefits	16	11 508 520	10 031 929
<b>Non-Current Liabilities</b>		<b>30 365 938</b>	<b>31 884 802</b>
Borrowings	12	10 359 968	11 200 656
Employee benefits	17	14 396 295	15 411 792
Non-Current Provisions	18	5 609 674	5 272 354
<b>Total Liabilities</b>		<b>69 240 158</b>	<b>63 789 106</b>
<b>NET ASSETS</b>		<b>665 392 717</b>	<b>579 831 306</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	19.2	613 646 603	552 391 344
Revaluation Reserve	19.1	51 746 115	27 439 962
		<b>665 392 718</b>	<b>579 831 306</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>193 542 905</b>	<b>183 033 822</b>
<b>Taxation Revenue</b>		<b>5 996 567</b>	<b>5 192 247</b>
Property Rates	20	5 996 567	5 192 247
<b>Transfer Revenue</b>		<b>177 992 131</b>	<b>174 152 000</b>
Transfers and Subsidies - Capital	21	33 606 115	33 683 561
Transfers and Subsidies - Operating	21	144 367 274	140 468 439
Public Contributions and Donations - Capital		18 742	-
<b>Other Revenue</b>		<b>9 554 206</b>	<b>3 689 574</b>
Actuarial Gains	17	4 024 645	1 706 256
Fines, Penalties and Forfeits	22	410 879	158 694
Insurance Receipts		109 682	145 624
Gain on Fair Value Adjustments of Investment Property	8	5 009 000	1 679 000
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>70 153 026</b>	<b>68 025 381</b>
<b>Operating Activities</b>		<b>70 153 026</b>	<b>68 025 381</b>
Service Charges	23	41 980 287	43 176 649
Rental from Fixed Assets	24	1 234 403	503 341
Interest Earned - external investments		20 576 605	18 020 973
Interest Earned - outstanding debtors	25	3 204 240	2 905 827
Licences and Permits		1 295 286	1 108 892
Agency Services		975 474	1 137 797
Sales of Goods and Rendering of Services	26	442 500	477 163
Operational Revenue	27	444 229	694 742
<b>TOTAL REVENUE</b>		<b>263 695 931</b>	<b>251 059 203</b>
<b>EXPENDITURE</b>			
Employee related costs	28	81 279 734	71 966 723
Remuneration of Councillors	29	11 704 078	10 735 607
Debt Impairment	30	6 347 979	5 028 954
Depreciation and Amortisation	31	18 217 500	19 455 351
Actuarial Losses	17	38 647	-
Finance Charges	33	2 876 497	2 823 727
Bulk Purchases	34	25 599 340	32 542 610
Contracted services	35	20 205 894	22 477 189
Transfers and Subsidies	36	-	210 000
Operating Leases	37	129 180	93 971
Operational Cost	38	29 871 637	31 630 552
Loss on Disposal of Fixed and Intangible Assets		2 454 595	158 050
Impairment of Investment Property	8	1 462 500	5 000
Impairment of Property, Plant and Equipment	32	2 253 091	215 169
<b>TOTAL EXPENDITURE</b>		<b>202 440 671</b>	<b>197 342 902</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>61 255 260</b>	<b>53 716 301</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2018

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2016 - Previously Reported</b>	<b>20 238 668</b>	<b>488 862 401</b>	<b>509 101 069</b>
Correction of Error - Refer to note 40.5	-	9 812 644	9 812 644
<b>Balance on 30 June 2016 - Restated</b>	<b>20 238 668</b>	<b>498 675 045</b>	<b>518 913 714</b>
Net Surplus for the year	-	53 716 301	53 716 301
Revaluation on Land and Buildings	7 201 294	-	7 201 294
<b>Balance on 30 June 2017 - Restated</b>	<b>27 439 962</b>	<b>552 391 344</b>	<b>579 831 308</b>
Net Surplus for the year	-	61 255 260	61 255 260
Revaluation on Land and Buildings	24 306 153	-	24 306 153
<b>Balance on 30 June 2018</b>	<b>51 746 115</b>	<b>613 646 603</b>	<b>665 392 721</b>



# SENQU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		4 658 170	3 870 789
Service charges		33 428 182	39 436 228
Other revenue		14 180 543	5 396 394
Government - operating		140 044 772	139 804 566
Government - capital		42 159 250	34 891 600
Interest		20 576 605	18 020 973
<b>Payments</b>			
Suppliers and employees		(166 241 471)	(165 255 434)
Finance charges		(1 038 344)	(1 146 204)
Transfers and Grants		-	(210 000)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>41</b>	<b>87 767 707</b>	<b>74 808 913</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on Disposal of Fixed Assets		-	237 912
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(45 948 919)	(41 823 909)
Purchase of Intangible Assets		(32 352)	(247 046)
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(45 981 271)</b>	<b>(41 833 043)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in Consumer Deposits		131 655	90 898
<b>Payments</b>			
Loans repaid		(827 384)	(814 907)
<b>NET CASH USED FINANCING ACTIVITIES</b>		<b>(695 728)</b>	<b>(724 009)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>41 090 708</b>	<b>32 251 861</b>
Cash and Cash Equivalents at the beginning of the year		253 169 330	220 917 468
Cash and Cash Equivalents at the end of the year		294 260 038	253 169 330

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	2 052 481	28 100 310	(26 047 829)	-93%	Balance of bank at year-end after year-end payments and money not yet transferred from Investment account
Call investment deposits	292 207 557	199 491 144	92 716 413	46%	Result of Increased revenue, improved control, part under-expenditure and money not yet transferred to Primary bank account
Consumer debtors	10 807 425	11 385 317	(577 892)	-5%	-
Other Receivables	12 436 984	12 630 064	(193 081)	-2%	-
Inventory	697 318	990 000	(292 682)	-30%	More inventory utilised than anticipated
<b>Total current assets</b>	<b>318 201 765</b>	<b>252 596 836</b>	<b>65 604 929</b>		
<b>Non current assets</b>					
Investment property	30 323 000	33 540 500	(3 217 500)	-10%	Fair Value Adjustment on Investment Property
Property, plant and equipment	384 691 575	371 362 510	13 329 065	4%	-
Intangible Assets	318 475	456 500	(138 025)	-30%	Less intangible assets acquired during the year
Capitalised Restoration Cost	1 098 063	1 285 883	(187 820)	-15%	Effect of Impairment on Landfill site asset as per calculations
<b>Total non current assets</b>	<b>416 431 112</b>	<b>406 645 393</b>	<b>9 785 719</b>		
<b>TOTAL ASSETS</b>	<b>734 632 877</b>	<b>659 242 229</b>	<b>75 390 648</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	840 402	840 892	(490)	0%	-
Consumer deposits	1 564 134	1 504 103	60 031	4%	-
Trade and other payables	24 961 165	19 090 391	5 870 775	31%	Effect of Unspent Grants
Provisions and Employee Benefits	11 508 520	10 915 229	593 291	5%	-
<b>Total current liabilities</b>	<b>38 874 221</b>	<b>32 350 614</b>	<b>6 523 607</b>		
<b>Non current liabilities</b>					
Borrowing	10 359 968	10 359 787	182	0%	-
Provisions and Employee Benefits	20 005 969	23 633 417	(3 627 448)	-15%	Effect of Actuarial Gains as per Arch calculations
<b>Total non current liabilities</b>	<b>30 365 938</b>	<b>33 993 203</b>	<b>(3 627 266)</b>		
<b>TOTAL LIABILITIES</b>	<b>69 240 158</b>	<b>66 343 818</b>	<b>2 896 341</b>		
<b>NET ASSETS</b>	<b>665 392 720</b>	<b>592 898 411</b>	<b>72 494 308</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	408 764 173	359 044 305	49 719 868	14%	Appropriation to and from Reserves
Reserves	256 628 545	233 854 106	22 774 439	10%	Effect of revaluation on Land and Buildings
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>665 392 718</b>	<b>592 898 411</b>	<b>72 494 307</b>		

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R	2018 R	2018 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	22 149 464	5 950 846	28 100 310	21%	Increased to a more realistic amount comparing to the 2016/17 financial statements
Call investment deposits	158 960 583	40 530 561	199 491 144	20%	Increased to a more realistic amount comparing to the 2016/17 financial statements
Consumer debtors	11 314 876	70 441	11 385 317	1%	-
Other Receivables	6 365 647	6 264 417	12 630 064	50%	Increased to a more realistic amount comparing to the 2016/17 financial statements
Inventory	990 000	-	990 000	0%	-
<b>Total current assets</b>	<b>199 780 570</b>	<b>52 816 265</b>	<b>252 596 836</b>		
<b>Non current assets</b>					
Investment property	22 201 000	11 339 500	33 540 500	34%	Incorporating the increase in valuations of Investment Properties
Property, plant and equipment	394 162 426	(22 799 916)	371 362 510	-6%	-
Intangible Assets	326 101	130 400	456 500	29%	Increased to a more realistic amount comparing to the 2016/17 financial statements
Capitalised Restoration Cost	1 114 902	170 981	1 285 883	13%	Increased to a more realistic amount comparing to the 2016/17 financial statements
<b>Total non current assets</b>	<b>417 804 429</b>	<b>(11 159 035)</b>	<b>406 645 393</b>		
<b>TOTAL ASSETS</b>	<b>617 584 999</b>	<b>41 657 230</b>	<b>659 242 229</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	840 892	-	840 892	0%	-
Consumer deposits	1 479 091	25 012	1 504 103	2%	-
Trade and other payables	10 609 650	8 480 740	19 090 391	44%	Effect of Unspent grants
Provisions and Employee Benefits	11 301 662	(386 433)	10 915 229	-4%	-
<b>Total current liabilities</b>	<b>24 231 295</b>	<b>8 119 320</b>	<b>32 350 614</b>		
<b>Non current liabilities</b>					
Borrowing	10 359 787	-	10 359 787	0%	-
Provisions and Employee Benefits	25 180 734	(1 547 317)	23 633 417	-7%	-
<b>Total non current liabilities</b>	<b>35 540 521</b>	<b>(1 547 317)</b>	<b>33 993 203</b>		
<b>TOTAL LIABILITIES</b>	<b>59 771 815</b>	<b>6 572 003</b>	<b>66 343 818</b>		
<b>NET ASSETS</b>	<b>557 813 184</b>	<b>35 085 227</b>	<b>592 898 411</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	386 403 807	(27 359 502)	359 044 305	-8%	-
Reserves	171 409 377	62 444 729	233 854 106	27%	Increase due to appropriation from Accumulated Surplus
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>557 813 184</b>	<b>35 085 227</b>	<b>592 898 411</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>REVENUE BY SOURCE</b>					
Property rates	5 996 567	7 685 518	(1 688 951)	-22%	Effect of Indigent write-offs for 2017/18
Service charges	41 980 287	47 460 581	(5 480 294)	-12%	Effect of Indigent write-offs for 2017/18
Rental of facilities and equipment	1 234 403	89 900	1 144 503	1273%	Greater demand for rental of municipal assets
Interest earned - external investments	20 576 605	15 000 000	5 576 605	37%	Improved budgetary control and investment of excess fund
Interest earned - outstanding debtors	3 204 240	2 100 000	1 104 240	53%	More interest on outstanding debtors than budgeted for
Fines, penalties and forfeits	410 879	54 000	356 879	661%	Implementation of iGRAP 1
Licences and permits	1 295 286	1 055 900	239 386	23%	Reclassification of line items in budget
Agency services	975 474	795 000	180 474	23%	Reclassification of line items in budget
Transfers and Subsidies - Operating	144 367 274	139 519 750	4 847 524	3%	-
Other revenue	10 048 799	6 825 160	3 223 639	47%	Actuarial Gains from the Arch calculations not budgeted for
<b>TOTAL OPERATING REVENUE</b>	<b>230 089 816</b>	<b>220 585 809</b>	<b>9 504 007</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	81 279 734	85 556 244	(4 276 510)	-5%	-
Remuneration of councillors	11 704 078	12 882 482	(1 178 404)	-9%	-
Debt impairment	6 347 979	4 982 541	1 365 438	27%	Effect of Indigent write-offs for 2017/18
Depreciation & asset impairment	21 933 091	28 506 104	(6 573 013)	-23%	Effect of capital budget not fully spent
Finance charges	2 876 497	2 984 324	(107 827)	-4%	Effect of fluctuations in interest rate
Bulk purchases	25 599 340	33 330 881	(7 731 541)	-23%	Effect of the reduction in electricity distribution losses
Other materials	-	12 740 619	(12 740 619)	-100%	Accounted for under "Other expenditure" in terms of GRAP
Contracted services	20 205 894	27 488 104	(7 282 211)	-26%	Cost containment strategy and under-expenditure of the budget
Transfers and subsidies	-	300 000	(300 000)	-100%	Did not transfer the Capital Transfer and Subsidies
Other expenditure	30 039 464	31 188 844	(1 149 380)	-4%	-
Loss on disposal of PPE	2 454 595	-	2 454 595	100%	Result of Land Invasion and disposal of infrastructure assets
<b>TOTAL OPERATING EXPENDITURE</b>	<b>202 440 671</b>	<b>239 960 144</b>	<b>(37 519 472)</b>		
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>					
	<b>27 649 144</b>	<b>(19 374 335)</b>	<b>47 023 479</b>		
Transfers and Subsidies - Capital	33 606 115	42 159 250	(8 553 135)	-20%	Unspent MIG funding committed to projects already initiated
<b>NET SURPLUS FOR THE YEAR</b>	<b>61 255 260</b>	<b>22 784 915</b>	<b>38 470 344</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

#### ADJUSTMENTS TO APPROVED BUDGET

	2018 R	2018 R	2018 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>REVENUE BY SOURCE</b>					
Property rates	7 685 517	1	7 685 518	0%	-
Service charges	35 141 666	12 318 915	47 460 581	26%	Increased to a more realistic amount based on the actuals for the first six months
Rental of facilities and equipment	429 300	(339 400)	89 900	-378%	Decreased to a more realistic amount based on the actuals for the first six months
Interest earned - external investments	13 780 000	1 220 000	15 000 000	8%	-
Interest earned - outstanding debtors	1 579 400	520 600	2 100 000	25%	Increased to a more realistic amount based on the actuals for the first six months
Fines, penalties and forfeits	515 520	(461 520)	54 000	-855%	Decreased to a more realistic amount based on the actuals for the first six months
Licences and permits	1 531 700	(475 800)	1 055 900	-45%	Reclassification of line items in budget
Agency services	795 000	-	795 000	0%	-
Transfers and Subsidies - Operating	139 519 750	-	139 519 750	0%	-
Other revenue	4 924 172	1 900 988	6 825 160	28%	Budgeted for the Gain on Fair Value Adjustments of Investment Property
<b>TOTAL OPERATING REVENUE</b>	<b>205 902 025</b>	<b>14 683 784</b>	<b>220 585 809</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	85 657 164	(100 920)	85 556 244	0%	-
Remuneration of councillors	13 428 248	(545 766)	12 882 482	-4%	-
Debt impairment	4 982 541	-	4 982 541	0%	-
Depreciation & asset impairment	21 015 920	7 490 184	28 506 104	26%	Increased to a more realistic amount comparing to the 2016/17 financial statements
Finance charges	2 817 565	166 759	2 984 324	6%	-
Bulk purchases	30 103 455	3 227 426	33 330 881	10%	Realignment of expenditure to mSCOA revised classifications
Other materials	7 844 178	4 896 441	12 740 619	38%	Realignment of expenditure to mSCOA revised classifications
Contracted services	23 678 246	3 809 858	27 488 104	14%	Realignment of expenditure to mSCOA revised classifications
Transfers and subsidies	-	300 000	300 000	100%	Budgeted for a Capital transfer
Other expenditure	30 617 631	571 213	31 188 844	2%	-
<b>TOTAL OPERATING EXPENDITURE</b>	<b>220 144 948</b>	<b>19 815 196</b>	<b>239 960 144</b>		
<b>OPERATING DEFICIT FOR THE YEAR</b>	<b>(14 242 923)</b>	<b>(5 131 412)</b>	<b>(19 374 335)</b>		
Government Grants and Subsidies - Capital	42 159 250	-	42 159 250	0%	-
<b>NET SURPLUS FOR THE YEAR</b>	<b>27 916 327</b>	<b>(5 131 412)</b>	<b>22 784 915</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	4 658 170	6 916 966	(2 258 796)	-33%	Effect of Indigent write-offs for 2017/18
Service charges	33 428 182	43 244 323	(9 816 141)	-23%	Effect of Indigent write-offs for 2017/18
Other revenue	14 180 543	5 471 970	8 708 573	159%	Result of decrease in receivables and increase in payables
Government - operating	140 044 772	139 519 750	525 022	0%	-
Government - capital	42 159 250	42 159 250	-	0%	-
Interest	20 576 605	15 000 000	5 576 605	37%	Improved budgetary control and investment of excess fund
<b>Payments</b>					
Suppliers and Employees	(166 241 471)	(207 143 177)	40 901 706	-20%	Improved control and part under-expenditure
Finance charges	(1 038 344)	(2 984 324)	1 945 980	-65%	Realignment of expenditure to mSCOA revised classifications
Transfers and Grants	-	(300 000)	300 000	-100%	Did not transfer the Capital Transfer and Subsidies
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>87 767 707</b>	<b>41 884 758</b>	<b>45 882 949</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	-	-	-	0%	
<b>Payments</b>					
Capital assets	(45 981 271)	(66 706 792)	20 725 520	-31%	Under-expenditure of Capital Budget
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(45 981 271)</b>	<b>(66 706 792)</b>	<b>20 725 520</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	131 655	71 624	60 031	84%	Increase in Consumers
<b>Payments</b>					
Repayment of borrowing	(827 384)	(827 466)	82	0%	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(695 728)</b>	<b>(755 842)</b>	<b>60 114</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>41 090 707</b>	<b>(25 577 876)</b>	<b>66 668 583</b>		
Cash and Cash Equivalents at the beginning of the year	253 169 330	253 169 330	-	0%	
Cash and Cash Equivalents at the end of the year	294 260 038	227 591 454	66 668 584	29%	Result of Increased revenue, improved control and part under-expenditure

