



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Senqu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Senqu Municipality includes the following areas:

Lady Grey
Barkly East
Sterkspruit
Rhodes
Herschel
Rossouw

MEMBERS OF THE EXECUTIVE COMMITTEE

NY Mtyali
MW Mpelwane
GN Mbonzana
NM Kwinana
MJ Sereba
M Mafiliika
J Constable

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

REGISTERED OFFICE

P.O. Box 18
Lady Grey
9755

AUDITORS

Auditor-General
P O Box 13252
East London

PRINCIPLE BANKERS

Standard Bank

ATTORNEYS

Le Roux Attorneys
101 Cape Road
Port Elizabeth

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SENQU MUNICIPALITY

MEMBERS OF THE SENQU MUNICIPALITY

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

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 94 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 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

M M Yawa
Municipal Manager

Date

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		369 902 857	313 416 953
Revaluation Reserve	2	2 058 390	1 609 934
Accumulated Surplus	2	367 844 466	311 807 019
Non-Current Liabilities		28 474 505	28 187 065
Long-term Liabilities	3	13 645 472	14 439 371
Employee benefits	4	11 112 914	10 220 582
Non-Current Provisions	5	3 716 119	3 527 111
Current Liabilities		29 433 533	36 688 606
Consumer Deposits	6	1 118 521	949 266
Current Employee benefits	7	6 290 305	5 476 669
Payables from exchange transactions	8	9 927 462	1 644 785
Unspent Conditional Government Grants and Receipts	9	11 300 729	27 825 349
Operating Lease Liability	19.1	4 743	1 340
Current Portion of Long-term Liabilities	3	791 775	791 198
Total Net Assets and Liabilities		427 810 895	378 292 623
ASSETS			
Non-Current Assets		246 747 548	207 364 122
Property, Plant and Equipment	11	236 764 090	197 234 114
Capitalised Restoration Cost	12	1 159 953	1 285 328
Investment Property	14	8 663 500	8 663 500
Intangible Assets	15	160 005	181 180
Non-Current Assets Held for Sale	13	1 557	1 787
Current Assets		181 061 789	170 926 715
Inventory	16	1 606 271	1 308 418
Receivables from exchange transactions	17	8 226 138	12 933 034
Receivables from non-exchange transactions	18	1 544 824	838 937
Unpaid Conditional Government Grants and Receipts	9	986 071	-
Operating Lease Asset	19.2	92 454	83 370
Taxes	10	5 616 076	1 510 022
Cash and Cash Equivalents	20	162 989 955	154 252 933
Total Assets		427 810 895	378 292 623

SENQU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013	2013
			Restated - Note 35 and Note 36	Previously Reported
Notes	R	R	R	R
REVENUE				
Revenue from Non-exchange Transactions		152 758 100	130 328 670	130 328 670
Taxation Revenue		4 492 262	4 311 689	4 311 689
Property taxes	21	4 492 262	4 311 689	4 311 689
Transfer Revenue		147 213 069	123 760 561	123 760 561
Government Grants and Subsidies - Capital	22	35 686 172	20 143 049	20 143 049
Government Grants and Subsidies - Operating	22	111 526 897	103 398 274	103 398 274
Contributed Assets		-	219 238	219 238
Other Revenue		1 052 770	2 256 420	2 256 420
Actuarial Gains		719 302	2 079 250	2 079 250
Fines		34 000	65 462	65 462
Third Party Payments		295 374	111 708	111 708
Reversal of Impairment		4 094	-	-
Revenue from Exchange Transactions		41 288 815	41 388 592	41 062 168
Service Charges	23	26 051 651	25 267 381	25 267 381
Rental of Facilities and Equipment		500 938	423 707	423 707
Interest Earned - external investments		8 881 444	7 476 031	7 476 031
Interest Earned - outstanding debtors		1 544 494	1 092 245	1 092 245
Licences and Permits		1 548 437	1 749 913	1 749 913
Agency Services		1 956 462	1 618 737	1 618 737
Other Income	24	805 390	1 194 973	1 194 973
Transfer of Functions - Water and Sanitation	35	-	2 565 605	2 239 181
Total Revenue		194 046 915	171 717 262	171 390 838
EXPENDITURE				
Employee Related Costs	25	48 400 117	40 017 604	40 017 604
Remuneration of Councillors	26	9 580 309	8 858 218	8 858 218
Debt Impairment	27	5 092 904	5 093 346	5 093 346
Depreciation and Amortisation	28	11 766 313	12 918 558	12 914 217
Impairment		-	10 595	522 382
Repairs and Maintenance	29	3 758 247	2 554 473	2 554 473
Actuarial losses	4	133 513	-	-
Finance Charges	30	1 280 551	1 298 768	1 147 102
Bulk Purchases	31	19 424 456	19 167 363	19 167 363
Grants and Subsidies Paid	32	110 773	333 000	333 000
Other Operating Grant Expenditure	33	12 224 561	15 231 233	15 231 233
General Expenses	34	24 312 019	21 953 645	21 953 645
Loss on disposal of PPE/Investment Property	11	1 925 704	1 092 310	992 665
Total Expenditure		138 009 468	128 529 112	128 785 247
NET SURPLUS FOR THE YEAR		56 037 447	43 188 150	42 605 591

SENQU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 30 JUNE 2012	1 226 989	274 024 347	275 251 336
Correction of error - Note - 36.09	-	(5 405 478)	(5 405 478)
Restated Balance at 1 JULY 2012	1 226 989	268 618 869	269 845 858
Net Surplus/(Deficit) for the year	-	43 188 150	43 188 150
Revaluation on Land and Buildings - Restated	382 945	-	382 945
Balance at 30 JUNE 2013	1 609 934	311 807 019	313 416 953
Net Surplus/(Deficit) for the year	-	56 037 447	56 037 447
Revaluation on Land and Buildings	448 457	-	448 457
Balance at 30 JUNE 2014	2 058 390	367 844 466	369 902 857

SENQU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		33 317 817	35 066 252
Government		134 304 377	134 390 321
Interest		8 881 444	7 476 031
Payments			
Suppliers		(67 043 144)	(71 165 824)
Employees		(46 108 360)	(37 962 263)
Finance charges		(1 280 551)	(1 298 768)
Transfers and Grants		(110 773)	(333 000)
Cash generated by operations	37	61 960 809	66 172 749
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(52 671 029)	(37 641 212)
Proceeds on Disposal of Fixed Assets		127 662	236 209
Purchase of Intangible Assets		(56 351)	(24 049)
Net Cash from Investing Activities		(52 599 719)	(37 429 052)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(793 324)	(804 570)
Increase in Consumer Deposits		169 255	416 509
Net Cash from Financing Activities		(624 069)	(388 061)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8 737 022	28 355 635
Cash and Cash Equivalents at the beginning of the year		154 252 933	125 897 298
Cash and Cash Equivalents at the end of the year	38	162 989 955	154 252 933
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8 737 022	28 355 635

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
ASSETS				
Current assets				
Cash	1 198 464	1 177 231	21 234	2%
Call investment deposits	161 791 490	104 270 736	57 520 755	55% Effect of under expenditure on grants
Consumer debtors	8 902 265	14 064 063	(5 161 798)	Effect of the transfer of Water and Sanitation function to Joe Gqabi District Municipality (Water Services Authority)
Other Receivables	7 563 298	2 322 812	5 240 486	-37% Authority)
Inventory	1 606 271	4 009 561	(2 403 290)	226% Decreased to a more realistic amount comparing to the 2013 financial statements
Total current assets	181 061 789	125 844 402	55 217 387	-60% Restatement on Inventory-Land held for sale not budgeted for
Non current assets				
Investment property	8 663 500	10 262 000	(1 598 500)	-16% Restatement on Investment Properties not budgeted for
Property, plant and equipment	237 925 599	256 198 802	(18 273 202)	-7% Projects budgeted for not completed
Intangible Assets	160 005	181 180	(21 175)	-12%
Total non current assets	246 749 104	266 641 982	(19 892 877)	
TOTAL ASSETS	427 810 894	392 486 384	35 324 509	
LIABILITIES				
Current liabilities				
Borrowing	791 775	827 151	(35 377)	-4%
Consumer deposits	1 118 521	1 024 043	94 477	9%
Trade and other payables	21 232 934	1 836 834	19 396 100	1056% Unspent Grants, Retentions and Over payment of NDPG not budgeted for
Provisions and Employee Benefits	6 290 305	5 478 009	812 295	15% Decreased to a more realistic amount comparing to the 2013 financial statements
Total current liabilities	29 433 533	9 166 038	20 267 495	
Non current liabilities				
Borrowing	13 645 472	13 612 220	33 252	0%
Provisions and Employee Benefits	14 829 033	18 327 768	(3 498 735)	-19% Recalculation of Landfill site provision according to IGrp 2
Total non current liabilities	28 474 505	31 939 988	(3 465 483)	
TOTAL LIABILITIES	57 908 038	41 106 026	16 802 013	
NET ASSETS	369 902 855	351 380 359	18 522 497	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	250 688 532	235 172 839	15 515 693	7% Appropriation to reserves
Reserves	119 214 324	116 207 519	3 006 805	3% Increase in Employee Benefits
TOTAL COMMUNITY WEALTH/EQUITY	369 902 855	351 380 359	18 522 497	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments (10% of line-item with a minimum of R1m)
ASSETS				
Current assets				
Cash	500 000	677 231	1 177 231	58% Increased to a more realistic amount comparing to the 2013 financial statements
Call investment deposits	78 345 998	25 924 737	104 270 736	25% Increased to a more realistic amount comparing to the 2013 financial statements
Consumer debtors	11 866 668	2 197 395	14 064 063	16% Increased to a more realistic amount comparing to the 2013 financial statements
Other Receivables	7 329 806	(5 006 994)	2 322 812	-216% Decreased to a more realistic amount comparing to the 2013 financial statements
Inventory	5 040 532	(1 030 971)	4 009 561	-26% Decreased to a more realistic amount comparing to the 2013 financial statements
Total current assets	<u>103 083 004</u>	<u>22 761 398</u>	<u>125 844 402</u>	
Non current assets				
Investment property	12 548 500	(2 286 500)	10 262 000	-22% Decreased to restated amount on Investment Properties in the 2013 financial statements
Property, plant and equipment	260 798 065	(4 599 263)	256 198 802	-2% Decreased to a more realistic amount comparing to the 2013 financial statements
Intangible Assets	214 833	(33 653)	181 180	-19% Decreased to a more realistic amount comparing to the 2013 financial statements
Total non current assets	<u>273 561 398</u>	<u>(6 919 416)</u>	<u>266 641 982</u>	
TOTAL ASSETS	<u>376 644 402</u>	<u>15 841 982</u>	<u>392 486 384</u>	
LIABILITIES				
Current liabilities				
Borrowing	970 963	(143 812)	827 151	-17% Decreased to a more realistic amount comparing to the 2013 financial statements
Consumer deposits	575 377	448 666	1 024 043	44% Increased to a more realistic amount comparing to the 2013 financial statements
Trade and other payables	3 565 278	(1 728 444)	1 836 834	-94% Decreased to a more realistic amount comparing to the 2013 financial statements
Provisions and Employee Benefits	12 424 726	(6 946 717)	5 478 009	-127% Decreased to a more realistic amount comparing to the 2013 financial statements
Total current liabilities	<u>17 536 345</u>	<u>(8 370 307)</u>	<u>9 166 038</u>	
Non current liabilities				
Borrowing	13 367 004	245 216	13 612 220	2% Increased to a more realistic amount comparing to the 2013 financial statements
Provisions and Employee Benefits	18 517 199	(189 431)	18 327 768	-1% Decreased to a more realistic amount comparing to the 2013 financial statements
Total non current liabilities	<u>31 884 203</u>	<u>55 784</u>	<u>31 939 988</u>	
TOTAL LIABILITIES	<u>49 420 548</u>	<u>(8 314 522)</u>	<u>41 106 026</u>	
NET ASSETS	<u>327 223 854</u>	<u>24 156 505</u>	<u>351 380 359</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	246 193 536	(11 020 696)	235 172 839	-5% Increased with appropriation to reserves amount for 2012/2013
Reserves	81 030 318	35 177 201	116 207 519	30% Increase in contribution to reserves
TOTAL COMMUNITY WEALTH/EQUITY	<u>327 223 854</u>	<u>24 156 505</u>	<u>351 380 359</u>	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE				
Property rates	4 492 262	4 297 773	194 489	5%
Service charges	26 051 651	21 880 496	4 171 154	19% Rebates were budgeted as expenditure, but deducted from Service Charges in terms of Grap 9
Rental of facilities and equipment	500 938	277 996	222 943	80% Improved control over municipal assets
Interest earned - external investments	8 881 444	7 000 000	1 881 444	27% Better interest rate
Interest earned - outstanding debtors	1 544 494	843 394	701 100	83% Increase in Consumer Debtors
Fines	34 000	60 000	(26 000)	-43% Received less Fine revenue than expected
Licences and permits	1 548 437	1 140 000	408 437	36% Service Delivery at Traffic Test Station improved
Agency services	1 956 462	2 102 037	(145 575)	-7%
Government Grants and Subsidies - Operating	111 526 897	109 077 150	2 449 747	2% Municipal Infrastructure Grant not spent in the previous financial year
Other revenue	1 824 159	364 642	1 459 518	400% Actuarial Gains and Third Party payments not budgeted for
Total Operating Revenue	158 360 743	147 043 488	11 317 256	
EXPENDITURE BY TYPE				
Employee related costs	48 400 117	49 405 125	(1 005 008)	-2% Late appointments for vacant posts
Remuneration of councillors	9 580 309	9 842 706	(262 397)	-3%
Debt impairment	5 092 904	4 269 726	823 178	19% Increase in Consumer Debtors
Depreciation & asset impairment	11 766 313	15 550 107	(3 783 794)	-24% Restatements on Property, Plant and Equipment not budgeted for
Finance charges	1 280 551	1 638 890	(358 339)	-22% Restatement on Interest on Landfill Site - Recalculated according to IGRAP 2
Bulk purchases	19 424 456	26 677 328	(7 252 872)	-27% Change in electricity purchase tariff resulted in lower electricity purchases
Grants and subsidies paid	110 773	334 000	(223 227)	-67% Paid less than budgeted for
Other expenditure	40 428 341	48 306 362	(7 878 021)	Increase in Operating Grant expenditure and other expenditure to more realistic amounts
Loss on disposal of PPE	1 925 704	-	1 925 704	-16% comparing to 2013 financial statements
Total Operating Expenditure	138 009 468	156 024 245	(18 014 777)	100% Did not predict loss on disposals of assets
Operating Surplus/(Deficit) for the year	20 351 275	(8 980 757)	29 332 032	
Government Grants and Subsidies - Capital	35 686 172	42 089 050	(6 402 878)	-15% Municipal Infrastructure Grant not spent in the previous financial year
Net Surplus for the year	56 037 447	33 108 293	22 929 154	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE				
Property rates	4 611 773	(314 000)	4 297 773	-7% Increase in Revenue foregone for Property rates
Service charges	21 721 496	159 000	21 880 496	1%
Rental of facilities and equipment	277 996	-	277 996	0%
Interest earned - external investments	7 000 000	-	7 000 000	0%
Interest earned - outstanding debtors	843 394	-	843 394	0%
Fines	60 000	-	60 000	0%
Licences and permits	1 140 000	-	1 140 000	0%
Agency services	1 802 037	300 000	2 102 037	14% Increased to more realistic amount comparing to the actuals
Government Grants and Subsidies - Operating	106 932 150	2 145 000	109 077 150	2% Adjustment for Unspent grants in the 2013 financial statements
Other revenue	370 842	(6 200)	364 642	-2%
Total Operating Revenue	144 759 688	2 283 800	147 043 488	
EXPENDITURE BY TYPE				
Employee related costs	57 312 672	(7 907 547)	49 405 125	-16% Decreased to a more realistic amount comparing to the 2013 financial statements
Remuneration of councillors	9 634 726	207 980	9 842 706	2% Increased to a more realistic amount comparing to the 2013 financial statements
Debt impairment	4 269 726	0	4 269 726	0%
Depreciation & asset impairment	15 224 443	325 664	15 550 107	2%
Finance charges	1 638 890	-	1 638 890	0%
Bulk purchases	26 677 328	-	26 677 328	0%
Grants and subsidies paid	334 000	-	334 000	0%
Other expenditure	42 372 820	5 933 542	48 306 362	Increase in Operating Grant expenditure and other expenditure to more realistic amounts 12% comparing to 2013 financial statements
Total Operating Expenditure	157 464 606	-1 440 361	156 024 245	
Operating Surplus/(Deficit) for the year	(12 704 918)	3 724 161	(8 980 757)	
Government Grants and Subsidies - Capital	30 355 350	11 733 700	42 089 050	28% Unspent grants rolled-over
Net Surplus for the year	17 650 432	15 457 861	33 108 293	