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

#### ADJUSTMENTS TO APPROVED BUDGET

	2018 R	2018 R	2018 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	6 659 844	257 123	6 916 966	4%	-
Service charges	30 451 823	12 792 500	43 244 323	30%	Realignment of Free Basic Services projects to mSCOA revised classifications
Other revenue	8 138 400	(2 666 430)	5 471 970	-49%	Decreased to a more realistic amount based on the actuals for the first six months
Government - operating	139 519 750	-	139 519 750	0%	-
Government - capital	42 159 250	-	42 159 250	0%	-
Interest	15 148 621	(148 621)	15 000 000	-1%	-
<b>Payments</b>					
Suppliers and Employees	(187 794 631)	(19 348 547)	(207 143 177)	9%	-
Finance charges	(2 817 565)	(166 759)	(2 984 324)	6%	-
Transfers and subsidies	-	(300 000)	(300 000)	100%	Budgeted for a Capital transfer
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>51 465 491</u></b>	<b><u>(9 580 733)</u></b>	<b><u>41 884 758</u></b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	-	-	-	0%	-
<b>Payments</b>					
Capital assets	(79 627 461)	12 920 669	(66 706 792)	-19%	Decreased to a more realistic amount based on the actuals for the first six months
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(79 627 461)</u></b>	<b><u>12 920 669</u></b>	<b><u>(66 706 792)</u></b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	70 433	1 191	71 624	2%	-
<b>Payments</b>					
Repayment of borrowing	(827 466)	-	(827 466)	0%	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b><u>(757 033)</u></b>	<b><u>1 191</u></b>	<b><u>(755 842)</u></b>		
<b>NET DECREASE IN CASH HELD</b>	<b><u>(28 919 003)</u></b>	<b><u>3 341 127</u></b>	<b><u>(25 577 876)</u></b>		
Cash and Cash Equivalents at the beginning of the year	210 029 050	43 140 280	253 169 330	17%	Increased to a more realistic amount based on the actuals for the first six months
Cash and Cash Equivalents at the end of the year	181 110 047	46 481 407	227 591 454	20%	Increased to a more realistic amount based on the actuals for the first six months

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1 ACCOUNTING POLICIES**

#### **1.01 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 – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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.

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

#### **1.02 TRANSITIONAL PROVISIONS**

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

#### **1.03 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.04 GOING CONCERN ASSUMPTION**

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.05 COMPARATIVE INFORMATION

#### 1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, 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.

#### 1.05.2 Amended Accounting Policies

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.

### 1.06 MATERIALITY

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

### 1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget 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 by the Standards of GRAP.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosures	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### 1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### 1.08.1.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### 1.08.1.3 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

#### 1.08.1.4 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary

#### 1.08.1.5 iGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### 1.08.1.6 Recognition and Derecognition of Land (effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

#### *1.08.1.7 Liabilities to Pay Levies (effective 1 April 2019)*

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

#### **1.08.2 Effective dates not yet determined**

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

#### *1.08.2.1 GRAP 34 - Separate Financial Statements*

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

#### *1.08.2.2 GRAP 35 - Consolidated Financial Statements*

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### *1.08.2.3 GRAP 36 - Investments in Associates and Joint Ventures*

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### *1.08.2.4 GRAP 37 - Joint Arrangements*

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

#### *1.08.2.5 GRAP 38 - Disclosure of Interests in Other Entities*

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

### **1.09 RESERVES**

#### **1.09.1 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.

The following reserves are ring-fenced in the accumulated surplus and therefore disclosed as part of the accumulated surplus in the statement of financial position:

#### **1.09.2 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 following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.09 RESERVES (CONTINUED)

#### 1.09.3 *Employee Benefits Reserve*

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus.

#### 1.09.4 *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.

### 1.10 INVESTMENT PROPERTY

#### 1.10.1 *Initial Recognition*

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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset 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 is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.10 INVESTMENT PROPERTY (CONTINUED)

#### 1.10.2 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.

#### 1.10.3 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

#### 1.10.4 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.

### 1.11 PROPERTY, PLANT AND EQUIPMENT

#### 1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 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 at cost on its acquisition date. 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.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.11.2 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.

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.

#### 1.11.3 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.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 1.11.3 Depreciation

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 the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
<b>Infrastructure</b>		<b>Land and Buildings</b>	
Roads and Paving	7 - 110	Buildings and	
Bridges	50	Improvements	100
Electricity	10 - 65	Land	Indefinite
Storm Water	10 - 85		
<b>Community</b>		<b>Other Assets</b>	
Community Halls	100	Vehicles	5 - 20
Libraries	100	Plant & Equipment	2 - 30
Parks & Gardens	15 - 50	Furniture	3 - 21
Sports facilities	30 - 45	Special Vehicles	10
Cemeteries	10 - 15	Specialised plant and	10 - 15
		Equipment	
		Office Equipment	4 - 16
<b>Capitalised Restoration Cost</b>		Computer Equipment	5 - 18
Landfill Sites	9 - 52		

#### 1.11.4 Impairment

Property, plant and equipment is 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 1.11.5 Derecognition

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

#### 1.11.6 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.

### 1.12 INTANGIBLE ASSETS

#### 1.12.1 Initial Recognition

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

The Municipality recognises an intangible asset 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any 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.

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, its deemed cost is the carrying amount of the asset(s) given up.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.12 INTANGIBLE ASSETS (CONTINUED)

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

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.12.2 Subsequent Measurement - Cost Model

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

#### 1.12.3 Amortisation

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 still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life 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 the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, 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:

	Years
Computer Software	5 - 16

#### 1.12.4 Impairment

Intangible assets 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.12 INTANGIBLE ASSETS (CONTINUED)

#### 1.12.5 Derecognition

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.

#### 1.12.6 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.

### 1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.13.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of 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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)**

#### **1.13.2 Recoverable amount of Non-cash-generating assets**

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

#### **1.13.3 Impairment loss**

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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.

#### **1.13.4 Reversal of an impairment loss**

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

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.14 INVENTORIES

#### 1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset 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. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

#### 1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories 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.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

#### 1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

##### 1.15.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. 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. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### 1.15.1.2 *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. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is 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, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.15 EMPLOYEE BENEFITS (CONTINUED)

#### 1.15.2 Long-term Benefits

##### 1.15.2.1 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.

#### 1.15.3 Short-term Benefits

##### 1.15.3.1 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 reporting date 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.

##### 1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

##### 1.15.3.3 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. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

##### 1.15.3.4 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:

- (a) 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
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. 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.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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.

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 derecognised.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.17.1 Municipality as Lessee

##### 1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

##### 1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

#### 1.17.2 Municipality as Lessor

##### 1.17.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.18 FINANCIAL INSTRUMENTS

#### 1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

#### 1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments. that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

#### 1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1.18 FINANCIAL INSTRUMENTS (CONTINUED)**

#### *1.18.3.1 Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

#### *1.18.3.2 Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

### **1.18.4 Derecognition of financial instruments**

#### *1.18.4.1 Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *1.18.4.2 Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1.18 FINANCIAL INSTRUMENTS (CONTINUED)**

#### **1.18.5 Offsetting of financial instruments**

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

### **1.19 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.190.1 Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

#### **1.190.2 Subsequent Measurement**

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

#### **1.190.3 Impairment and uncollectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.19 STATUTORY RECEIVABLES (CONTINUED)

#### 1.190.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

### 1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

### 1.22 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 in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the cash basis.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans 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.

### 1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.25 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.26 REVENUE

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 Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26 REVENUE (CONTINUED)

#### 1.26.1 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.

##### 1.26.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 1.26.1.2 *Transfer Revenue*

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

##### 1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

##### 1.26.1.4 *Insurance Receipts*

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

##### 1.26.1.5 *Unclaimed deposits*

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. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed 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.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26 REVENUE (CONTINUED)

#### 1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

#### 1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

#### 1.26.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

### 1.26.2 **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.

#### 1.26.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. 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, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26 REVENUE (CONTINUED)

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.

#### 1.26.2.2 *Interest earned*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

#### 1.26.2.3 *Rental income*

Revenue from the rental of fixed assets is recognised on a straight-line basis over the term of the lease agreement.

#### 1.26.2.4 *Income from Agency Services*

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.

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

#### 1.26.2.5 *Other Tariffs*

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.

#### 1.26.2.6 *Sale of goods*

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

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

#### 1.26.2.7 *Deferred payment*

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26 REVENUE (CONTINUED)

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

### 1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.28 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.

### 1.29 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 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.

### 1.30 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.

### 1.31 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.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.32 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.

### 1.33 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:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) 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.

### 1.34 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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:

#### 1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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.

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

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.

GRAP implementation date for the Municipality is 1 July 2007 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2007 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

#### 1.35.2 Impairment of Receivables

The calculation in respect of the impairment of receivables 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.

#### 1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. 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 estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

#### 1.35.5 Post-Retirement and Long-term Benefits

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. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.35.6 Provisions and Contingent Liabilities

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

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. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### 1.35.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

#### 1.35.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy 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 prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Primary Bank Account	2 051 781	3 804 700
Call and short-term Investments Deposits	292 207 557	249 363 930
Cash Floats	700	700
<b>Total</b>	<b>294 260 038</b>	<b>253 169 330</b>

Due to the short term nature of cash deposits, all balances included above is in line with their fair value.

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	15 919 090	11 688 458
Capital Replacement Reserve	178 523 240	152 104 290
Valuation Roll Reserve	454 376	1 500 000
Employee Benefit Reserve	25 904 815	25 443 721
Taxes	508 629	933 470
Working Capital Requirements	72 949 889	61 499 391
	<b>294 260 038</b>	<b>253 169 330</b>

### Primary Bank Account

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

Bank Statement Balance - Opening Balance	3 804 700	657 401
Bank Statement Balance - Closing Balance	2 029 191	3 804 700
Cashbook Balance - Opening Balance	3 804 700	3 804 700
Cashbook Balance - Closing Balance	2 051 781	3 804 700

### Call and Notice Deposits

Call and Notice Deposits consist out of the following accounts:

Standard Bank 388489162/0	202 585 786	166 246 067
Standard Bank 388489731/0	80 606 285	74 627 399
Standard Bank 388486066/0	9 015 486	8 490 464
	<b>292 207 557</b>	<b>249 363 930</b>

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2018

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>35 555 457</b>	<b>29 949 744</b>	<b>5 605 713</b>
Electricity	21 184 916	16 568 470	4 616 446
Refuse	13 726 730	13 214 462	512 268
Housing Rentals	643 811	166 812	476 999
<b>Other Receivables</b>	<b>4 519 817</b>	<b>-</b>	<b>4 519 817</b>
Joe Gqabi District Municipality (WSA)	4 519 817	-	4 519 817
<b>Total</b>	<b>40 075 274</b>	<b>29 949 744</b>	<b>10 125 530</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>29 676 213</b>	<b>23 938 778</b>	<b>5 737 434</b>
Electricity	20 393 534	15 144 043	5 249 491
Refuse	8 888 334	8 586 758	301 576
Housing Rentals	394 345	207 978	186 367
<b>Other Receivables</b>	<b>4 790 210</b>	-	<b>4 790 210</b>
Joe Gqabi District Municipality (WSA)	4 790 210	-	4 790 210
<b>Total</b>	<b>34 466 422</b>	<b>23 938 778</b>	<b>10 527 644</b>

Included in the outstanding balances at 30 June 2018 are consumer debtors to the value of R111 305 who have made arrangements to repay their outstanding debt over a re-negotiated period.

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

Ageing of service and other receivables:	2018 R	2017 R
<b>Electricity Ageing</b>		
Current (0 - 30 days)	2 910 030	3 685 578
Past Due (31 - 60 Days)	1 260 882	1 652 425
Past Due (61 - 90 Days)	1 046 794	558 802
Past Due (90 Days +)	15 967 210	14 496 728
<b>Total</b>	<b>21 184 916</b>	<b>20 393 534</b>
<b>Refuse Ageing</b>		
Current (0 - 30 days)	833 300	429 474
Past Due (31 - 60 Days)	1 560 582	308 774
Past Due (61 - 90 Days)	632 173	254 153
Past Due (90 Days +)	10 700 676	7 895 932
<b>Total</b>	<b>13 726 730</b>	<b>8 888 334</b>
<b>Housing Rentals Ageing</b>		
Current (0 - 30 days)	97 387	34 036
Past Due (31 - 60 Days)	89 665	100 898
Past Due (61 - 90 Days)	45 190	17 736
Past Due (90 Days +)	411 569	241 674
<b>Total</b>	<b>643 811</b>	<b>394 345</b>
<b>Other Receivables Ageing</b>		
Past Due (90 Days +)	4 519 817	4 790 210
<b>Total</b>	<b>4 519 817</b>	<b>4 790 210</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Total Service and Other Receivables Ageing</b>		
Current (0 - 30 days)	3 840 716	4 149 089
Past Due (31 - 60 Days)	2 911 130	2 062 098
Past Due (61 - 90 Days)	1 724 157	830 691
Past Due (90 Days +)	31 599 272	27 424 544
<b>Total</b>	<b>40 075 274</b>	<b>34 466 422</b>
<b>Reconciliation of Allowance for impairment</b>		
Balance at the beginning of the year	23 938 778	20 349 607
Contribution to the provision	8 683 827	3 589 171
Electricity	1 639 857	1 173 473
Refuse	7 043 970	2 415 698
Housing Rentals	-	-
Bad Debts Written off	(2 672 861)	-
Electricity	(215 429)	-
Refuse	(2 457 432)	-
Balance at the end of the year	<b>29 949 744</b>	<b>23 938 778</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

#### 30 JUNE 2018

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>10 876 457</b>	<b>10 194 562</b>	<b>681 895</b>
Rates	10 876 457	10 194 562	681 895
<b>Other Receivables</b>	<b>1 619 094</b>	<b>649 900</b>	<b>969 194</b>
Traffic fines income due	649 900	649 900	-
Other Receivables	969 194	-	969 194
<b>Total</b>	<b>12 495 551</b>	<b>10 844 462</b>	<b>1 651 089</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>9 674 478</b>	<b>9 038 064</b>	<b>636 414</b>
Rates	9 674 478	9 038 064	636 414
<b>Other Receivables</b>	<b>2 630 373</b>	<b>529 800</b>	<b>2 100 573</b>
Traffic fines income due	529 800	529 800	-
Other Receivables	2 100 573	-	2 100 573
<b>Total</b>	<b>12 304 851</b>	<b>9 567 864</b>	<b>2 736 988</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2018 R	2017 R
<b>Ageing of service receivables:</b>		
<b>Rates Ageing</b>		
Current (0 - 30 days)	95 945	122 455
Past Due (31 - 60 Days)	216 863	255 221
Past Due (61 - 90 Days)	185 301	238 931
Past Due (90 Days +)	10 378 348	9 057 871
<b>Total</b>	<b>10 876 457</b>	<b>9 674 478</b>