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	33 317 817	25 118 282	8 199 535	33% Effect of decrease in debtors
Government	134 304 377	150 553 200	(16 248 823)	-11% Unspent grants for 2012-2013
Interest	8 881 444	7 843 394	1 038 050	13% Better interest rate
Payments				
Suppliers and Employees	(113 151 504)	(159 140 982)	45 989 478	-29% Effect of grants not spent in the financial year
Finance charges	(1 280 551)	(1 638 890)	358 339	-22% Restatement on Interest on Landfill Site - Recalculated according to IGRAP 2
Transfers and Grants	(110 773)	(334 000)	223 227	-67% Paid less than budgeted for
NET CASH FROM/(USED) OPERATING ACTIVITIES	61 960 809	22 401 004	39 559 805	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	127 662	-	127 662	
Payments				
Capital assets	(52 727 380)	(70 489 550)	17 762 170	-25% Capital projects delayed
NET CASH FROM/(USED) INVESTING ACTIVITIES	(52 599 719)	(70 489 550)	17 889 831	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	169 255	74 778	94 477	126% Increased to a more realistic amount comparing to the 2013 financial statements
Payments				
Repayment of borrowing	(793 324)	(791 198)	(2 125)	0%
NET CASH FROM/(USED) FINANCING ACTIVITIES	(624 069)	(716 421)	92 352	
NET INCREASE/(DECREASE) IN CASH HELD	8 737 022	(48 804 967)	57 541 989	
Cash and Cash Equivalents at the beginning of the year	154 252 933	154 252 933	-	0%
Cash and Cash Equivalents at the end of the year	162 989 955	105 447 966	57 541 989	55% Effect of under-expenditure on grants

SENQU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	28 531 487	(3 413 205)	25 118 282	-14% Effect of decrease in debtors Increase in allocations made by National Treasury and effect of Unspent grants for 2012-
Government	137 287 500	13 265 700	150 553 200	9% 13
Interest	7 843 394	-	7 843 394	0%
Payments				
Suppliers and Employees	(137 130 077)	(22 010 905)	(159 140 982)	14% Effect of Unspent grants for 2012-13
Finance charges	(1 638 890)	-	(1 638 890)	0%
Transfers and Grants	(334 000)	-	(334 000)	0%
NET CASH FROM/(USED) OPERATING ACTIVITIES	34 559 414	(12 158 410)	22 401 004	
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments				
Capital assets	(56 480 350)	(14 009 200)	(70 489 550)	20% Additional budget provided for MIG projects
NET CASH FROM/(USED) INVESTING ACTIVITIES	(56 480 350)	(14 009 200)	(70 489 550)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	42 621	32 157	74 778	43% Increased to a more realistic amount comparing to the 2013 financial statements
Payments				
Repayment of borrowing	(899 040)	107 842	(791 198)	-14% Decreased to a more realistic amount comparing to the 2013 financial statements
NET CASH FROM/(USED) FINANCING ACTIVITIES	(856 420)	139 999	(716 421)	
NET INCREASE/(DECREASE) IN CASH HELD	(22 777 356)	(26 027 611)	(48 804 967)	
Cash and Cash Equivalents at the beginning of the year	101 623 354	52 629 579	154 252 933	34% Effect of under expenditure on grants
Cash and Cash Equivalents at the end of the year	78 845 998	26 601 968	105 447 966	25% Increased to a more realistic amount comparing to the 2013 financial statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Standard	Description	Effective Date
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an accounting policy based on the disclosure requirements of GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>
<p>GRAP 100 (Revised – Feb 2013)</p>	<p>Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)</p> <p>No more "Non-current assets held for sale" which means that the depreciation on disposed assets should only be halted when the asset is disposed and not when the Municipality decided to disposed the asset.</p>	<p>1 April 2014</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Standard	Description	Effective Date
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

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

1.9.2 Employee Benefits Reserve

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

1.9.3 Revaluations Reserve

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

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

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

1.9.4 Valuation Roll Reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.10. LEASES

1.10.1 Municipality as Lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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

1.10.2 Municipality as Lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.13. UNSPENT PUBLIC CONTRIBUTIONS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.14. PROVISIONS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15. EMPLOYEE BENEFITS

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

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

1.15.1 Post Retirement Medical Obligations

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

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

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

1.15.2 Long Service Awards

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15.3 Provision for Staff Leave

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term limited to a maximum of 48 working days.

Accumulated leave is vesting.

1.15.4 Staff Bonuses Accrued

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

1.15.5 Provision for Performance Bonuses

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

1.15.6 Pension and retirement fund obligations

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15.7 Other Short-term Employee Benefits

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

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

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.16.2 Subsequent Measurement – Cost Model

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

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

1.16.3 Subsequent Measurement – Revaluation Model

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

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

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

1.16.4 Depreciation and Impairment

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

	Years		Years
<u>Infrastructure</u>		<u>Community</u>	
Roads and Paving	7 - 110	Buildings	100
Pedestrian Malls	7 - 50	Recreational Facilities	20 - 30
Electricity	15 - 65	Security	5
Water	10 - 78	Halls	100
Sewerage	10 - 78	Libraries	100
		Parks and gardens	15 - 30
		Other assets	30 - 50

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Finance lease assets

Office equipment	6
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Other

Buildings	100
Specialist vehicles	12 - 15
Other vehicles	5 - 16
Office equipment	5 - 15
Furniture and fittings	3 - 20
Bins and containers	5 - 7
Specialised plant and Equipment	8 - 20
Other plant and Equipment	3 - 15
Computer equipment	5 - 15

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

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

1.16.5 De-recognition

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

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

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

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.17.2 Subsequent Measurement – Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17.3 Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	4 - 13

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

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

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

1.18.2 Subsequent Measurement – Fair Value Model

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

1.18.3 De-recognition

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

1.18.4 Application of deemed cost - Directive 7

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

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 Initial Recognition

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

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1.19.2 Subsequent Measurement

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

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

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

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

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

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

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

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

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

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

1.20.2 Non-cash-generating assets

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(b) Internal sources of information

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

1.21. INVENTORIES

1.21.1 *Initial Recognition*

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

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

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

1.21.2 *Subsequent Measurement*

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

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

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

1.22. FINANCIAL INSTRUMENTS

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

1.22.1 Initial Recognition

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

1.22.2 Subsequent Measurement

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

1.22.2.1 Receivables

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

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

1.22.2.2 Payables and Annuity Loans

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

1.22.2.3 Cash and Cash Equivalents

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

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

1.22.2.4 Non-Current Investments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

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

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

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

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

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

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

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

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

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

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

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

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

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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

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

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

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

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

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

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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

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

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

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

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

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

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to formulate an accounting policy based on the disclosure requirements of GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

Management personnel include:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.25. UNAUTHORISED EXPENDITURE

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

1.26. IRREGULAR EXPENDITURE

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

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.29.1 Post retirement medical obligations and Long service awards

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

1.29.2 Impairment of Receivables

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

1.29.3 Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

Impairment of assets is being done in terms of the prescripts of GRAP 21 and GRAP 26.

1.29.4 Intangible Assets

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

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

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

1.29.5 Investment Property

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.29.6 Provisions and Contingent Liabilities

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

1.29.7 Revenue Recognition

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

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

1.29.8 Provision for Landfill Sites

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

Management referred to the following when making assumptions regarding provisions:

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

1.29.9 Provision for Staff leave

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

1.29.10 Provision for Performance bonuses

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.29.11 Pre-paid electricity estimation

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

1.29.12 Componentisation of Infrastructure assets

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

1.30. TAXES – VALUE ADDED TAX

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

1.31. CAPITAL COMMITMENTS

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

1.32. EVENTS AFTER REPORTING DATE

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R
2	NET ASSET RESERVES	
2.1	Reserves	2 058 390
	Revaluations Reserve	2 058 390
	Total Net Asset Reserve and Liabilities	2 058 390

The Revaluation Reserve are treated in accordance with the requirements of GRAP 17.