#### Reconciliation of Allowance for impairment

Balance at the beginning of the year	9 567 864	8 181 087
Contribution to the provision	1 413 017	1 386 777
Rates	1 292 917	1 294 827
Fines	120 100	91 950
Bad Debts Written off	(136 418)	-
Rates	(136 418)	-
Balance at the end of the year	<b>10 844 462</b>	<b>9 567 864</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

The ageing of amounts past due but not impaired is as follows:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2018</b>			
1 month past due	1 041 081	47 737	1 088 818
2 + months past due	1 606 402	621 485	2 227 888
<b>Total</b>	<b>2 647 483</b>	<b>669 223</b>	<b>3 316 705</b>
<b>2017</b>			
1 month past due	1 446 579	96 484	1 543 063
2 + months past due	901 689	482 047	1 383 736
<b>Total</b>	<b>2 348 268</b>	<b>578 531</b>	<b>2 926 798</b>

Trade and other receivables impaired:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2018</b>			
<b>Total</b>	<b>29 949 744</b>	<b>10 844 462</b>	<b>40 794 206</b>
<b>2017</b>			
<b>Total</b>	<b>23 938 778</b>	<b>9 567 864</b>	<b>33 506 642</b>

	2018 R	2017 R
<b>5 TAXES</b>		
Vat Receivable	8 473 633	8 783 791
Balance previously reported	-	11 228 116
Prior period adjustment - Note 40.2	-	383 640
Vat on Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	2 834 080	1 894 495
<b>Total</b>	<b>11 307 712</b>	<b>10 678 286</b>

VAT is accounted for on the cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>6 OPERATING LEASES</b>		
<b>6.1 OPERATING LEASE ASSETS</b>		
Operating Lease Asset	<u>160 078</u>	<u>235 062</u>
The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement.		
Reconciliation of Operating Lease Asset:		
Balance at the beginning of the year	235 062	233 064
Movement during the year	(74 985)	1 998
Balance at the end of the year	<u>160 078</u>	<u>235 062</u>
The municipality will receive the following lease payments from contracts that have defined lease payments and terms:		
Within 1 Year	495 789	1 044 476
Between 1 and 5 Years	707 560	1 157 449
	<u>1 203 349</u>	<u>2 201 925</u>
The lease payments are in respect of properties being lease out over a period ranging up to 2021.		
<b>6.2 OPERATING LEASE LIABILITIES</b>		
Operating Lease Liability	<u>-</u>	<u>2 895</u>
The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.		
Reconciliation of Operating Lease Liability:		
Balance at the beginning of the year	2 895	5 678
Movement during the year	(2 895)	(2 784)
Balance at the end of the year	<u>-</u>	<u>2 895</u>
The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms:		
Within 1 Year	-	21 042
Between 1 and 5 Years	-	-
	<u>-</u>	<u>21 042</u>

The Municipality entered into a lease agreement to rent the Library building in Lady Grey. The lease agreement commenced on 1 March 2013 and will run up to 28 February 2018. The initial monthly rental is R2 204 (VAT inclusive) and the lease is subject to an annual increase of 8%. The municipality has the option to renew the lease after 28 February 2018.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>7 INVENTORY</b>		
Electricity materials	697 318	771 706
Balance previously reported	-	818 160
Prior period adjustment - Note 40.1	-	(46 454)
<b>Total</b>	<b>697 318</b>	<b>771 706</b>

No inventory were pledged as security for liabilities.

### 8 INVESTMENT PROPERTY

Investment Property - Carrying Value	<b>30 323 000</b>	<b>28 311 500</b>
--------------------------------------	-------------------	-------------------

The movement in investment properties is reconciled as follows:

<b>Opening Carrying Value</b>	28 311 500	22 201 000
Fair Value	28 311 500	22 201 000
Transfers from Property, Plant and equipment - Note 9	-	4 548 000
Transfers to Property, Plant and equipment - Note 9	(1 150 500)	(111 500)
Fair Value Adjustment	5 009 000	1 679 000
Impairment	(1 462 500)	(5 000)
Disposal	(384 500)	-
<b>Closing Carrying Value</b>	<b>30 323 000</b>	<b>28 311 500</b>
Fair Value	30 323 000	28 311 500

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

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

The 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.

Rental revenue earned from Investment Properties	1 126 221	448 714
--	-----------	---------

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 9 PROPERTY PLANT AND EQUIPMENT

30 June 2018	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
<b>Land and Buildings</b>	<b>94 818 312</b>	<b>5 073 969</b>	<b>(1 188 000)</b>	<b>26 525 389</b>	<b>(3 933 050)</b>	<b>121 296 620</b>	-	<b>749 329</b>	<b>(749 329)</b>	<b>5 083 550</b>	<b>(5 083 550)</b>	-	<b>121 296 620</b>
Land	24 211 788	2 792 821	(1 188 000)	2 514 400	(3 437 788)	24 893 221	-	-	-	4 204 288	(4 204 288)	-	24 893 221
Buildings	70 606 524	2 281 148	-	24 010 989	(495 262)	96 403 399	-	749 329	(749 329)	879 262	(879 262)	-	96 403 399
<b>Infrastructure</b>	<b>259 984 896</b>	<b>33 384 034</b>	<b>(319 996)</b>	-	-	<b>293 048 934</b>	<b>88 248 953</b>	<b>10 145 706</b>	<b>(87 421)</b>	-	-	<b>98 307 237</b>	<b>194 741 697</b>
Roads	163 915 674	24 189 874	-	-	-	188 105 548	70 933 305	7 547 326	-	-	-	78 480 631	109 624 916
Stormwater	55 689 273	-	-	-	-	55 689 273	11 326 711	1 392 033	-	-	-	12 718 744	42 970 529
Solid Waste	4 082 085	3 018 328	-	-	-	7 100 413	1 666 834	141 290	-	-	-	1 808 124	5 292 288
Electricity	23 781 433	6 175 833	(319 996)	-	-	29 637 269	3 162 964	679 004	(87 421)	-	-	3 754 546	25 882 723
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	1 159 139	386 052	-	-	-	1 545 191	10 971 240
<b>Community Assets</b>	<b>43 697 269</b>	<b>1 597 180</b>	-	-	-	<b>45 294 449</b>	<b>3 292 571</b>	<b>1 871 947</b>	-	-	-	<b>5 164 517</b>	<b>40 129 932</b>
Sports Fields	25 357 886	773 509	-	-	-	26 131 395	1 342 908	822 058	-	-	-	2 164 966	23 966 429
Node Development	8 450 966	158 489	-	-	-	8 609 456	1 046 341	263 391	-	-	-	1 309 732	7 299 724
Parks & Gardens	1 715 472	665 181	-	-	-	2 380 653	136 101	55 903	-	-	-	192 004	2 188 650
Cemetery	6 817 684	-	-	-	-	6 817 684	617 967	460 041	-	-	-	1 078 007	5 739 677
Other	1 355 260	-	-	-	-	1 355 260	149 254	270 555	-	-	-	419 808	935 452
<b>Other Assets</b>	<b>50 554 604</b>	<b>5 893 736</b>	<b>(2 126 898)</b>	-	-	<b>54 321 443</b>	<b>22 002 152</b>	<b>5 273 342</b>	<b>(1 477 378)</b>	-	-	<b>25 798 116</b>	<b>28 523 326</b>
Motor Vehicles	11 743 356	1 609 809	(1 333 388)	-	-	12 019 777	5 621 132	1 599 040	(826 846)	-	-	6 393 325	5 626 452
Plant & Equipment	21 941 052	3 492 157	(577 706)	-	-	24 855 504	8 034 102	1 734 746	(468 715)	-	-	9 300 134	15 555 370
Office Equipment	2 424 866	115 840	(55 258)	-	-	2 485 447	1 570 238	253 711	(45 291)	-	-	1 778 658	706 789
Furniture & Fittings	4 579 513	188 654	(24 918)	-	-	4 743 249	2 390 527	491 084	(23 220)	-	-	2 858 392	1 884 857
Loose Equipment	529 257	-	(10 170)	-	-	519 087	378 255	76 402	(10 757)	-	-	443 901	75 186
Computer Equipment	5 255 182	487 277	(125 459)	-	-	5 617 000	2 724 972	765 721	(102 550)	-	-	3 388 143	2 228 857
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	1 282 926	352 638	-	-	-	1 635 564	2 445 814
<b>Total</b>	<b>449 055 081</b>	<b>45 948 919</b>	<b>(3 634 894)</b>	<b>26 525 389</b>	<b>(3 933 050)</b>	<b>513 961 445</b>	<b>113 543 676</b>	<b>18 040 323</b>	<b>(2 314 128)</b>	<b>5 083 550</b>	<b>(5 083 550)</b>	<b>129 269 871</b>	<b>384 691 575</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2017	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
<b>Land and Buildings</b>	<b>91 058 520</b>	<b>1 892 456</b>	-	<b>6 478 386</b>	<b>(4 611 050)</b>	<b>94 818 312</b>	-	<b>788 907</b>	<b>(788 907)</b>	<b>174 550</b>	<b>(174 550)</b>	-	<b>94 818 312</b>
Land	21 456 550	265 288	-	3 302 500	(812 550)	24 211 788	-	-	-	174 550	(174 550)	-	24 211 788
Buildings	69 601 970	1 627 168	-	3 175 886	(3 798 500)	70 606 524	-	788 907	(788 907)	-	-	-	70 606 524
<b>Infrastructure</b>	<b>233 576 351</b>	<b>27 204 059</b>	<b>(795 514)</b>	-	-	<b>259 984 896</b>	<b>76 663 304</b>	<b>12 073 172</b>	<b>(487 523)</b>	-	-	<b>88 248 953</b>	<b>171 735 943</b>
Roads	147 319 289	17 188 722	(592 338)	-	-	163 915 674	61 848 542	9 504 800	(420 036)	-	-	70 933 305	92 982 369
Stormwater	53 233 912	2 455 361	-	-	-	55 689 273	9 769 013	1 557 698	-	-	-	11 326 711	44 362 562
Solid Waste	3 741 790	340 295	-	-	-	4 082 085	1 515 827	151 007	-	-	-	1 666 834	2 415 251
Electricity	16 764 929	7 219 681	(203 177)	-	-	23 781 433	2 756 836	473 615	(67 487)	-	-	3 162 964	20 618 469
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	773 087	386 052	-	-	-	1 159 139	11 357 292
<b>Community Assets</b>	<b>33 809 900</b>	<b>9 887 369</b>	-	-	-	<b>43 697 269</b>	<b>1 841 738</b>	<b>1 450 832</b>	-	-	-	<b>3 292 571</b>	<b>40 404 699</b>
Sports Fields	17 758 310	7 599 576	-	-	-	25 357 886	794 195	548 713	-	-	-	1 342 908	24 014 978
Node Development	8 380 791	70 175	-	-	-	8 450 966	785 385	260 957	-	-	-	1 046 341	7 404 625
Parks & Gardens	1 160 263	555 209	-	-	-	1 715 472	92 473	43 627	-	-	-	136 101	1 579 371
Cemetery	6 480 870	336 814	-	-	-	6 817 684	169 685	448 282	-	-	-	617 967	6 199 718
Other	29 666	1 325 594	-	-	-	1 355 260	-	149 254	-	-	-	149 254	1 206 006
<b>Other Assets</b>	<b>48 277 484</b>	<b>2 840 025</b>	<b>(562 904)</b>	-	-	<b>50 554 604</b>	<b>17 466 323</b>	<b>5 015 128</b>	<b>(479 299)</b>	-	-	<b>22 002 152</b>	<b>28 552 452</b>
Motor Vehicles	11 514 296	424 743	(195 683)	-	-	11 743 356	4 304 997	1 502 836	(186 701)	-	-	5 621 132	6 122 224
Plant & Equipment	21 430 630	715 046	(204 623)	-	-	21 941 052	6 597 613	1 590 374	(153 884)	-	-	8 034 102	13 906 950
Office Equipment	2 045 714	387 584	(8 432)	-	-	2 424 866	1 260 607	318 364	(8 734)	-	-	1 570 238	854 628
Furniture & Fittings	4 535 542	71 846	(27 874)	-	-	4 579 513	1 931 236	484 417	(25 126)	-	-	2 390 527	2 188 986
Loose Equipment	537 007	-	(7 750)	-	-	529 257	278 381	105 084	(5 210)	-	-	378 255	151 002
Computer Equipment	4 132 918	1 240 807	(118 542)	-	-	5 255 182	2 163 201	661 414	(99 644)	-	-	2 724 972	2 530 211
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	930 288	352 638	-	-	-	1 282 926	2 798 452
<b>Total</b>	<b>406 722 254</b>	<b>41 823 909</b>	<b>(1 358 418)</b>	<b>6 478 386</b>	<b>(4 611 050)</b>	<b>449 055 081</b>	<b>95 971 366</b>	<b>19 328 039</b>	<b>(1 755 730)</b>	<b>174 550</b>	<b>(174 550)</b>	<b>113 543 676</b>	<b>335 511 405</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2017	Cost						Accumulated Depreciation					Carrying Value R	
	Opening Balance R	Additions R	Disposals R	Transfers R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Transfers R		Closing Balance R
<b>Balance Previously Reported</b>	396 925 189	41 823 909	(1 233 920)	6 478 386	(4 611 050)	439 382 515	96 033 399	19 330 456	(1 728 872)	174 550	(174 550)	113 634 982	325 747 532
Prior Period Adjustment - Refer to Note 40.4	9 797 065	(0)	(124 499)	-	-	9 672 566	(62 033)	(2 417)	(26 857)	-	-	(91 307)	9 763 873
<b>Restated Balance</b>	<b>406 722 254</b>	<b>41 823 909</b>	<b>(1 358 418)</b>	<b>6 478 386</b>	<b>(4 611 050)</b>	<b>449 055 081</b>	<b>95 971 366</b>	<b>19 328 039</b>	<b>(1 755 730)</b>	<b>174 550</b>	<b>(174 550)</b>	<b>113 543 676</b>	<b>335 511 405</b>

The valuations on Land and Buildings 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.

No assets were pledged as security for liabilities.

Refer to note 39 for the disclosure of repairs and maintenance per asset class as required by GRAP 17.

The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.

	2018 R	2017 R
Buildings	5 416 916	3 789 528
Infrastructure - Electricity	4 487 444	718 045
Infrastructure - Roads	34 136 519	19 469 651
Infrastructure - Waste Management	4 425 648	1 407 320
Sports Fields	42 804	8 444 435
Parks & Gardens	666 232	695 547
<b>Total Work in Progress (WIP)</b>	<b>49 175 563</b>	<b>34 524 526</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>10 INTANGIBLE ASSETS</b>		
Intangible Assets - Carrying Value	<u>318 475</u>	<u>392 606</u>
The movement in intangible assets is reconciled as follows:		
<b>Opening Carrying Value</b>	392 606	219 932
Cost	801 723	710 489
Accumulated Amortisation	(409 116)	(490 557)
Acquisitions	32 352	247 046
Disposals	-	(4 366)
Amortisation for the year	(106 484)	(70 006)
<b>Closing Carrying Value</b>	318 475	392 606
Cost	834 075	801 723
Accumulated Amortisation	(515 600)	(409 116)
Intangible Assets consist only out of software		
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.		
<b>11 CAPITALISED RESTORATION COST (PPE)</b>		
Capitalised Restoration Cost - Carrying Value	<u>1 098 063</u>	<u>1 285 883</u>
The movement in capitalised restoration cost is reconciled as follows:		
<b>Opening Carrying Value</b>	1 285 883	1 114 902
Cost	3 160 797	2 825 891
Accumulated Depreciation	(1 419 945)	(1 362 639)
Accumulated Impairments	(454 969)	(348 349)
Additions/(Disposal)	20 979	334 906
Depreciation for the year	(70 694)	(57 306)
Impairments for the year	(138 105)	(106 619)
<b>Closing Carrying Value</b>	1 098 063	1 285 883
Cost	3 181 776	3 160 797
Accumulated Depreciation	(1 490 639)	(1 419 945)
Accumulated Impairments	(593 074)	(454 969)

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 11 CAPITALISED RESTORATION COST (PPE) (CONTINUED)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Senqu Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 18 for more detail relating to this asset financed by way of a provision

### 12 BORROWINGS

	2018 R	2017 R
Annuity Loans	11 200 370	12 027 754
<b>Sub-Total</b>	<b>11 200 370</b>	<b>12 027 754</b>
Less: Current portion	840 402	827 098
Annuity Loans	840 402	827 098
<b>Total</b>	<b>10 359 968</b>	<b>11 200 656</b>

Borrowings were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

Annuity loans are payable as follows:

Payable within one year	1 733 090	1 805 545
Payable within two to five years	6 183 371	6 385 819
Payable after five years	8 791 970	10 261 895
<b>Total amount payable</b>	<b>16 708 430</b>	<b>18 453 258</b>
<b>Less:</b> Outstanding Future Finance Charges	(5 508 060)	(6 425 504)
<b>Present value of annuity loans</b>	<b>11 200 370</b>	<b>12 027 754</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>13 CONSUMER DEPOSITS</b>		
Electricity	1 564 134	1 432 479
<b>Total</b>	<b>1 564 134</b>	<b>1 432 479</b>

No guarantees held in lieu of Electricity Deposits

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

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.