2.2 Accumulated Surplus

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

Capital Replacement Reserve	99 138 779
Employee Benefits Reserve	17 403 219
Balance previously reported	-
Correction of overstatement on Employee Benefits Reserve - Note 36.05	-
Valuation Roll Reserve	613 936
Accumulated Surplus due to the results of operations	250 688 532
Total Accumulated Surplus	367 844 465

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.

3 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	14 437 246
Capitalised Lease Liability - At amortised cost	-
	14 437 246
Less: Current Portion transferred to Current Liabilities	791 775
Annuity Loans - At amortised cost	791 775
Capitalised Lease Liability - At amortised cost	-
Total Long-term Liabilities - At amortised cost using the effective interest rate method	13 645 472

Development Bank Loan

The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under annuity loans are scheduled below:

	Minim annuity pa
Amounts payable under annuity loans:	
Payable within one year	1 904 768
Payable within two to five years	6 993 162
Payable after five years	14 975 341
	23 873 271
Less: Future finance obligations	(9 436 025)
Present value of annuity obligations	14 437 246

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3 LONG-TERM LIABILITIES (CONTINUED)

2014
R

The obligations under finance leases are scheduled below:

Minim
lease pay

Amounts payable under finance leases:

Payable within one year

-

-

Less: Future finance obligations

-

Present value of lease obligations

-

Leases are secured by property, plant and equipment - Note 11

The capitalised lease liability consist out of the following contract:

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

4 EMPLOYEE BENEFITS

2014
R

Post Retirement Benefits - Refer to Note 4.1

10 219 272

Long Service Awards - Refer to Note 4.2

893 642

Total Non-current Employee Benefit Liabilities

11 112 914

Post Retirement Benefits

Balance 1 July

9 696 746

Contribution for the year

1 679 303

Expenditure for the year

(205 863)

Actuarial Gain

(719 302)

Transfer of Function - Note 35

-

Total post retirement benefits 30 June

10 450 884

Less: Transfer of Current Portion - Note 7

(231 612)

Balance 30 June

10 219 272

Long Service Awards

Balance 1 July

833 277

Contribution for the year

255 954

Expenditure for the year

(179 012)

Actuarial Loss/(Gain)

133 513

Transfer of Function - Note 35

-

Total long service 30 June

1 043 732

Less: Transfer of Current Portion - Note 7

(150 090)

Balance 30 June

893 642

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

10 530 023

Contribution for the year

1 935 257

Expenditure for the year

(384 875)

Actuarial Loss/(Gain)

(585 789)

Transfer of Function - Note 35

-

Total employee benefits 30 June

11 494 616

Less: Transfer of Current Portion - Note 7

(381 702)

Balance 30 June

11 112 914

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4	EMPLOYEE BENEFITS (CONTINUED)	2014 R																
4.1	Post Retirement Benefits																	
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:																	
	In-service (employee) members	108																
	Continuation members (e.g. Retirees, widows, orphans)	6																
	Total Members	114																
	The liability in respect of past service has been estimated to be as follows:																	
	In-service members	7 298 813																
	Continuation members	3 152 071																
	Total Liability	10 450 884																
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:																	
		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: center;">2012</td> <td style="text-align: center;">2011</td> </tr> <tr> <td></td> <td style="text-align: center;">R (million)</td> <td style="text-align: center;">R (million)</td> </tr> <tr> <td>Total Liability</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">11.204</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">8.952</td> </tr> </table>		2012	2011		R (million)	R (million)	Total Liability	11.204	8.952							
	2012	2011																
	R (million)	R (million)																
Total Liability	11.204	8.952																
	Experience adjustments were calculated as follows:																	
		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">2014</td> <td style="text-align: center;">2013</td> <td style="text-align: center;">2012</td> </tr> <tr> <td></td> <td style="text-align: center;">R (million)</td> <td style="text-align: center;">R (million)</td> <td style="text-align: center;">R (million)</td> </tr> <tr> <td>Liabilities: (Gain) / loss</td> <td style="text-align: center;">(1.344)</td> <td style="text-align: center;">(1.777)</td> <td style="text-align: center;">0.341</td> </tr> <tr> <td>Assets: Gain / (loss)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </table>		2014	2013	2012		R (million)	R (million)	R (million)	Liabilities: (Gain) / loss	(1.344)	(1.777)	0.341	Assets: Gain / (loss)	-	-	-
	2014	2013	2012															
	R (million)	R (million)	R (million)															
Liabilities: (Gain) / loss	(1.344)	(1.777)	0.341															
Assets: Gain / (loss)	-	-	-															
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:																	
	Bonitas																	
	Discovery																	
	LA Health																	
	Key Health, and																	
	SAMWU Medical Aid																	
	The Current-service Cost for the ensuing year is estimated to be R 960 750, whereas the Interest Cost for the next year is estimated to be R 947 215.																	
	Key actuarial assumptions used:	2014 %																
	i) Rate of interest																	
	Discount rate	9.16%																
	Health Care Cost Inflation Rate	8.32%																
	Net Effective Discount Rate	0.78%																
	The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"																	
	ii) Mortality rates																	
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.																	
	iii) Normal retirement age																	
	It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.																	
	The amounts recognised in the Statement of Financial Position are as follows:	2014 R																
	Present value of fund obligations	10 450 884																
	Net liability	10 450 884																

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4	EMPLOYEE BENEFITS (CONTINUED)	2014
		R
	Reconciliation of present value of fund obligation:	
	Present value of fund obligation at the beginning of the year	9 696 746
	Total expenses	1 473 440
	Current service cost	801 985
	Interest Cost	877 318
	Benefits Paid	(205 863)
	Actuarial (gains)/losses	(719 302)
	Transfer of Function - Note 35.01	-
	Present value of fund obligation at the end of the year	10 450 884
	Less: Transfer of Current Portion - Note 7	(231 612)
	Balance 30 June	10 219 272

Sensitivity Analysis on the Accrued Liability for year ending 30 June 2014

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	7.299	3.152	10.451

The effect of movements in the assumptions are as follows:

		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption	Change			
Health care inflation	1%	9.005	3.458	12.462
Health care inflation	-1%	5.976	2.883	8.860
Discount Rate	1%	5.996	2.887	8.883
Discount Rate	-1%	9.008	3.459	12.466
Post-retirement mortality	-1 year	7.554	3.286	10.840
Average retirement age	-1 year	7.981	3.152	11.133
Continuation of membership at retirement	-10%	6.609	3.152	9.761

		Current-service Cost (R)	Interest Cost (R)	Total (R)
Assumption	Change			
Central Assumption		802 000	877 300	1 679 300
Health care inflation	1%	1 001 700	1 039 000	2 040 700
Health care inflation	-1%	649 100	784 500	1 433 600
Post-retirement mortality	-1 year	828 200	908 900	1 737 100
Average retirement age	-1 year	824 500	927 200	1 751 700
Withdrawal Rate	-50%	971 800	965 000	1 936 800

4.2 Long Service Bonuses

2014

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

218

The Current-service Cost for the ensuing year is estimated to be R 186 373, whereas the Interest Cost for the next year is estimated to be R 75 868.

Key actuarial assumptions used:

2014
%

i) Rate of interest

Discount rate	7.82%
General Salary Inflation (long-term)	7.07%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.70%

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

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4 EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the Statement of Financial Position are as follows:	2014
	R
Present value of fund obligations	1 043 732
Net liability	1 043 732

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

	2012	2011
	R	R
Total Liability	951 858	842 594

Experience adjustments were calculated as follows:	2014	2013	2012
Liabilities: (Gain) / loss	87 434	(125 553)	10 204
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation:	2014
	R
Present value of fund obligation at the beginning of the year	833 277
Total expenses	76 942
Current service cost	200 448
Interest Cost	55 506
Benefits Paid	(179 012)
Actuarial (gains)/losses	133 513
Transfer of Function - Note 35	-
Present value of fund obligation at the end of the year	1 043 732
Less: Transfer of Current Portion - Note 7	(150 090)
Balance 30 June	893 642

Sensitivity Analysis on changes to the Unfunded Accrued Liability for the year ending 30 June 2014

Assumption	Change	Liability (in R Millions)
Central assumptions		1.044
General salary inflation	1%	1.101
General salary inflation	-1%	0.991
Discount Rate	1%	0.987
Discount Rate	-1%	1.106
Average retirement age	-2 yrs	0.980
Average retirement age	2 yrs	1.117
Withdrawal rate	-50%	1.278

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)
Central Assumption		200 400	55 500	255 900
General salary inflation	1%	212 400	58 900	271 300
General salary inflation	-1%	189 700	52 400	242 100
Average retirement age	-2 yrs	191 600	51 800	243 400
Average retirement age	+2 yrs	207 900	59 200	267 100
Withdrawal Rate	-50%	257 700	69 500	327 200

4.3 Retirement funds

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**4 EMPLOYEE BENEFITS (CONTINUED) 2014
R**

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

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the Cape Joint Pension Fund was for the year ended 30 June 2013 and revealed that the fund is in a sound financial position with a funding level of 99.70% (30 June 2012 - 99.40%). The last actuarial valuation performed for the Cape Retirement Fund was for the year ended 30 June 2013 and revealed that the fund is in a sound financial position with a funding level of 105.10% (30 June 2012 - 108.0%).

Contributions paid recognised in the Statement of Financial Performance 3 184 394

DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	657 714
SAMWU National Provident Fund	77 749
Liberty Life	2 832
	<u><u>738 295</u></u>

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites 3 716 119

Total Non-current Employee Benefit Liabilities 3 716 119

Landfill Sites

Balance 1 July 3 527 111

Correction on Opening balance of Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.07 -

Restated Balance 1 July 3 527 111

Additions 22 944

Balance previously reported -

Correction on 2012/13 additions on Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.07 -

Unwinding of discounted interest 166 064

Balance previously reported -

Correction on 2012/13 Interest on Landfill Site Provision - recalculated according to IGRAP 2- Note 36.07 -

Total provision 30 June 3 716 119

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

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

<u>Location</u>	<u>Estimated decommission date</u>	<u>2014 R</u>
Barkly East	2020	882 988
Lady Grey	2019	844 195
Sterkspruit	2025	694 982
Rhodes	2043	667 996
Rossouw	2017	625 959
		<u><u>3 716 119</u></u>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5 NON-CURRENT PROVISIONS (CONTINUED)

Material Assumptions used

	2014	2013
Area of landfill site consumed		
Barkly East	60.19%	57.64%
Lady Grey	65.51%	63.51%
Sterkspruit	67.63%	66.69%
Rhodes	32.43%	30.83%
Rossouw	90.82%	90.57%
Discount Rate used	4.71%	4.53%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

6 CONSUMER DEPOSITS

	2014
	R
Electricity	1 118 521
Total Consumer Deposits	1 118 521

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

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

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	231 612
Current Portion of Long-Service Provisions - Note 4	150 090
Bonuses	1 430 822
Performance Bonuses	1 295 673
Compensation for injuries on duty contribution	712 960
Staff Leave	2 469 148
Total Current Employee Benefits	6 290 305

The movement in current employee benefits are reconciled as follows:

Post Retirement Benefits

Balance at beginning of year	203 208
Adjustment from non-current	28 404
Balance at end of year	231 612

Long-service Awards

Balance at beginning of year	106 233
Adjustment from non-current	43 857
Balance at end of year	150 090

Bonuses

Balance at beginning of year	1 005 015
Contribution to provision	425 807
Transfer of Function - Note 35	-
Balance at end of year - Restated 2013	1 430 822

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

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2014
		R
	<u>Performance Bonuses</u>	
	Balance at beginning of year	2 098 972
	Contribution to provision	1 104 824
	Expenditure incurred	(1 908 123)
	Transfer of Function - Note 35	-
	Balance at end of year - Restated 2013	1 295 673

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

Compensation for injuries on duty contribution

Balance at beginning of year	-
Contribution to provision	712 960
Expenditure incurred	-
Balance at end of year	712 960

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

Staff Leave

Balance at beginning of year	2 063 241
Contribution to provision	1 496 853
Expenditure incurred	(1 090 946)
Transfer of Function - Note 35	-
Balance at end of year	2 469 148

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

8 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	779 114
Deposits: Other	24 483
Payments received in advance	869 687
Retentions	3 364 093
DBSA Interest Accrual	288 085
Over payment of Neighbourhood Development Partnership Grant by National Treasury	4 602 000
Total Trade Payables	9 927 462

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of payables approximates its fair value.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	11 300 729
National Government Grants	2 010 056
Provincial Government Grants	9 290 673
Less: Unpaid Grants	986 071
National Government Grants	986 071
Total Conditional Grants and Receipts	10 314 658

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No application for roll-overs was submitted to National Treasury.