### 14 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	3 417 866	4 038 807
Deposits: Other	55 233	132 722
Payments received in advance	447 962	358 144
Retentions	4 879 502	3 123 925
Balance previously reported	-	2 740 285
Prior period adjustment - Note 40.3	-	383 640
DBSA Interest Accrual	241 512	267 847
<b>Total</b>	<b>9 042 075</b>	<b>7 921 445</b>

Payables are being recognised net of any discounts received.

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.

### 15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

#### Unspent Conditional Government Grants

National Government	5 715 667	2 010 056
Provincial Government	10 203 424	9 678 402
<b>Total</b>	<b>15 919 090</b>	<b>11 688 458</b>

Detail reconciliations of all grants received and grant conditions met are included in note 21. Unspent grant balances are recognised to the extent that conditions are not yet met.

No grants were withheld in the current year.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

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.

16 CURRENT EMPLOYEE BENEFITS	2018 R	2017 R
Post Retirement Medical Benefits - Note 17	176 338	326 431
Long Service Awards - Note 17	279 234	352 650
Bonuses	2 514 661	2 152 653
Performance Bonuses	2 615 515	2 409 269
Compensation for injuries on duty contribution	2 127 194	1 284 047
Staff Leave	3 795 577	3 506 878
<b>Total</b>	<b>11 508 520</b>	<b>10 031 929</b>

The movement in current employee benefits are reconciled as follows:

#### Bonuses

Opening Balance	2 152 653	1 873 829
Contribution during the year	4 450 931	3 899 211
Payments made	(4 088 923)	(3 620 388)
Balance at end of year	<b>2 514 661</b>	<b>2 152 653</b>

Bonuses are paid in November of each year to permanent employees and contract employees structuring the package to provide for 13th cheque.

#### Performance Bonuses

Opening Balance	2 409 269	2 094 397
Contribution during the year	2 346 673	2 243 574
Payments made	(2 140 426)	(1 928 703)
Balance at end of year	<b>2 615 515</b>	<b>2 409 269</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

#### Compensation for injuries on duty contribution

Opening Balance	1 284 047	1 982 381
Contribution during the year	843 147	770 354
Payments made	-	(1 468 687)
Balance at end of year	<b>2 127 194</b>	<b>1 284 047</b>

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

16	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2018 R	2017 R
	<b><u>Staff Leave</u></b>		
	Opening Balance	3 506 878	3 072 828
	Contribution during the year	2 788 019	1 640 086
	Payments made	(2 499 321)	(1 206 036)
	Balance at end of year	<b>3 795 577</b>	<b>3 506 878</b>

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.

17	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	12 949 917	14 166 860
	Long Service Awards	1 446 378	1 244 932
	<b>Total</b>	<b>14 396 295</b>	<b>15 411 792</b>

### 17.1 POST RETIREMENT MEDICAL BENEFITS

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	14 493 291	13 594 881
Contribution during the year	2 901 192	2 807 438
Current Service Cost	1 497 361	1 541 033
Interest Cost	1 403 831	1 266 405
Payments made	(243 583)	(229 621)
Actuarial Loss/(Gain)	(4 024 645)	(1 679 407)
Total balance at year-end	13 126 255	14 493 291
Less: Current Portion - Note 16	(176 338)	(326 431)
<b>Total</b>	<b>12 949 917</b>	<b>14 166 860</b>

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

	2018	2017
In-service members	154	152
Continuation members	3	6
<b>Total</b>	<b>157</b>	<b>158</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

	2018 R	2017 R
In-service members	11 469 723	10 930 981
Continuation members	1 656 532	3 562 311
<b>Total Unfunded Liability</b>	<b>13 126 255</b>	<b>14 493 291</b>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2016 R	2015 R	2014 R
In-service members	10 093 176	8 206 306	7 298 813
Continuation members	3 501 705	3 396 328	3 152 071
<b>Total Unfunded Liability</b>	<b>13 594 881</b>	<b>11 602 634</b>	<b>10 450 884</b>

Experience adjustments were calculated as follows:

	2018 R m	2017 R m
Liabilities: (Gain)/Loss	(2.684)	0.491
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2016 R m	2015 R m	2014 R m
Liabilities: (Gain)/Loss	0.122	(0.334)	(1.344)
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas  
Hosmed  
LA Health  
Munimed  
SAMWU Medical Aid

Key Actuarial Assumptions used are as follows:

<b>Interest Rates</b>	<b>2018</b>	<b>2017</b>
Discount rate	9.76%	9.79%
Health Care Cost Inflation Rate	7.51%	8.07%
Net Effective Discount Rate	2.09%	1.60%

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

#### Mortality Rates

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

#### 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.

#### Last Valuation

The last valuation was performed in August 2018.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	11.470	1.657	13.126	
Health care inflation				
+ 1%	14.067	1.783	15.851	21%
- 1%	9.441	1.543	10.984	-16%
Discount rate				
+ 1%	9.493	1.546	11.040	-16%
- 1%	14.034	1.782	15.816	20%
Post-retirement mortality				
- 1 year	11.811	1.729	13.540	3%
Average retirement age				
- 1 year	12.716	1.657	14.373	9%
Continuation of membership at retirement				
- 10%	10.368	1.657	12.024	8%

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 509 400	1 272 700	2 782 100	
Health care inflation				
+ 1%	1 880 400	1 538 600	3 419 000	23%
- 1%	1 222 700	1 063 600	2 286 300	-18%
Discount rate				
+ 1%	1 241 300	1 178 600	2 419 900	-13%
- 1%	1 858 500	1 377 900	3 236 400	16%
Post-retirement mortality				
- 1 year	1 553 800	1 313 100	2 866 900	3%
Average retirement age				
- 1 year	1 565 400	1 394 400	2 959 800	6%
Continuation of membership at retirement				
- 10%	1 364 700	1 165 200	2 529 900	-9%

#### 17.2 LONG SERVICE AWARDS

**2018**  
**R**                      **2017**  
**R**

The movement in Long Service Awards are reconciled as follows:

Opening Balance	1 597 582	1 399 961
Contribution during the year	373 596	360 231
Current Service Cost	255 615	250 459
Interest Cost	117 981	109 772
Payments made	(284 213)	(135 761)
Actuarial Loss/(Gain)	38 647	(26 849)
Total balance at year-end	<b>1 725 612</b>	<b>1 597 582</b>
Less: Current Portion - Note 16	(279 234)	(352 650)
<b>Total</b>	<b>1 446 378</b>	<b>1 244 932</b>

The following members are eligible for long service bonuses:

	<b>2018</b>	<b>2017</b>
In-service members	269	236
	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>

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

In-service members	1 725 612	1 597 582
<b>Total Unfunded Liability</b>	<b>1 725 612</b>	<b>1 597 582</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2016 R	2015 R	2014 R
In-service members	1 399 961	1 196 040	1 043 732
<b>Total Unfunded Liability</b>	<b>1 399 961</b>	<b>1 196 040</b>	<b>1 043 732</b>

Experience adjustments were calculated as follows:

	2018 R	2017 R
Liabilities: (Gain)/Loss	54 126	38 958
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2016 R	2015 R	2014 R
Liabilities: (Gain)/Loss	146 998	45 216	87 434
Assets: Gain/(Loss)	-	-	-

Key Actuarial Assumptions used are as follows:

#### Interest Rates

	2018	2017
Discount rate	8.42%	8.28%
General Salary Inflation (long-term)	6.07%	6.10%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.22%	2.06%

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

#### Last Valuation

The last valuation was performed in August 2018.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	1.726	
General salary inflation		
+ 1%	1.816	5%
- 1%	1.642	-5%
Discount rate		
+ 1%	1.638	-5%
- 1%	1.823	6%
Average retirement age		
- 2 years	1.638	-5%
+ 2 years	1.801	4%
Withdrawal rates		
-50%	2.103	22%

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	288 900	133 800	422 700	
General salary inflation				
+ 1%	307 500	141 300	448 800	6%
- 1%	271 900	126 800	398 700	-6%
Discount rate				
+ 1%	273 600	141 400	415 000	-2%
- 1%	305 900	125 100	431 000	2%
Average retirement age				
- 2 years	279 000	127 600	406 600	-4%
+ 2 years	301 100	140 200	441 300	4%
Withdrawal rates				
-50%	378 900	165 500	544 400	29%

### 17.3 OTHER PENSION BENEFITS

Defined Benefit Plans	2018 R	2017 R
Council contributes to the following defined benefit plans:		
<b>Cape Joint Pension Fund</b>	6 947 330	5 929 716
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 103.5%.		
<b>Total</b>	<b>6 947 330</b>	<b>5 929 716</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 17 EMPLOYEE BENEFITS (CONTINUED)

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 and Cape Joint Pension Fund are Multi Employer funds 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.

<b>Defined Contribution Plans</b>	<b>2018</b> R	<b>2017</b> R
Council contributes to the following defined contribution plans:		
SALA Pension Fund	1 013 833	991 242
SAMWU National Provident Fund	88 843	81 864
<b>Total</b>	<b>1 102 676</b>	<b>1 073 106</b>

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

### 18 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	<b>5 609 674</b>	<b>5 272 354</b>
---	------------------	------------------

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	5 272 354	4 636 101
Contribution during the year	337 320	636 253
Increase/(Decrease) in estimate	20 979	334 906
Interest Cost	316 341	301 347
<b>Total</b>	<b>5 609 674</b>	<b>5 272 354</b>

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

18	NON-CURRENT PROVISIONS (CONTINUED)	2018 R	2017 R
	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:		
	<b>Expected Closure</b>		
	<b>Site</b>	<b>Date</b>	
	Barkly East	2034	941 418
	Lady Grey	2059	898 158
	Sterkspruit	2033	1 098 560
	Rhodes	2035	1 689 393
	Rossouw	2016	982 146
	<b>Total</b>		<b>5 609 674</b>
			<b>5 272 354</b>

### 19 COMMUNITY WEALTH

#### 19.1 RESERVES

Revaluations Reserve	51 746 115	27 439 962
<b>Total</b>	<b>51 746 115</b>	<b>27 439 962</b>

The Revaluation Reserve is treated in accordance with the requirements of GRAP 17. See Statement of Changes in Net Assets for detail on the movement in the Revaluations Reserve.

#### 19.2 ACCUMULATED SURPLUS

The following internal funds and reserves are ring-fenced within the Accumulated Surplus:

Capital Replacement Reserve	178 523 240	152 104 290
Employee Benefits Reserve	25 904 815	25 443 721
Valuation Roll Reserve	454 376	1 500 000
Accumulated Surplus due to the results of operations	408 764 173	373 343 333
<b>Total</b>	<b>613 646 603</b>	<b>552 391 344</b>

The Capital Replacement Reserve is created in order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources.

The aim of the Employee Benefits Reserve is to ensure that sufficient cash resources are available for the future payment of employee benefits.

The Valuation Roll Reserve is to ensure that sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>20 PROPERTY RATES</b>		
Total Property Rates	9 959 029	6 939 516
Less: Rebates	(3 962 462)	(1 747 269)
<b>Total</b>	<b>5 996 567</b>	<b>5 192 247</b>

Property rates levied are based on the following rateable valuations:

Residential Property	372 929 000	376 795 500
Commercial Property	174 467 000	161 761 500
Public Benefits Organisations	35 926 000	36 796 500
Public Service Infrastructure	987 900	361 000
Agricultural Purposes	1 595 661 150	1 618 306 550
State - National / Provincial Services	511 275 010	72 053 510
Municipal Property	219 835 500	214 761 500
Vacant Property	59 419 500	62 262 000
<b>Total Valuation</b>	<b>2 970 501 060</b>	<b>2 543 098 060</b>

Valuations on land and buildings are performed every four years. The effective date for the valuation is 1 July 2017.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

	2018	2017
The following rates are applicable to the valuations above:		
Residential	0.6439c/R	0.6074c/R
Commercial	0.7701c/R	0.7265c/R
Public Service Infrastructure	0.1610c/R	0.1519c/R
Agricultural	0.1641c/R	0.1548c/R
State - National / Provincial Services	0.6466c/R	0.6100c/R
Vacant Property	1.0100c/R	0.9528c/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.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>21 TRANSFERS AND SUBSIDIES</b>		
<b>Unconditional Grants - National Government</b>	<b>132 828 000</b>	<b>129 802 000</b>
Equitable Share	132 828 000	129 802 000
<b>Conditional Grants - National Government</b>	<b>43 645 389</b>	<b>42 850 000</b>
Municipal Finance Management	1 700 000	1 625 000
Municipal Infrastructure Grant	36 087 097	36 728 000
EPWP (Expanded Public Works Program)	1 536 000	1 497 000
Integrated National Electrification Grant	4 322 293	3 000 000
<b>Conditional Grants - Provincial Government</b>	<b>1 500 000</b>	<b>1 500 000</b>
Libraries	1 500 000	1 500 000
<b>Total</b>	<b>177 973 389</b>	<b>174 152 000</b>
Disclosed as:		
Transfers and Subsidies - Capital	33 606 115	33 683 561
Transfers and Subsidies - Operating	144 367 274	140 468 439
<b>Total</b>	<b>177 973 389</b>	<b>174 152 000</b>
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	132 828 000	129 802 000
Budget & Treasury	1 700 000	1 625 000
Planning & Development	6 250 381	1 836 400
Community & Social Services	1 500 000	1 500 000
Road Transport	31 372 716	36 388 600
Electricity	4 322 293	3 000 000
<b>Total</b>	<b>177 973 389</b>	<b>174 152 000</b>

The movements per grant can be summarised as follows:

### 21.01 Equitable Share

Grants Received	132 828 000	129 802 000
Transferred to Revenue - Operating	(132 828 000)	(129 802 000)
Closing Unspent Balance	-	-

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>21 TRANSFERS AND SUBSIDIES (CONTINUED)</b>		
<b>21.02 Financial Management Grant (FMG)</b>		
Opening Unspent Balance	-	-
Grants Received	1 700 000	1 625 000
Transferred to Revenue - Operating	(1 700 000)	(1 625 000)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.		
<b>21.02 Municipal Infrastructure Grant (MIG)</b>		
Opening Unspent Balance	-	-
Grants Received	39 115 000	36 728 000
Transferred to Revenue - Capital	(29 836 716)	(30 683 561)
Transferred to Revenue - Operating	(6 250 381)	(6 044 439)
	<u>3 027 904</u>	<u>-</u>
Closing Unspent Balance	<u>3 027 904</u>	<u>-</u>
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
<b>21.03 NDPG (Neighbourhood Development Partnership Grant)</b>		
Opening Unspent Balance	2 010 056	2 010 056
	<u>2 010 056</u>	<u>2 010 056</u>
Closing Unspent Balance	<u>2 010 056</u>	<u>2 010 056</u>
The NDPG is utilised to attract private and community investment to unlock the social and economic potential within the Senqu area.		
<b>21.04 EPWP (Expanded Public Works Program)</b>		
Opening Unspent Balance	-	-
Grants Received	1 536 000	1 497 000
Transferred to Revenue - Operating	(1 536 000)	(1 497 000)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
<b>21.05 Integrated National Electrification Grant</b>		
Opening Unspent Balance	-	-
Grants Received	5 000 000	3 000 000
Transferred to Revenue - Capital	(3 769 399)	(3 000 000)
Transferred to Revenue - Operating	(552 894)	-
	<u>677 707</u>	<u>-</u>
Closing Unspent Balance	<u>677 707</u>	<u>-</u>
The Integrated National Electrification Grant was received from National Treasury to utilised for electrical projects within the Senqu area.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2018 R	2017 R
	<b>21.06 Prov Gov - Housing (Hillside)</b>		
	Opening Unspent Balance	232 651	232 651
	Closing Unspent Balance	<u>232 651</u>	<u>232 651</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.07 Herschel People's Housing</b>		
	Opening Unspent Balance	9 445 749	8 901 583
	Current year receipts - Interest	525 022	544 166
	Closing Unspent Balance	<u>9 970 771</u>	<u>9 445 749</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.08 Libraries</b>		
	Opening Unspent Balance	-	-
	Grants Received	1 500 000	1 500 000
	Transferred to Revenue - Operating	<u>(1 500 000)</u>	<u>(1 500 000)</u>
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The Libraries grant was utilised for the upkeep and operational cost for libraries.		
	<b>21.09 Total Transfers and Subsidies</b>		
	Opening Unspent Balance	11 688 458	11 144 291
	Grants Received	181 679 000	174 152 000
	Current year receipts - Interest	525 022	544 167
	Transferred to Revenue - Capital	(33 606 115)	(33 683 561)
	Transferred to Revenue - Operating	<u>(144 367 274)</u>	<u>(140 468 439)</u>
	Closing Unspent Balance	<u>15 919 090</u>	<u>11 688 458</u>
	<b>22 FINES, PENALTIES AND FORFEITS</b>		
	Fines: Pound Fees	35 537	41 305
	Fines: Law Enforcement	245 792	-
	Fines: Traffic	<u>129 550</u>	<u>117 389</u>
	<b>Total</b>	<u><b>410 879</b></u>	<u><b>158 694</b></u>