The following DORA allocations were withheld for the Neighbourhood Development Partnership Grant due to the fact that excess funds had been received to date, compared to the value of project approvals.

1 287 000

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R
10	TAXES	
	10.01 VAT PAYABLE	
	VAT Payable	1 591 534
	Less: Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	(1 680 095)
	Total Vat payable	<u><u>(88 561)</u></u>
	10.02 VAT RECEIVABLE	
	VAT Receivable	<u>5 527 514</u>
	Total VAT receivable	<u><u>5 527 514</u></u>
	10.03 NET VAT RECEIVABLE/(PAYABLE)	<u><u>5 616 076</u></u>
	VAT is payable/receivable on the cash basis.	

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2014
		R
	Carrying value of assets retired from active use and transferred to Non-Current assets held for sale:	
	Cost	9 784
	Other assets	9 784
	Accumulated depreciation	8 227
	Other assets	8 227
	Carrying value	1 557

Assets pledged as security:

No assets are pledged as security for Senqu Municipality

Effect of changes in accounting estimates

The useful lives and the residual values of Property, Plant and Equipment have been reviewed at year end. The effect of the changes are shown below:

	2014	2015
	R	R
Effect on Property, plant and equipment	1 012 976	1 012 976

12	CAPITALISED RESTORATION COST	2014
		R
	Net Carrying amount at 1 July	1 285 328
	Cost	2 360 913
	Balance previously reported	-
	Correction of error - Cost on 1 July 2012 recalculated according to IGRAP 2 - Note 36.08	-
	Accumulated Depreciation	(942 204)
	Balance previously reported	-
	Correction of error - Acc. Depreciation on 1 July 2012 recalculated according to IGRAP 2 - Note 36.08	-
	Accumulated Impairments	(133 381)
	Balance previously reported	-
	Correction of error - Acc. Impairments on 1 July 2012 recalculated according to IGRAP 2 - Note 36.08	-
	Acquisitions	22 944
	Balance previously reported	-
	Correction of error - Acquisitions for 2012/2013 recalculated according to IGRAP 2 - Note 36.08	-
	Depreciation for the year	(152 413)
	Balance previously reported	-
	Correction of error - Depreciation for 2012/2013 recalculated according to IGRAP 2 - Note 36.08	-
	Impairment	-
	Balance previously reported	-
	Correction of error - Impairment for 2012/2013 recalculated according to IGRAP 2 - Note 36.08	-
	Reversal of Impairment	4 094
	Net Carrying amount at 30 June	1 159 953
	Cost	2 383 857
	Accumulated Depreciation	(1 094 617)
	Accumulated Impairments	(129 287)

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13	NON-CURRENT ASSETS HELD FOR SALE	2014 R
	Non-current assets held for sale at beginning of year - at book value	1 787
	Additions for the year	75 140
		76 927
	Non-current assets sold/written off during the year	(75 370)
		1 557

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

14	INVESTMENT PROPERTY	8 663 500
	Net Carrying amount at 1 July	8 663 500
	Fair Value	8 663 500
	Balance previously reported	-
	Correction of Investment Property incorrectly capitalised - 1 July 2012 - Note 36.02	-
	Investment Property previously not recognised - 1 July 2012 - Note 36.02	-
	Reclassification of Investment Property to Property, Plant and Equipment - 1 July 2012 - Note 36.02	-
	Reclassification of Property, Plant and Equipment to Investment Property - 1 July 2012 - Note 36.02	-
		8 663 500
	Net Carrying amount at 30 June	8 663 500
	Fair Value	8 663 500

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. Mr McLeod indicated that there were no significant changes in property values against that of the prior year.

15	INTANGIBLE ASSETS	181 180
	Computer Software	
	Net Carrying amount at 1 July	181 180
	Cost	567 136
	Accumulated Amortisation	(385 956)
	Acquisitions	56 351
	Disposals	(2 312)
	Amortisation	(75 215)
		160 005
	Net Carrying amount at 30 June	160 005
	Cost	568 304
	Accumulated Amortisation	(408 299)

No intangible asset was assessed as having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

16	INVENTORY	2014 R
	Electricity materials	1 606 271
	Land held for sale	-
	Balance previously reported	-
	Correction of Inventory-Land held for sale incorrectly recognised - 1 July 2012 - Note 36.03	-
	Reclassification of Inventory-Land held for sale to Property, Plant and Equipment - 1 July 2012 - Note 36.03	-
	Total Inventory	1 606 271

No inventory assets were pledged as security for liabilities.

17	RECEIVABLES FROM EXCHANGE TRANSACTIONS	
	Service Receivables	
	Electricity	11 772 196
	Housing Rentals	266 936
	Refuse	4 111 834
	Other Arrears	5 691 606
	Joe Gqabi District Municipality (Water Services Authority)	4 954 627
	Balance previously reported	-
	Correction of error - VAT Output not transferred to Joe Gqabi District Municipality - Note 36.06	-
	Payments in advance	736 979
	Total Service Receivables	21 842 572
	Less: Allowance for Doubtful Debts	(13 616 434)
	Net Service Receivables	8 226 138
	Total Net Receivables from Exchange Transactions	8 226 138

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

Current (0 - 30 days)	2 784 516
31 - 60 Days	1 028 794
61 - 90 Days	587 095
+ 90 Days	7 735 731
Payment received in advance	(363 940)
Total	11 772 196

(Housing Rentals): Ageing

Current (0 - 30 days)	8 886
31 - 60 Days	6 653
61 - 90 Days	5 139
+ 90 Days	361 511
Payment received in advance	(115 253)
Total	266 936

(Refuse): Ageing

Current (0 - 30 days)	210 505
31 - 60 Days	133 676
61 - 90 Days	113 755
+ 90 Days	3 911 683
Payment received in advance	(257 786)
Total	4 111 834