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

		2018 R	2017 R
<b>23</b>	<b>SERVICE CHARGES</b>		
	Electricity Revenue	31 861 358	34 091 619
	Refuse Removal Revenue	10 118 929	9 085 029
	<b>Total - Restated 2017</b>	<b>41 980 287</b>	<b>43 176 649</b>
	<p>The costs associated with the Free Basic Services provided to indigents are disclosed under operating expenditure projects. It is disclosed in various other expenditure line items as stated below:</p>		
	Cost of Free Basic Services: Electricity	4 628 881	5 845 613
	Bulk Purchases	3 697 157	4 797 720
	Contracted services	2 142	44 457
	Operational Cost	929 582	1 003 436
	Cost of Free Basic Services: Refuse	1 082 043	3 652 929
	Contracted services	-	1 662
	Operational Cost	1 082 043	3 651 267
	<b>Total</b>	<b>5 710 924</b>	<b>9 498 542</b>
<b>24</b>	<b>RENTAL FROM FIXED ASSETS</b>		
	Investment Property	1 126 221	448 714
	Buildings	105 594	48 748
	Machinery and Equipment	2 589	5 878
	<b>Total</b>	<b>1 234 403</b>	<b>503 341</b>
<b>25</b>	<b>INTEREST EARNED - OUTSTANDING DEBTORS</b>		
	Interest Earned - Service Debtors	2 436 638	2 152 620
	Interest Earned - Penalty Interest on Property Rates	767 602	753 207
	<b>Total</b>	<b>3 204 240</b>	<b>2 905 827</b>
<b>26</b>	<b>SALES OF GOODS AND RENDERING OF SERVICES</b>		
	Advertisements	141 401	237 993
	Building Plan Clause Levy	65 146	46 149
	Cemetery and Burial	20 122	22 931
	Clearance Certificates	15 289	12 763
	Entrance Fees	4 629	13 739
	Library Fees	568	1 461
	Photocopies and Faxes	5 605	1 834
	Sale of Agricultural Products	68 735	57 649
	Sale of documents	-	719
	Sub-division and Consolidation Fees	11 949	-
	Tender Documents	106 123	77 106
	Valuation Services	2 933	4 819
	<b>Total</b>	<b>442 500</b>	<b>477 163</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>27 OPERATIONAL REVENUE</b>		
Collection Charges	-	1 242
Commission	266 734	353 803
Grazing Fees	1 729	4 256
LG Seta	114 882	260 197
Road Worthy Certificate Application	6 071	21 992
Staff Recoveries	54 814	53 251
<b>Total - Restated 2017</b>	<b>444 229</b>	<b>694 742</b>
<b>28 EMPLOYEE RELATED COSTS</b>		
Basic Salary	56 909 367	51 048 111
Pension and UIF Contributions	8 221 750	7 145 389
Medical Aid Contributions	3 930 305	3 444 799
Overtime	3 375	-
Bonuses	4 450 931	3 899 211
Performance Bonus	2 346 673	2 243 574
Telephone allowance	421 400	400 602
Housing Allowances	428 709	331 170
Other benefits and allowances	26 227	22 287
Leave Contributions	2 788 019	1 640 086
Long service awards	255 615	250 459
Post Retirement Medical Benefits	1 497 361	1 541 033
<b>Total</b>	<b>81 279 734</b>	<b>71 966 723</b>
<b>Remuneration of Key Personnel</b>		
Key management personnel are all appointed on 5-year fixed contracts.		
<b>Municipal Manager - MM Yawa</b>		
Annual Remuneration	1 695 725	1 869 247
Performance Bonus - 2015/16	-	306 367
Performance Bonus - 2016/17	358 755	-
Telephone allowance	-	2 000
UIF Contributions	1 785	1 785
<b>Total</b>	<b>2 056 265</b>	<b>2 179 399</b>
<b>Director Financial Services - Mr CR Venter (Contract Expired 30 Nov 2016)</b>		
Annual Remuneration	-	604 539
Performance Bonus - 2015/16	-	233 001
Telephone allowance	-	5 000
UIF Contributions	-	744
<b>Total</b>	<b>-</b>	<b>843 283</b>
<b>Director Financial Services - Mr K Fourie</b>		
Annual Remuneration	1 390 895	-
Performance Bonus - 2016/17	186 711	-
Travel Allowance	123 723	-
Telephone allowance	3 000	-
UIF Contributions	1 785	-
<b>Total</b>	<b>1 706 113</b>	<b>-</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>28 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<i>Director Technical Services - RN Crozier</i>		
Annual Remuneration	1 533 287	1 474 927
Performance Bonus - 2015/16	-	233 062
Performance Bonus - 2016/17	289 840	-
Travel Allowance	93 600	93 600
Telephone allowance	12 000	12 000
UIF Contributions	1 785	1 785
<b>Total</b>	<b>1 930 512</b>	<b>1 815 374</b>
<i>Director Community and Social Services - CNL Gologolo</i>		
Annual Remuneration	1 336 726	1 317 744
Performance Bonus - 2015/16	-	182 742
Performance Bonus - 2016/17	180 792	-
Travel Allowance	48 000	48 000
Telephone allowance	12 000	12 000
UIF Contributions	1 785	1 785
<b>Total</b>	<b>1 579 303</b>	<b>1 562 271</b>
<i>Director Corporate and Support Services - TE Wonga</i>		
Annual Remuneration	1 320 651	1 310 471
Performance Bonus - 2015/16	-	174 486
Performance Bonus - 2016/17	145 322	-
Travel Allowance	96 000	96 000
Telephone allowance	12 000	12 000
UIF Contributions	1 785	1 785
<b>Total</b>	<b>1 575 758</b>	<b>1 594 742</b>
<i>Director Development and Town Planning Services - P Bushula</i>		
Annual Remuneration	1 593 053	1 511 960
Performance Bonus - 2015/16	-	253 576
Performance Bonus - 2016/17	282 230	-
Telephone allowance	12 000	12 000
UIF Contributions	1 785	1 785
<b>Total</b>	<b>1 889 067</b>	<b>1 779 320</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

29	REMUNERATION OF COUNCILLORS	2018 R	2017 R
	Mayor	840 313	761 410
	Speaker	681 131	615 469
	Chief Whip	377 418	320 385
	Executive Committee Members	1 577 469	1 358 699
	Councillors	7 075 218	6 991 021
	Other Councillors' contributions and allowances	1 152 529	688 623
	<b>Total</b>	<b>11 704 078</b>	<b>10 735 607</b>
	<b>In-kind Benefits</b>		
	The Mayor and Speaker are full-time Councillors and each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor and Speaker may utilise official Council transportation when engaged in official duties. The packages are set out below:		
	<b>Mayor</b>		
	Annual Remuneration	795 913	735 171
	Telephone allowance	44 400	26 239
	<b>Total</b>	<b>840 313</b>	<b>761 410</b>
	<b>Speaker</b>		
	Annual Remuneration	636 731	588 412
	Telephone allowance	44 400	27 058
	<b>Total</b>	<b>681 131</b>	<b>615 469</b>
	<b>Chief Whip</b>		
	Annual Remuneration	333 018	293 861
	Telephone allowance	44 400	24 858
	Travel Allowance	-	1 667
	<b>Total</b>	<b>377 418</b>	<b>320 385</b>
	<b>Executive Committee Members</b>		
	Annual Remuneration	1 381 969	1 246 983
	Telephone allowance	195 500	107 251
	Travel Allowance	-	4 465
	<b>Total</b>	<b>1 577 469</b>	<b>1 358 699</b>
	<b>Councillors (Section 79)</b>		
	Annual Remuneration	2 264 356	2 091 453
	Telephone allowance	321 800	180 732
	<b>Total</b>	<b>2 586 156</b>	<b>2 272 185</b>
	<b>Councillors (Ordinary)</b>		
	Annual Remuneration	4 810 862	4 899 568
	Telephone allowance	830 729	505 876
	Travel Allowance	-	2 015
	<b>Total</b>	<b>5 641 590</b>	<b>5 407 459</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>30 DEBT IMPAIRMENT</b>		
Receivables from exchange transactions - Note 3	6 010 966	3 589 171
Receivables from non-exchange transactions - Note 4	1 276 598	1 386 777
<b>Total Contribution to Debt Impairment Provision</b>	<b>7 287 564</b>	<b>4 975 948</b>
Movement in VAT included in debt impairment - Note 5	(939 585)	53 006
<b>Total</b>	<b>6 347 979</b>	<b>5 028 954</b>
Debt Impairment consists out of the following:		
Impairment Loss	10 096 843	4 975 948
Rates	1 292 917	1 294 827
Traffic Fines	120 100	91 950
Electricity	1 639 857	1 173 473
Refuse	7 043 970	2 415 698
Bad Debts Written off	(2 809 279)	-
Rates	(136 418)	-
Electricity	(215 429)	-
Refuse	(2 457 432)	-
<b>Total</b>	<b>7 287 564</b>	<b>4 975 948</b>
<b>31 DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	18 040 323	19 328 039
Intangible Assets	106 484	70 006
Capitalised Restoration Cost (PPE)	70 694	57 306
<b>Total - Restated 2017</b>	<b>18 217 501</b>	<b>19 455 351</b>
<b>32 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT</b>		
Land	1 328 473	108 550
Buildings	786 512	-
<b>Sub-Total</b>	<b>2 114 985</b>	<b>108 550</b>
Capitalised Restoration Cost (PPE)	138 105	106 619
<b>Total</b>	<b>2 253 091</b>	<b>215 169</b>
<b>33 FINANCE CHARGES</b>		
Annuity Loans	1 009 516	1 112 817
Rehabilitation Provision - Landfill Sites	316 341	301 347
Post Retirement Medical Benefits	1 403 831	1 266 405
Long Service Awards	117 981	109 772
Overdue Accounts	28 828	33 387
<b>Total</b>	<b>2 876 497</b>	<b>2 823 727</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

		2018 R	2017 R
<b>34</b>	<b>BULK PURCHASES</b>		
	Electricity	25 599 340	32 542 610
	<b>Total - Restated 2017</b>	<b>25 599 340</b>	<b>32 542 610</b>
<b>35</b>	<b>CONTRACTED SERVICES</b>		
	Consultants and Professional Services	10 557 171	10 155 372
	Business and Advisory	7 060 479	6 590 535
	Infrastructure and Planning	421 398	552 900
	Legal Cost	3 075 295	2 985 133
	Laboratory Services	-	26 805
	Contractors	4 160 582	4 729 966
	Artists and Performers	18 860	27 365
	Electrical	208 525	147 068
	Event Promoters	4 850	462 691
	Fire Services	12 887	-
	Interior Decorator	42 500	7 690
	Maintenance of Buildings and Facilities	573 913	845 446
	Maintenance of Equipment	865 143	932 705
	Maintenance of Unspecified Assets	2 388 344	2 179 476
	Plants, Flowers and Other Decorations	3 980	1 250
	Safeguard and Security	-	58 104
	Transportation	41 580	68 170
	Outsourced Services	5 488 140	7 591 850
	Burial Services	36 081	7 200
	Catering Services	945 470	1 013 013
	Medical Services	-	76 160
	Personnel and Labour	3 949 021	5 477 828
	Security Services	557 568	1 017 649
	<b>Total - Restated 2017</b>	<b>20 205 894</b>	<b>22 477 189</b>
<b>36</b>	<b>TRANSFERS AND SUBSIDIES</b>		
	LED Contribution to Community Project	-	210 000
	<b>Total</b>	<b>-</b>	<b>210 000</b>
<b>37</b>	<b>OPERATING LEASES</b>		
	Buildings	109 580	93 971
	Machinery and Equipment	19 600	-
	<b>Total</b>	<b>129 180</b>	<b>93 971</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

38	OPERATIONAL COST	2018 R	2017 R
	Advertising, Publicity and Marketing	1 009 751	1 163 809
	Achievement and Awards	-	26 575
	Assets less than the Capitalisation Threshold	40 941	11 545
	Bank Charges, Facility and Card Fees	251 215	323 665
	Communication	1 005 201	995 314
	Commission: Prepaid Electricity	379 474	288 280
	Consumables	3 123 112	5 327 420
	Courier and Delivery Services	23 528	27 991
	Deeds	43 081	26 092
	Entertainment	81 638	58 751
	External Audit Fees	2 691 471	2 314 491
	External Computer Service	1 370 276	1 684 106
	Fuel and Oil	3 623 147	3 263 071
	Insurance Underwriting	201 565	610 334
	Learnerships and Internships	-	77 714
	Licences	296 782	273 763
	Maintenance Materials	1 694 495	1 538 611
	Materials and Supplies	45 669	-
	Municipal Services	270 393	70 695
	Printing, Publications and Books	117 287	110 882
	Professional Bodies, Membership and Subscription	83 679	2 069 295
	Registration Fees	2 074 654	1 461 459
	Remuneration to Ward Committees	1 970 000	1 674 965
	Resettlement Cost	-	6 500
	Road Worthy Test	-	4 011
	Seating Allowance for Traditional Leaders	254 483	246 000
	Skills Development Fund Levy	747 890	643 487
	Transport Provided as Part of Departmental Activities	526 734	609 770
	Travel Agency Fees	254 301	242 067
	Travel and Subsistence	5 548 141	5 326 309
	Uniform and Protective Clothing	1 299 584	383 228
	Workmen's Compensation Fund	843 147	770 354
	<b>Total - Restated 2017</b>	<b>29 871 637</b>	<b>31 630 552</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>39 REPAIRS AND MAINTENANCE</b>		
Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
The following expenditure relating to Repairs and Maintenance projects were identified by the municipality:		
Contracted Services	4 761 316	4 172 865
Contractors - Electrical	208 525	147 068
Contractors - Maintenance of Buildings and Facilities	573 913	845 446
Contractors - Maintenance of Equipment	865 143	932 705
Contractors - Maintenance of Unspecified Assets	2 388 344	2 179 476
Contractors - Transportation	41 580	68 170
Outsourced Services - Personnel and Labour	683 810	-
Operational Cost	3 136 700	2 603 033
Assets less than the Capitalisation Threshold	10 161	-
Consumables	338 771	182 254
Fuel and Oil	1 141 027	897 066
Maintenance Materials	1 620 014	1 519 443
Road Worthy Test	-	4 011
Travel and Subsistence	129	259
Uniform and Protective Clothing	26 597	-
<b>Total</b>	<b>7 898 016</b>	<b>6 775 898</b>
GRAP 17 require disclosure of repairs and maintenance per asset class:		
Buildings and other structures	1 925 885	1 448 590
Tools and equipment	203 716	169 228
Furniture and office equipment	361 958	579 921
Vehicles and Implements	2 590 526	2 422 223
Roads and stormwater	1 800 431	1 197 271
Electricity Reticulation	310 821	181 402
Street Lights	496 971	600 262
Solid Waste Sites	207 707	177 002
<b>Total</b>	<b>7 898 016</b>	<b>6 775 898</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

40	CORRECTION OF ERROR IN TERMS OF GRAP 3	2017 R
	Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.	
	<b>40.1 INVENTORY</b>	
	<b>Balance previously reported</b>	<b>818 160</b>
	Correction of Inventory balance on 1 July 2016 - Note 40.5	(46 454)
	<b>Restated Balance on 30 June 2017</b>	<b>771 706</b>
	<b>40.2 TAXES</b>	
	<b>Balance previously reported</b>	<b>10 294 646</b>
	Correction of VAT on Retention previously not recognised - Note 40.3	383 640
	<b>Restated Balance on 30 June 2017</b>	<b>10 678 286</b>
	<b>40.3 PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
	<b>Balance previously reported</b>	<b>7 537 588</b>
	Correction of VAT on Retention previously not recognised - Note 40.2	383 640
	<b>Restated Balance on 30 June 2017</b>	<b>7 921 227</b>
	<b>40.4 PROPERTY PLANT AND EQUIPMENT</b>	
	<b>Balance previously reported</b>	<b>325 747 532</b>
	Correction of Property, Plant and Equipment - Cost on 1 July 2016 - Note 40.5	9 797 065
	First time recognition of movable assets - Furniture & Fittings	4 805
	Barkly East Housing Infrastructure previously not capitalised	8 622 718
	Electrical Infrastructure previously not capitalised	1 440 512
	Electrical Infrastructure disposal previously not accounted for	(270 969)
	Correction of Backlog Depreciation on 1 July 2016 - Note 40.5	62 033
	Correction of Backlog Depreciation on 1 July 2016 for residual values not taken into account	2 184 023
	Barkly East Housing Infrastructure previously not capitalised	(2 172 196)
	Electrical Infrastructure disposal previously not accounted for	50 205
	Correction on Depreciation for 2016/2017 - Note 40.6	2 417
	First time recognition of movable assets - Furniture & Fittings	(610)
	Correction of Depreciation for 2016/2017 for residual values not taken into account	478 652
	Barkly East Housing Infrastructure previously not capitalised	(403 692)
	Electrical Infrastructure previously not capitalised	(50 568)
	Electrical Infrastructure disposal previously not accounted for	13 426
	Correction of Work-in-progress on Infrastructure assets	(34 791)
	Correction of Property, Plant and Equipment - Cost 2016/17 - Note 40.6	(124 499)
	Electrical Infrastructure disposal	(124 499)
	Correction of Property, Plant and Equipment - Cost 2016/17 - Note 40.6	26 857
	Electrical Infrastructure disposal	26 857
	<b>Restated Balance on 30 June 2017</b>	<b>335 511 405</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

40	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2017 R
	<b>40.5 ACCUMULATED SURPLUS</b>	
	Correction of Inventory balance on 1 July 2016 - Note 40.1	(46 454)
	Correction of Property, Plant and Equipment - Cost on 1 July 2016 - Note 40.4	9 797 065
	First time recognition of movable assets - Furniture & Fittings	4 805
	Barkly East Housing Infrastructure previously not capitalised	8 622 718
	Electrical Infrastructure previously not capitalised	1 440 512
	Electrical Infrastructure disposal previously not accounted for	(270 969)
	Correction of Backlog Depreciation on 1 July 2016 - Note 40.4	62 033
	Correction of Backlog Depreciation on 1 July 2016 for residual values not taken into account	2 184 023
	Barkly East Housing Infrastructure previously not capitalised	(2 172 196)
	Electrical Infrastructure disposal previously not accounted for	50 205
	<b>Restated Balance on 30 June 2017</b>	<b>9 812 644</b>
	<b>40.6 STATEMENT OF FINANCIAL PERFORMANCE</b>	
	<b>Balance previously reported</b>	<b>53 811 526</b>
	Reclassify revenue for 2016/2017 to align with mSCOA regulations - Note 27	-
	Effect on Operational Revenue	21 992
	Effect on Licences and Permits	(21 992)
	Reclassify Cost of Free basic services for 2016/2017 to align with mSCOA regulations - Note 23	-
	Effect on Service Charges	(9 498 542)
	Effect on Bulk Purchases	4 797 720
	Effect on Contracted services	46 119
	Effect on Operational Cost	4 654 703
	Correction on Depreciation for 2016/2017 - Note 40.4	2 417
	First time recognition of movable assets - Furniture & Fittings	(610)
	Correction of Depreciation for 2016/2017 for residual values not taken into account	478 652
	Barkly East Housing Infrastructure previously not capitalised	(403 692)
	Electrical Infrastructure previously not capitalised	(50 568)
	Electrical Infrastructure disposal previously not accounted for	13 426
	Correction of Work-in-progress on Infrastructure assets	(34 791)
	Recognise Loss on Disposal of Fixed and Intangible Assets for 2016/2017 - Note 40.4	(97 642)
	<b>Restated Balance on 30 June 2017</b>	<b>53 716 301</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>41 NET CASH FROM OPERATING ACTIVITIES</b>		
Net Surplus for the year	61 255 260	53 716 301
Adjusted for:		
Non-Cash Items	22 639 235	23 207 797
Debt Impairment	5 408 394	5 081 959
Depreciation and Amortisation	18 217 500	19 455 351
Impairments	3 715 591	220 169
Gain on Fair Value Adjustments of Investment Property	(5 009 000)	(1 679 000)
Actuarial Gains	(4 024 645)	(1 706 256)
Actuarial Losses	38 647	-
Finance Charges	1 838 153	1 677 524
Loss on disposal of PPE	2 454 595	158 050
Contributions - Provisions and Employee Benefits	12 181 747	10 344 717
Post Retirement Medical Benefits	1 497 361	1 541 033
Long Service Awards	255 615	250 459
Performance Bonuses	2 346 673	2 243 574
Bonuses	4 450 931	3 899 211
Compensation for injuries on duty	843 147	770 354
Staff Leave	2 788 019	1 640 086
Expenditure - Provisions and Employee Benefits	(9 256 467)	(8 589 195)
Post Retirement Medical Benefits	(243 583)	(229 621)
Long Service Awards	(284 213)	(135 761)
Performance Bonuses	(2 140 426)	(1 928 703)
Bonuses	(4 088 923)	(3 620 388)
Compensation for injuries on duty	-	(1 468 687)
Staff Leave	(2 499 321)	(1 206 036)
<b>41 NET CASH FROM OPERATING ACTIVITIES</b>		
Other adjustments	(2 737 189)	(4 782)
Bad Debts Written Off	(2 809 279)	-
Movement on Operating Lease Asset	74 985	(1 998)
Movement on Operating Lease Liability	(2 895)	(2 784)
Operating Surplus before changes in working capital	84 082 586	78 674 839
Movement in working capital	3 685 121	(3 865 926)
Receivables from exchange and non-exchange transactions	(1 111 102)	(6 795 565)
Inventory	74 388	704 699
Payables from exchange transactions	1 120 630	5 142 803
Payables from non-exchange transactions	4 230 632	544 166
Taxes	(629 426)	(3 462 028)
<b>Cash Flow from Operating Activities</b>	<b>87 767 707</b>	<b>74 808 913</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>42 CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents comprise out of the following:		
Primary Bank Account	2 051 781	3 804 700
Call and short-term Investments Deposits	292 207 557	249 363 930
Cash Floats	700	700
<b>Total</b>	<b>294 260 038</b>	<b>253 169 330</b>

Refer to note 2 for more details relating to cash and cash equivalents.

### 43 BUDGET COMPARISONS

#### 43.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

#### Statement of financial position

Consumer Debtors consists out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Payables from non-exchange transactions (Unspent grants) and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

#### Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and Donations, Actuarial Gains, Insurance Receipts, Gain on Fair Value Adjustments of Investment Property, Sales of Goods and Rendering of Services and Operational Revenue.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Actuarial Losses, Operating Leases and Operational Cost.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 43 BUDGET COMPARISONS (CONTINUED)

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 43.2 MATERIAL VARIANCES

Refer to the Statements of comparison of budget and actual amounts in pages 8 to 13 of this document.

### 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 44.1 UNAUTHORISED EXPENDITURE

No over-expenditure on votes for the two reporting periods in the financial statements.

	2018 (Actual) R	2018 (Final Budget) R	2018 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Executive & Council	24 781 336	30 078 503	-
Planning & Development	16 285 675	18 370 503	-
Corporate Services	29 912 385	39 625 370	-
Budget & Treasury	26 588 645	30 528 113	-
Road Transport	21 588 673	26 477 926	-
Waste Water Management	3 552 793	3 599 511	-
Community & Social Services	9 447 348	9 484 446	-
Sport & Recreation	1 843 959	1 849 495	-
Public Safety	7 654 023	8 325 733	-
Electricity	39 325 726	48 243 919	-
Waste Management	21 460 108	23 376 623	-
<b>Total</b>	<b>202 440 671</b>	<b>239 960 144</b>	<b>-</b>
<b>Unauthorised expenditure - Capital</b>			
Executive & Council	1 265 642	1 460 600	-
Planning & Development	62 246	116 600	-
Corporate Services	4 002 403	6 230 400	-
Budget & Treasury	494 821	1 111 200	-
Road Transport	27 723 512	32 033 343	-
Community & Social Services	1 338 846	3 035 841	-
Sport & Recreation	1 001 124	2 644 177	-
Public Safety	594 273	1 183 040	-
Electricity	6 404 484	7 572 700	-
Waste Management	3 093 921	11 318 890	-
<b>Total</b>	<b>45 981 271</b>	<b>66 706 792</b>	<b>-</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

44.2 FRUITLESS AND WASTEFUL EXPENDITURE	2018 R	2017 R
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	33 387	1 000 716
Fruitless and wasteful expenditure incurred	34 692	33 387
Approved by Council	(33 387)	(1 000 716)
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>34 692</b>	<b>33 387</b>

Details of Fruitless and wasteful expenditure incurred :

Interest paid to Eskom	-	32 894
Interest paid to Telkom	-	3
Interest paid to Prodiba	-	491
Interest paid to DBSA	28 828	-
Interest paid to SARS	5 864	-
<b>Total</b>	<b>34 692</b>	<b>33 387</b>

DBSA Statements were sent to the former Chief Financial Officer which resulted in late payment. The municipality followed up on this matter with the DBSA in order to reverse the interest that occurred. The matter is still ongoing.

### 44.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	73 592	1 469 959
Irregular expenditure incurred	-	73 592
Approved by Council	(73 592)	(1 469 959)
<b>Irregular expenditure awaiting approval</b>	<b>-</b>	<b>73 592</b>

Details of Irregular expenditure incurred :

Deviations from Supply Chain Regulations and Policies - Disciplinary processes have been initiated	-	73 592
<b>Total</b>	<b>-</b>	<b>73 592</b>

The classification, validation and recoverability of all irregular expenditure will be determined by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

### 44.4 MATERIAL LOSSES

#### Electricity distribution losses

- Units purchased (Kwh)	24 780 158	26 469 634
- Units sold (Kwh)	21 303 123	21 747 466
- Units lost during distribution (Kwh)	3 477 035	4 722 168
- Units cost (Kwh)	0.9607	0.9522
- Percentage lost during distribution	14.03%	17.84%
- Units lost considered material losses above a 10% norm	999 019	2 075 205
- Cost of units lost considered as material losses	959 768	1 976 093

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>45.1 Salga Contributions [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Expenditure incurred	928 694	874 347
Payments	(928 694)	(874 347)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
<b>45.2 Audit Fees [MFMA 125 (1)(c)]</b>		
Opening balance	-	-
Expenditure incurred	3 098 548	2 314 491
External Audit - Auditor-General	3 098 548	2 314 491
Payments	(3 098 548)	(2 314 491)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
<b>45.3 VAT [MFMA 125 (1)(c)]</b>		
Opening balance	10 277 836	7 700 551
Amounts received - previous year	(1 723 231)	(771 292)
Amounts received - current year	(3 607 995)	(3 084 689)
Amounts claimed - current year (payable)	6 300 502	6 433 267
<b>Vat Receivable</b>	<b>11 247 113</b>	<b>10 277 836</b>
<b>Vat in suspense due to cash basis of accounting</b>	<b>(2 932 604)</b>	<b>(2 379 065)</b>
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.		
<b>45.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
Payments due to SARS	14 093 653	13 143 650
Payments	(14 093 653)	(13 143 650)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
<b>45.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]</b>		
Payments due to pension fund and medical aid	12 073 615	10 532 108
Payments	(12 073 615)	(10 532 108)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

#### 45.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillors had arrear account outstanding for more than 90 days at year end:

	<30 days balance	<60 days balance	<90 days balance	>90 days balance
PM Mnisi	311	8 224	274	9 637

#### 45.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted, approved by the Municipal Manager.

#### 45.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

No non-compliance in terms of Regulation 9(1) of the Preferential Procurement Regulations were identified. This Regulation relates to the awarding of bids with reference to local production and content.

#### 45.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

2018  
R

2017  
R

During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45)

<u>Staff Member</u>	<u>Entity</u>	2018 R	2017 R
M A Theron	Lady Grey Joinery and Construction (Spouse is Director)	34 323	144 718
M A Theron	Copper Leaf Trading CC (Spouse is Director)	154 066	199 888
D Oertel	First Wave (Son-in law is Director)	426 312	428 042
EH Ngwane	Erichayo Trading (Spouse is Owner)	10 700	-
IL Mangali	Kwa Jola & Trading (Sister is Owner)	20 800	
<b>Total</b>		<b>646 201</b>	<b>772 648</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<b>46 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:	13 788 461	32 119 743
Land & Buildings	28 611	96 833
Infrastructure	12 257 466	26 622 883
Community	1 502 384	5 400 027
<b>Total - Restated 2017</b>	<b>13 788 461</b>	<b>32 119 743</b>

The amount for 2017 was reduced with R931 773.42 which consists of projects that were already completed and should not have formed part of the capital commitments balance at 30 June 2017.

This expenditure will be financed from:

Capital Replacement Reserve	838 732	3 643 301
Government Grants - MIG	11 475 710	28 476 443
Government Grants - INEP	1 474 018	-
<b>Total</b>	<b>13 788 461</b>	<b>32 119 743</b>

## 47 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

### 47.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	294 260 038	253 169 330
Receivables from exchange transactions	10 125 530	10 527 644
<b>Total</b>	<b>304 385 568</b>	<b>263 696 974</b>

#### Cash and Cash Equivalents

Deposits of the municipality are only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

<b>47</b>	<b>FINANCIAL RISK MANAGEMENT (CONTINUED)</b>	<b>2018</b>	<b>2017</b>
		<b>R</b>	<b>R</b>

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables 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.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Electricity	1 989 899	2 077 362
Refuse	276 467	116 526
Other Services	381 117	154 380
<b>Total</b>	<b>2 647 483</b>	<b>2 348 268</b>

### 47.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign

The financial instruments of the municipality is not directly exposed to any currency risk.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

47	FINANCIAL RISK MANAGEMENT (CONTINUED)	2018 R	2017 R
	<b>47.3 Interest rate risk (Market Risk)</b>		
	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.		
	The following balances are exposed to interest rate fluctuations:		
	Cash and Cash Equivalents (Excluding Cash on Hand)	294 259 338	253 168 630
	Borrowings (Including Current Portion)	(11 200 370)	(12 027 754)
	<b>Net balance exposed</b>	<b>283 058 967</b>	<b>241 140 876</b>

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

1% (2017 - 1%) increase in interest rates	2 830 590	2 411 409
0% (2017 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

### 47.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 47 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to liquidity risk:

30 JUNE 2018	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	1 733 090	6 183 371	8 791 970
Rehabilitation Provision	982 146	-	20 527 892
Payables from exchange transactions	8 594 113	-	-
<b>Total</b>	<b>11 309 349</b>	<b>6 183 371</b>	<b>29 319 862</b>

  

30 JUNE 2017	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	1 805 545	6 385 819	10 261 895
Rehabilitation Provision	923 043	-	23 724 417
Payables from exchange transactions	7 179 662	-	-
<b>Total</b>	<b>9 908 250</b>	<b>6 385 819</b>	<b>33 986 311</b>

Although the rehabilitation provision is not defined as a financial instrument (due to the absence of a contracted counterparty for the balance), the potential outflow of cash resulting from these balances are included for the benefit of the user of the financial statements.

#### 47.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.

### 48 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

#### Financial Assets

	2018 R	2017 R
Cash and Cash Equivalents	294 260 038	253 169 330
Receivables from exchange transactions	9 677 568	10 169 500
<b>Total</b>	<b>303 937 607</b>	<b>263 338 830</b>

#### Financial Liabilities

Current Portion of Borrowings	840 402	827 098
Payables from exchange transactions	8 594 113	7 563 302
Borrowings	10 359 968	11 200 656
<b>Total</b>	<b>19 794 484</b>	<b>19 591 056</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

49	STATUTORY RECEIVABLES	2018 R	2017 R
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	<b>Receivables from Non-Exchange Transactions</b>		
	Rates	10 876 457	9 674 478
	Fines	649 900	529 800
	<b>Total</b>	<b>11 526 357</b>	<b>10 204 278</b>
	Refer to note 4 for more detail relating to the fines and rates receivables, including any provision for impairment raised against the gross amounts disclosed above		
50	<b>EVENTS AFTER REPORTING DATE</b>		
	None		
51	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	None		
52	<b>PRIVATE PUBLIC PARTNERSHIPS (PPP's)</b>		
	The municipality did not enter into any PPP's in the current and prior year.		
53	<b>CONTINGENT LIABILITIES</b>		
	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:		
	<b>53.01 <u>Moeletsi, Ngogodo &amp; April defamation claims</u></b>		
	The Councillors have each instituted separate legal proceedings against the Municipality, together with the Mayor, for defamation in respect of an article that appeared in the Eagle Eye Newspaper in March 2014.	300 000	300 000
	<b>53.02 <u>Languza matter - unfair dismissal</u></b>		
	While the matter was finalised at the Labour Court, the employee may seek to institute a civil claim for the damages suffered as a result of the loss of income in the period under review. The matter was resolved and no contingent liability existed at the financial year end.	-	700 000
	<b>53.03 <u>Travel and Subsistence claim</u></b>		
	Councillor Tindleni has put in a claim against the municipality for Travel and Subsistence money not yet paid out.	60 000	60 000

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

53	CONTINGENT LIABILITIES (CONTINUED)	2018 R	2017 R
<b>53.04</b>	<b><u>MTN Dispute</u></b> The Municipality defended a claim of R 779 411.47 by MTN after the Municipality's contract with MTN was renewed without approval by the Municipality and subsequent to the contract being set aside by the High Court. The Municipality advised the MTN lawyers that it will defend the claim. The matter is dormant but the liability remains.	207 632.04	207 632.04
<b>53.05</b>	<b><u>Ex-gracia payment</u></b> Upon termination of MM and 2 other Section 56 Managers contracts, an ex-gracia amount of 1.25 x the employees' gross annual salary will be paid to these employees.	7 906 178	8 180 640
	The municipality is currently engaged in litigation listed below where the extent of the liability cannot be quantified at this stage:		
<b>53.06</b>	<b><u>Landfill Sites</u></b> 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.	-	-
<b>53.07</b>	<b><u>Hawks matter</u></b> Currently a Pending Investigation from the HAWKS is on-going, a case has been opened and employees has been charged. The matter is still ongoing.	-	-
<b>53.08</b>	<b><u>Land Invasion</u></b> The municipality is currently engaged in litigation in respect of various land invasion cases in the Senqu Municipal Area.	-	-
<b>53.09</b>	<b><u>Councillors Pension Fund</u></b> There is a disputed claim by the Municipal Councillors Pension Fund for the pension fund contributions of councillors who resigned from the fund during or about 2011. The extent of the liability cannot be quantified at this stage.	-	-
<b>53.10</b>	<b><u>Councillor mortification claim</u></b> During August 2016 a former Councillor of Senqu municipality has put in a claim against the municipality for mortification.	-	-

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 54 RELATED PARTIES

Related parties are defined in note 1.34

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 28 and 29

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

	Rates - Levied 1 Jul 17 - 30 Jun 18	Service Charges - Levied 1 Jul 17 - 30 Jun 18
<b>Year ended 30 JUNE 2018</b>		
<b>Councillors</b>	<b>3 592</b>	<b>23 932</b>
N.P Mposelwa	499	1 731
M.N Mgojo	399	5 719
PM Mnisi	-	14 750
MA Mshasha	2 694	1 731
<b>Municipal Manager and Section 56 Employees</b>	<b>6 777</b>	<b>34 318</b>
MM Yawa	-	7 873
R Crozier	5 360	22 741
CNL Gologolo	1 417	3 704

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
<b>Financial Performance</b>						
Property rates	7 685 517	1	7 685 518	5 996 567	(1 688 951)	5 192 247
Service charges	35 141 666	12 318 915	47 460 581	41 980 287	(5 480 294)	43 176 649
Investment revenue	15 359 400	1 740 600	17 100 000	23 780 846	6 680 846	20 926 800
Transfers recognised - operational	139 519 750	-	139 519 750	144 367 274	4 847 524	140 468 439
Other own revenue	8 195 692	624 268	8 819 960	13 964 841	5 144 881	7 611 508
<b>Total Operating Revenue</b>	<b>205 902 025</b>	<b>14 683 784</b>	<b>220 585 809</b>	<b>230 089 816</b>	<b>9 504 007</b>	<b>217 375 643</b>
Employee costs	85 657 164	(100 920)	85 556 244	81 279 734	(4 276 510)	71 966 723
Remuneration of councillors	13 428 248	(545 766)	12 882 482	11 704 078	(1 178 404)	10 735 607
Debt impairment	4 982 541	-	4 982 541	6 347 979	1 365 438	5 028 954
Depreciation & asset impairment	21 015 920	7 490 184	28 506 104	21 933 091	(6 573 013)	19 455 351
Finance charges	2 817 565	166 759	2 984 324	2 876 497	(107 827)	2 823 727
Materials and bulk purchases	37 947 633	8 123 867	46 071 500	25 599 340	(20 472 160)	32 542 610
Contracted services	23 678 246	3 809 858	27 488 104	20 205 894	(7 282 211)	22 477 189
Transfers and grants	-	300 000	300 000	-	(300 000)	210 000
Other expenditure	30 617 631	571 213	31 188 844	30 039 464	(1 149 380)	31 944 692
Loss on disposal of PPE	-	-	-	2 454 595	2 454 595	158 050
<b>Total Expenditure</b>	<b>220 144 948</b>	<b>19 815 196</b>	<b>239 960 144</b>	<b>202 440 671</b>	<b>(37 519 472)</b>	<b>197 342 902</b>
<b>Surplus/(Deficit)</b>	<b>(14 242 923)</b>	<b>(5 131 412)</b>	<b>(19 374 335)</b>	<b>27 649 144</b>	<b>47 023 479</b>	<b>20 032 740</b>
Transfers recognised - capital	42 159 250	-	42 159 250	33 606 115	(8 553 135)	33 683 561
<b>Surplus/(Deficit) for the year</b>	<b>27 916 327</b>	<b>(5 131 412)</b>	<b>22 784 915</b>	<b>61 255 260</b>	<b>38 470 344</b>	<b>53 716 301</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	79 627 461	(12 920 669)	66 706 792	45 981 271	(20 725 520)	42 070 955
Transfers recognised - capital	42 159 250	-	42 159 250	33 606 115	(8 553 135)	33 683 561
Internally generated funds	37 468 211	(12 920 669)	24 547 542	12 375 156	(12 172 386)	8 387 394
<b>Total sources of capital funds</b>	79 627 461	(12 920 669)	66 706 792	45 981 271	(20 725 520)	42 070 955
<b>Cash flows</b>						
Net cash from (used) operating	51 465 491	(9 580 733)	41 884 758	87 767 707	45 882 949	74 808 913
Net cash from (used) investing	(79 627 461)	12 920 669	(66 706 792)	(45 981 271)	20 725 520	(41 833 043)
Net cash from (used) financing	(757 033)	1 191	(755 842)	(695 728)	60 114	(724 009)
Net Cash Movement for the year	(28 919 003)	3 341 127	(25 577 876)	41 090 707	66 668 583	32 251 861
Cash/cash equivalents at beginning of year	210 029 050	43 140 280	253 169 330	253 169 330	-	220 917 468
<b>Cash/cash equivalents at the year end</b>	<b>181 110 047</b>	<b>46 481 407</b>	<b>227 591 454</b>	<b>294 260 037</b>	<b>66 668 583</b>	<b>253 169 330</b>

Refer to Appendix F for more detail relating to the National Treasury Appropriation Statements

# SENQU LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2018

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2017 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2018 R
<b><u>ANNUITY LOANS</u></b>						
DBSA loan	103126/1	Floating	2029	7 898 252	631 860	7 266 392
DBSA loan	103126/2	Fixed	2030	4 129 502	195 524	3 933 978
<b>Total Annuity Loans</b>				<b>7 898 252</b>	<b>631 860</b>	<b>7 266 392</b>
<b>Total Borrowings</b>				<b>7 898 252</b>	<b>631 860</b>	<b>7 266 392</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2018

	Cost/Revaluation					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions (Includes WIP) R	Total Revaluation R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals/ Revaluation R	Closing Balance R	
Executive & Council	4 625 048	1 265 642	-	(1 359 022)	4 531 669	2 579 422	621 817	(852 637)	2 348 603	2 183 066
Planning & Development	3 941 582	62 246	-	(16 194)	3 987 633	1 408 237	689 088	(10 861)	2 086 464	1 901 169
Corporate Services	113 207 090	4 002 403	25 770 998	(1 586 968)	141 393 524	1 330 120	913 752	(12 769)	2 231 103	139 162 421
Budget & Treasury	9 149 641	494 821	-	(346 252)	9 298 211	4 662 476	1 180 564	(282 113)	5 560 927	3 737 283
Road Transport	251 221 350	27 723 512	-	(351 052)	278 593 810	90 491 886	10 692 741	(289 481)	100 895 146	177 698 663
Community & Social Services	32 948 988	1 338 846	-	(365)	34 287 468	2 210 811	1 026 000	(364)	3 236 448	31 051 021
Sport & Recreation	16 997 773	1 001 124	-	-	17 998 896	779 982	551 141	-	1 331 123	16 667 773
Public Safety	1 364 348	594 273	-	(14 945)	1 943 676	343 451	143 838	(7 658)	479 630	1 464 046
Electricity	32 555 895	6 404 484	-	(342 805)	38 617 574	5 418 481	1 417 721	(107 285)	6 728 917	31 888 657
Waste Management	12 181 121	3 093 921	-	(1 790)	15 273 252	4 785 788	910 145	(1 631)	5 694 302	9 578 950
<b>Total</b>	<b>478 192 837</b>	<b>45 981 271</b>	<b>25 770 998</b>	<b>(4 019 394)</b>	<b>545 925 713</b>	<b>114 010 656</b>	<b>18 146 806</b>	<b>(1 564 799)</b>	<b>130 592 663</b>	<b>415 333 050</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

VOTE	30 JUNE 2018			30 JUNE 2017		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Executive & Council	6 947 591	24 781 336	(17 833 745)	6 484 849	25 117 317	(18 632 468)
Planning & Development	6 327 476	16 285 675	(9 958 200)	1 890 612	15 135 460	(13 244 849)
Corporate Services	5 385 387	29 912 385	(24 526 999)	2 241 659	25 371 094	(23 129 436)
Budget & Treasury	104 884 229	26 588 645	78 295 584	99 717 953	23 237 364	76 480 589
Road Transport	34 067 605	21 588 673	12 478 932	39 224 034	22 781 206	16 442 828
Waste Water Management	-	3 552 793	(3 552 793)	-	2 369 966	(2 369 966)
Community & Social Services	1 648 017	9 447 348	(7 799 330)	1 587 987	7 853 309	(6 265 321)
Sport & Recreation	288	1 843 959	(1 843 672)	2 233	1 420 287	(1 418 054)
Public Safety	1 232 221	7 654 023	(6 421 802)	551 925	7 373 295	(6 821 370)
Electricity	66 916 406	39 325 726	27 590 680	64 968 860	46 285 043	18 683 817
Waste Management	36 286 712	21 460 108	14 826 604	34 389 092	20 398 561	13 990 531
<b>Total</b>	<b>263 695 931</b>	<b>202 440 671</b>	<b>61 255 260</b>	<b>251 059 203</b>	<b>197 342 902</b>	<b>53 716 301</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

Refer to Note 44.1 for disclosure of Unauthorised expenditure

	ACTUAL R	BUDGET R	VARIANCE R
<b>OPERATING EXPENDITURE</b>			
Executive & Council	24 781 336	30 078 503	(5 297 168)
Planning & Development	16 285 675	18 370 503	(2 084 828)
Corporate Services	29 912 385	39 625 370	(9 712 985)
Budget & Treasury	26 588 645	30 528 113	(3 939 468)
Road Transport	21 588 673	26 477 926	(4 889 253)
Waste Water Management	3 552 793	3 599 511	(46 718)
Community & Social Services	9 447 348	9 484 446	(37 099)
Sport & Recreation	1 843 959	1 849 495	(5 535)
Public Safety	7 654 023	8 325 733	(671 710)
Electricity	39 325 726	48 243 919	(8 918 193)
Waste Management	21 460 108	23 376 623	(1 916 516)
<b>Total</b>	<b>202 440 671</b>	<b>239 960 144</b>	<b>(37 519 472)</b>
<b>CAPITAL EXPENDITURE</b>			
Executive & Council	1 265 642	1 460 600	(194 958)
Planning & Development	62 246	116 600	(54 354)
Corporate Services	4 002 403	6 230 400	(2 227 997)
Road Transport	27 723 512	32 033 343	(4 309 831)
Community & Social Services	1 338 846	3 035 841	(1 696 995)
Sport & Recreation	1 001 124	2 644 177	(1 643 054)
Public Safety	594 273	1 183 040	(588 767)
Electricity	6 404 484	7 572 700	(1 168 216)
Waste Management	3 093 921	11 318 890	(8 224 969)
<b>Total</b>	<b>45 981 271</b>	<b>66 706 792</b>	<b>(20 725 520)</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX E (UNAUDITED)

### DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

	OPENING BALANCE	GRANTS RECEIVED	INTEREST ON INVESTMENTS	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	132 828 000	-	132 828 000	-	-
Municipal Finance Management	-	1 700 000	-	1 700 000	-	-
Municipal Infrastructure Grant	-	39 115 000	-	6 250 381	29 836 716	3 027 904
NDPG (Neighbourhood Development Partnership Grant)	2 010 056	-	-	-	-	2 010 056
Integrated National Electrification Grant	-	5 000 000	-	552 894	3 769 399	677 707
EPWP (Expanded Public Works Program)	-	1 536 000	-	1 536 000	-	-
<b>Total</b>	<b>2 010 056</b>	<b>180 179 000</b>	<b>-</b>	<b>142 867 274</b>	<b>33 606 115</b>	<b>5 715 667</b>
<b>PROVINCIAL GOVERNMENT</b>						
Prov Gov - Housing (Hillside)	232 652	-	-	-	-	232 652
Herschel People's Housing Libraries	9 445 749	-	525 022	-	-	9 970 771
	-	1 500 000	-	1 500 000	-	-
<b>Total</b>	<b>9 678 402</b>	<b>1 500 000</b>	<b>525 022</b>	<b>1 500 000</b>	<b>-</b>	<b>10 203 424</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>11 688 458</b>	<b>181 679 000</b>	<b>525 022</b>	<b>144 367 274</b>	<b>33 606 115</b>	<b>15 919 090</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
<b>REVENUE</b>						
<b>Governance and administration</b>	<b>106 289 629</b>	<b>6 389 149</b>	<b>112 678 778</b>	<b>117 075 805</b>	<b>4 397 027</b>	<b>108 206 467</b>
Executive and council	6 675 000	-	6 675 000	6 947 591	272 591	6 484 849
Finance and administration	99 614 629	6 389 149	106 003 778	110 128 214	4 124 436	101 721 618
Internal audit	-	-	-	-	-	-
<b>Community and public safety</b>	<b>6 067 520</b>	<b>(4 361 420)</b>	<b>1 706 100</b>	<b>5 570 296</b>	<b>3 864 196</b>	<b>4 848 601</b>
Community and social services	1 590 100	33 500	1 623 600	1 645 487	21 887	1 575 851
Sport and recreation	-	-	-	288	288	2 233
Public safety	4 477 420	(4 394 920)	82 500	3 924 521	3 842 021	3 270 518
Housing	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>43 959 640</b>	<b>(1 003 840)</b>	<b>42 955 800</b>	<b>37 844 182</b>	<b>(5 111 618)</b>	<b>38 625 983</b>
Planning and development	2 203 790	(115 040)	2 088 750	6 468 877	4 380 127	2 120 542
Road transport	41 755 850	(888 800)	40 867 050	31 375 305	(9 491 745)	36 505 442
<b>Trading services</b>	<b>91 733 886</b>	<b>13 667 895</b>	<b>105 401 781</b>	<b>103 203 118</b>	<b>(2 198 663)</b>	<b>99 357 952</b>
Energy sources	62 996 407	7 208 774	70 205 181	66 916 406	(3 288 775)	64 968 860
Waste management	28 737 479	6 459 121	35 196 600	36 286 712	1 090 112	34 389 092
<b>Other</b>	<b>10 600</b>	<b>(8 000)</b>	<b>2 600</b>	<b>2 530</b>	<b>-</b>	<b>20 200</b>
<b>Total Revenue - Standard</b>	<b>248 061 275</b>	<b>14 683 784</b>	<b>262 745 059</b>	<b>263 695 931</b>	<b>950 942</b>	<b>251 059 203</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>EXPENDITURE</b>						
<b>Governance and administration</b>	<b>94 108 191</b>	<b>7 145 299</b>	<b>101 253 490</b>	<b>82 121 710</b>	<b>(19 131 780)</b>	<b>74 452 369</b>
Executive and council	27 084 749	603 837	27 688 586	23 130 271	(4 558 315)	23 496 471
Finance and administration	64 300 423	6 874 563	71 174 986	57 340 375	(13 834 612)	49 335 052
Internal audit	2 723 019	(333 102)	2 389 917	1 651 064	(738 853)	1 620 846
<b>Community and public safety</b>	<b>19 585 292</b>	<b>(612 402)</b>	<b>18 972 890</b>	<b>19 731 388</b>	<b>758 499</b>	<b>17 635 316</b>
Community and social services	7 912 230	885 432	8 797 662	8 824 230	26 568	7 311 044
Sport and recreation	1 551 727	297 768	1 849 495	1 843 959	(5 535)	1 420 287
Public safety	10 121 335	(1 795 602)	8 325 733	9 063 199	737 466	8 903 985
Housing	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>41 574 792</b>	<b>1 180 546</b>	<b>42 755 338</b>	<b>34 760 159</b>	<b>(7 995 179)</b>	<b>34 735 971</b>
Planning and development	15 642 231	484 681	16 126 912	14 422 961	(1 703 951)	13 353 951
Road transport	25 750 199	727 727	26 477 926	20 179 497	(6 298 429)	21 250 515
Environmental protection	182 362	(31 861)	150 501	157 702	7 201	131 504
<b>Trading services</b>	<b>63 026 280</b>	<b>12 193 773</b>	<b>75 220 053</b>	<b>64 338 627</b>	<b>(10 881 427)</b>	<b>69 053 571</b>
Energy sources	42 501 667	5 742 252	48 243 919	39 325 726	(8 918 193)	46 285 043
Waste water management	2 336 506	1 263 005	3 599 511	3 552 793	(46 718)	2 369 966
Waste management	18 188 107	5 188 516	23 376 623	21 460 108	(1 916 516)	20 398 561
<b>Other</b>	<b>1 850 393</b>	<b>(92 021)</b>	<b>1 758 372</b>	<b>1 488 787</b>	<b>(269 586)</b>	<b>1 465 676</b>
<b>Total Expenditure - Standard</b>	<b>220 144 948</b>	<b>19 815 196</b>	<b>239 960 144</b>	<b>202 440 671</b>	<b>(37 519 472)</b>	<b>197 342 902</b>
<b>Surplus/(Deficit) for the year</b>	<b>27 916 327</b>	<b>(5 131 412)</b>	<b>22 784 915</b>	<b>61 255 260</b>	<b>38 470 414</b>	<b>53 716 301</b>



# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
<b>REVENUE</b>						
Executive & Council	6 675 000	-	6 675 000	6 947 591	272 591	6 484 849
Planning & Development	1 991 790	16 960	2 008 750	6 327 476	4 318 726	1 890 612
Corporate Services	432 952	4 994 048	5 427 000	5 385 387	(41 613)	2 241 659
Budget & Treasury	99 393 677	1 263 101	100 656 778	104 884 229	4 227 451	99 717 953
Road Transport	41 755 850	(888 800)	40 867 050	34 067 605	(6 799 445)	39 224 034
Community & Social Services	1 600 700	25 500	1 626 200	1 648 017	21 817	1 587 987
Sport & Recreation	-	-	-	288	288	2 233
Public Safety	4 477 420	(4 394 920)	82 500	1 232 221	1 149 721	551 925
Electricity	62 996 407	7 208 774	70 205 181	66 916 406	(3 288 775)	64 968 860
Waste Management	28 737 479	6 459 121	35 196 600	36 286 712	1 090 112	34 389 092
<b>Total Revenue by Vote</b>	<b>248 061 275</b>	<b>14 683 784</b>	<b>262 745 059</b>	<b>263 695 931</b>	<b>950 872</b>	<b>251 059 203</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>EXPENDITURE</b>						
Executive & Council	29 807 768	270 735	30 078 503	24 781 336	(5 297 168)	25 117 317
Planning & Development	17 972 922	397 581	18 370 503	16 285 675	(2 084 828)	15 135 460
Corporate Services	33 320 633	6 304 737	39 625 370	29 912 385	(9 712 985)	25 371 094
Budget & Treasury	29 927 551	600 562	30 528 113	26 588 645	(3 939 468)	23 237 364
Road Transport	25 750 199	727 727	26 477 926	21 588 673	(4 889 253)	22 781 206
Waste Water Management	2 336 506	1 263 005	3 599 511	3 552 793	(46 718)	2 369 966
Community & Social Services	8 666 533	817 913	9 484 446	9 447 348	(37 099)	7 853 309
Sport & Recreation	1 551 727	297 768	1 849 495	1 843 959	(5 535)	1 420 287
Public Safety	10 121 335	(1 795 602)	8 325 733	7 654 023	(671 710)	7 373 295
Electricity	42 501 667	5 742 252	48 243 919	39 325 726	(8 918 193)	46 285 043
Waste Management	18 188 107	5 188 516	23 376 623	21 460 108	(1 916 516)	20 398 561
Other	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>220 144 948</b>	<b>19 815 196</b>	<b>239 960 144</b>	<b>202 440 671</b>	<b>(37 519 472)</b>	<b>197 342 902</b>
<b>Surplus/(Deficit) for the year</b>	<b>27 916 327</b>	<b>(5 131 412)</b>	<b>22 784 915</b>	<b>61 255 260</b>	<b>38 470 344</b>	<b>53 716 301</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
<b>REVENUE BY SOURCE</b>						
Property rates	7 685 517	1	7 685 518	5 996 567	(1 688 951)	5 192 247
Service charges	35 141 666	12 318 915	47 460 581	41 980 287	(5 480 294)	43 176 649
Rental of facilities and equipment	429 300	(339 400)	89 900	1 234 403	1 144 503	503 341
Interest earned - external investments	13 780 000	1 220 000	15 000 000	20 576 605	5 576 605	18 020 973
Interest earned - outstanding debtors	1 579 400	520 600	2 100 000	3 204 240	1 104 240	2 905 827
Fines, penalties and forfeits	515 520	(461 520)	54 000	410 879	356 879	158 694
Licences and permits	1 531 700	(475 800)	1 055 900	1 295 286	239 386	1 108 892
Agency services	795 000	-	795 000	975 474	180 474	1 137 797
Transfers and Subsidies - Operating	139 519 750	-	139 519 750	144 367 274	4 847 524	140 468 439
Other revenue	4 924 172	1 900 988	6 825 160	10 048 799	3 223 639	4 702 785
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>205 902 025</b>	<b>14 683 784</b>	<b>220 585 809</b>	<b>230 089 816</b>	<b>9 504 007</b>	<b>217 375 643</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	85 657 164	(100 920)	85 556 244	81 279 734	(4 276 510)	71 966 723
Remuneration of councillors	13 428 248	(545 766)	12 882 482	11 704 078	(1 178 404)	10 735 607
Debt impairment	4 982 541	-	4 982 541	6 347 979	1 365 438	5 028 954
Depreciation & asset impairment	21 015 920	7 490 184	28 506 104	21 933 091	(6 573 013)	19 455 351
Finance charges	2 817 565	166 759	2 984 324	2 876 497	(107 827)	2 823 727
Bulk purchases	30 103 455	3 227 426	33 330 881	25 599 340	(7 731 541)	32 542 610
Other materials	7 844 178	4 896 441	12 740 619	-	(12 740 619)	-
Contracted services	23 678 246	3 809 858	27 488 104	20 205 894	(7 282 211)	22 477 189
Transfers and subsidies	-	300 000	300 000	-	(300 000)	210 000
Other expenditure	30 617 631	571 213	31 188 844	30 039 464	(1 149 380)	31 944 695
Loss on disposal of PPE	-	-	-	2 454 595	2 454 595	158 050
<b>Total Expenditure</b>	<b>220 144 948</b>	<b>19 815 196</b>	<b>239 960 144</b>	<b>202 440 671</b>	<b>(37 519 472)</b>	<b>197 342 905</b>
<b>Surplus/(Deficit)</b>	<b>(14 242 923)</b>	<b>(5 131 412)</b>	<b>(19 374 335)</b>	<b>27 649 144</b>	<b>47 023 479</b>	<b>20 032 737</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	42 159 250	-	42 159 250	33 606 115	(8 553 135)	33 683 561
<b>Surplus/(Deficit) for the year</b>	<b>27 916 327</b>	<b>(5 131 412)</b>	<b>22 784 915</b>	<b>61 255 260</b>	<b>38 470 344</b>	<b>53 716 298</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>CAPITAL EXPENDITURE (VOTE)</b>						
<b>Multi-year expenditure</b>						
Corporate Services	7 600 000	(1 500 000)	6 100 000	2 792 821	(3 307 179)	-
Road Transport	29 920 598	(1 392 255)	28 528 343	23 747 916	(4 780 427)	12 644 774
Community & Social Services	2 650 000	(1 200 000)	1 450 000	1 547 719	97 719	45 060
Sport & Recreation	500 000	894 177	1 394 177	773 509	(620 668)	6 941 820
Public Safety	800 000	(800 000)	-	-	-	-
Electricity	7 000 000	317 800	7 317 800	-	(7 317 800)	3 884 152
Waste Management	15 600 000	(5 146 110)	10 453 890	3 018 328	(7 435 562)	340 295
<b>Total Multi-year expenditure</b>	<b>64 070 598</b>	<b>(8 826 388)</b>	<b>55 244 210</b>	<b>31 880 293</b>	<b>(23 363 917)</b>	<b>23 856 100</b>
<b>Single-year expenditure</b>						
Executive & Council	1 820 600	(360 000)	1 460 600	1 286 230	(174 370)	95 353
Planning & Development	150 600	(34 000)	116 600	71 069	(45 531)	1 420 152
Corporate Services	95 900	34 500	130 400	1 209 582.15	1 079 182	2 185 432
Budget & Treasury	1 516 200	(405 000)	1 111 200	465 410	(645 790)	1 352 420
Road Transport	3 095 700	409 300	3 505 000	3 975 595.18	470 595	8 069 622
Community & Social Services	-	1 585 841	1 585 841	456 308.27	(1 129 533)	438 466
Sport & Recreation	900 000	350 000	1 250 000	-	(1 250 000)	1 212 966
Public Safety	2 699 503	(1 516 463)	1 183 040	156 706	(1 026 334)	131 325
Electricity	138 360	116 540	254 900	6 404 484	6 149 584	3 055 757
Waste Management	5 140 000	(4 275 000)	865 000	75 593.16	(789 407)	6 316
<b>Total Single-year expenditure</b>	<b>15 556 863</b>	<b>(4 094 282)</b>	<b>11 462 581</b>	<b>14 100 978</b>	<b>2 638 397</b>	<b>17 967 809</b>
<b>Total Capital Expenditure by Vote</b>	<b>79 627 461</b>	<b>(12 920 669)</b>	<b>66 706 792</b>	<b>45 981 271</b>	<b>(20 725 520)</b>	<b>41 823 909</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>	<b>11 032 700</b>	<b>(2 230 500)</b>	<b>8 802 200</b>	<b>5 754 043</b>	<b>(3 048 157)</b>	<b>3 633 205</b>
Executive and council	1 780 600	(340 000)	1 440 600	1 286 230	(154 370)	95 353
Finance and administration	9 212 100	(1 870 500)	7 341 600	4 467 813	(2 873 787)	3 537 852
Internal audit	40 000	(20 000)	20 000	-	(20 000)	-
<b>Community and public safety</b>	<b>7 549 503</b>	<b>(686 445)</b>	<b>6 863 058</b>	<b>2 496 676</b>	<b>(4 366 383)</b>	<b>8 769 636</b>
Community and social services	2 650 000	385 841	3 035 841	1 338 846	(1 696 995)	483 526
Sport and recreation	1 400 000	1 244 177	2 644 177	1 001 124	(1 643 054)	8 154 785
Public safety	3 499 503	(2 316 463)	1 183 040	156 706	(1 026 334)	131 325
<b>Economic and environmental services</b>	<b>33 166 898</b>	<b>(1 016 955)</b>	<b>32 149 943</b>	<b>28 232 147</b>	<b>(3 917 796)</b>	<b>22 134 549</b>
Planning and development	150 600	(34 000)	116 600	71 069	(45 531)	1 420 152
Road transport	33 016 298	(982 955)	32 033 343	28 161 078	(3 872 265)	20 714 396
<b>Trading services</b>	<b>27 878 360</b>	<b>(8 986 770)</b>	<b>18 891 590</b>	<b>9 498 405</b>	<b>(9 393 185)</b>	<b>7 286 519</b>
Energy sources	7 138 360	434 340	7 572 700	6 404 484	(1 168 216)	6 939 909
Waste management	20 740 000	(9 421 110)	11 318 890	3 093 921	(8 224 969)	346 611
<b>Total Capital Expenditure - Standard</b>	<b>79 627 461</b>	<b>(12 920 669)</b>	<b>66 706 792</b>	<b>45 981 271</b>	<b>(20 725 520)</b>	<b>41 823 909</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b>						
National Government	42 159 250	-	42 159 250	33 606 115	(8 553 135)	33 683 561
<b>Transfers recognised - capital</b>	<b>42 159 250</b>	<b>-</b>	<b>42 159 250</b>	<b>33 606 115</b>	<b>(8 553 135)</b>	<b>33 683 561</b>
Internally generated funds	37 468 211	(12 920 669)	24 547 542	12 375 156	(12 172 386)	8 140 348
<b>Total Capital Funding</b>	<b>79 627 461</b>	<b>(12 920 669)</b>	<b>66 706 792</b>	<b>45 981 271</b>	<b>(20 725 520)</b>	<b>41 823 909</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### CASH FLOWS

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates	6 659 844	257 123	6 916 966	4 658 170	(2 258 796)	3 870 789
Service charges	30 451 823	12 792 500	43 244 323	33 428 182	(9 816 141)	39 436 228
Other revenue	8 138 400	(2 666 430)	5 471 970	14 180 543	8 708 573	5 396 394
Government - operating	139 519 750	-	139 519 750	140 044 772	525 022	139 804 566
Government - capital	42 159 250	-	42 159 250	42 159 250	-	34 891 600
Interest	15 148 621	(148 621)	15 000 000	20 576 605	5 576 605	18 020 973
<b>Payments</b>						
Suppliers and employees	(187 794 631)	(19 348 547)	(207 143 177)	(166 241 471)	40 901 706	(165 255 434)
Finance charges	(2 817 565)	(166 759)	(2 984 324)	(1 038 344)	1 945 980	(1 146 204)
Transfers and Grants	-	(300 000)	(300 000)	-	300 000	(210 000)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>51 465 491</b>	<b>(9 580 733)</b>	<b>41 884 758</b>	<b>87 767 707</b>	<b>45 882 949</b>	<b>74 808 913</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	-	-	-	-	237 912
<b>Payments</b>						
Capital assets	(79 627 461)	12 920 669	(66 706 792)	(45 981 271)	20 725 520	(42 070 955)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(79 627 461)</b>	<b>12 920 669</b>	<b>(66 706 792)</b>	<b>(45 981 271)</b>	<b>20 725 520</b>	<b>(41 833 043)</b>



# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### CASH FLOWS

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Increase (decrease) in consumer deposits	70 433	1 191	71 624	131 655	60 031	90 898
<b>Payments</b>						
Repayment of borrowing	(827 466)	-	(827 466)	(827 384)	82	(814 907)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(757 033)</b>	<b>1 191</b>	<b>(755 842)</b>	<b>(695 728)</b>	<b>60 114</b>	<b>(724 009)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(28 919 003)</b>	<b>3 341 127</b>	<b>(25 577 876)</b>	<b>41 090 707</b>	<b>66 668 583</b>	<b>32 251 861</b>
Cash/cash equivalents at the year begin:	210 029 050	43 140 280	253 169 330	253 169 330	-	220 917 468
Cash/cash equivalents at the year end:	181 110 047	46 481 407	227 591 454	294 260 038	66 668 584	253 169 330