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17	RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2014 R
	<i><u>(Other): Ageing</u></i>	
	Current (0 - 30 days)	736 979
	+ 90 Days	4 954 627
	Total	5 691 606

Reconciliation of Provision for Bad Debts

Balance at beginning of year	9 474 829
Transfer of Function - Note 35	-
Contribution to provision	4 723 637
Bad Debts (written off)	(582 032)
Balance at end of year	13 616 434

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

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	
	<i>Service Receivables</i>	
	Rates	6 527 816
	Payments in advance	132 709
	Other Receivables	126 266
	UIF Refund	609 722
	Total Service Receivables	7 396 512
	Less: Allowance for Doubtful Debts	(5 851 689)
	Net Service Receivables	1 544 824
	 Total Net Receivables from Non-Exchange Transactions	 1 544 824

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

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	98 249
31 - 60 Days	164 832
61 - 90 Days	147 145
+ 90 Days	6 250 299
Payment received in advance	(132 709)
Total	6 527 816

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	Exchange Transactions R's	Non-Exchange Transactions R's
<u>The ageing of amounts past due but not impaired is as follows:</u>		
2014		
1 month past due	456 759	40 872
2 + months past due	562 215	720 544
Total	1 018 974	761 415
2013		
1 month past due	810 665	51 104
2 + months past due	739 830	524 690
Total	1 550 494	575 795

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

Trade and other receivables impaired

	Exchange Transactions R's	Non-Exchange Transactions R's
2014		
Total	13 616 434	5 851 689
2013		
Total	9 474 829	4 845 700

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

Reconciliation of the Total doubtful debt provision

	2014 R
Balance at beginning of the year	4 845 700
Contributions to provision	1 099 727
Bad Debts (written off)	(93 738)
Balance at end of year	5 851 689

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

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

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R
19	OPERATING LEASE ARRANGEMENTS	
19.1	The Municipality as Lessee	
	Balance on 1 July	1 340
	Movement during the year	3 402
	Balance on 30 June	4 743
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:	
	Up to 1 Year	25 724
	1 to 5 Years	78 829
	Total Operating Lease Arrangements	104 553
19.2	The Municipality as Lessor	
	Balance on 1 July	83 370
	Operating Lease Asset for the current year	9 084
	Balance on 30 June	92 454
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:	
	Up to 1 Year	253 018
	1 to 5 Years	427 350
	More than 5 Years	29 474
	Total Operating Lease Arrangements	709 843
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.	
	The leases are in respect of land and buildings being leased out for periods ranging until 2019	
20	CASH AND CASH EQUIVALENTS	
	Assets	
	Call and short-term Investments Deposits	161 791 490
	Primary Bank Account	1 197 764
	Cash Floats	700
	Total Cash and Cash Equivalents - Assets	162 989 955
	The municipality has the following bank account:	
	Current Accounts	
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	1 197 764
		1 197 764
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	
	Cash book balance at beginning of year	1 176 531
	Cash book balance at end of year	1 197 764
	Bank statement balance at beginning of year	911 904
	Bank statement balance at end of year	1 136 813
	Call Investment Deposits	
	Call investment deposits consist out of the following accounts:	
	Standard Bank 388489162/0	94 401 078
	Standard Bank 388489731/0	60 292 185
	Standard Bank 388486066/0	7 098 227
		161 791 490

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21

PROPERTY RATES

2014
R

Actual

Rateable Land and Buildings

6 230 137

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

2 430 344
990 097
2 120 045
186 578
503 072

Less: Rebates

(1 737 875)

Total Assessment Rates

4 492 262

Valuations

Rateable Land and Buildings

2 593 389 060

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

473 977 000
162 311 000
40 733 500
1 625 803 060
36 584 000
189 829 000
64 151 500

Total Assessment Rates

2 593 389 060

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012.

Rates:

Residential	0.5100c/R
Commercial	0.6100c/R
Agricultural	0.1300c/R
State - National / Provincial Services	0.5100c/R
Vacant Property	0.8000c/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.

22

GOVERNMENT GRANTS AND SUBSIDIES

2014
R

Unconditional Grants

98 133 000

Equitable Share - Refer to Note 22.01

98 133 000

Conditional Grants

49 080 069

National: Municipal Infrastructure Grant (MIG)
National: Municipal Finance Management (MFMA)
National: Municipal Systems Improvement Grant
National: Neighbourhood Development Partnership Grant
National: Expanded Public Works Program
National: Dept Sport (Youth Development - Sport Fields)
Holo Hlahatsi Agricultural Project
Prov Gov - Housing (Hillside)
Implementation Ownership
Rossouw Agricultural Project
Plastic Products
Provincial Roads (Musong Road)
Greenest Municipality
Second Economy Regeneration (LED)
Clean Audit
Commonage Management Plan
Vuna Awards
Alien Vegetation Eradication
Libraries

40 672 772
1 550 000
890 000
-
2 160 000
1 398 033
-
220 771
-
-
-
-
-
-
-
-
-
-
110 404
878 088
1 200 000

Total Government Grants and Subsidies

147 213 069

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R
	Government Grants and Subsidies - Capital	35 686 172
	Government Grants and Subsidies - Operating	111 526 897
		147 213 069
	Revenue recognised per vote as required by Section 123 (c) of the MFMA	
	Equitable share	98 133 000
	Executive & Council	490 000
	Budget & Treasury	2 060 404
	Planning & Development	878 088
	Community & Social Services	4 120 621
	Housing	220 771
	Sport & Recreation	2 221 294
	Waste Management	250 912
	Road Transport	38 837 978
		147 213 069
	The municipality does not expect any significant changes to the level of grants. No grants had been withheld	
22.01	Equitable share	98 133 000
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.	
22.02	National: Municipal Infrastructure Grant (MIG)	
	Balance unspent at beginning of year	11 733 701
	Current year receipts	27 953 000
	Conditions met - transferred to revenue	(40 672 772)
	Balance transferred to current (assets)/liabilities	(986 071)
	Municipal Infrastructure Grant was utilised to construct roads, pavement, community centres and storm water channels in Senqu.	
22.03	National: Municipal Finance Management (MFMA)	
	Balance unspent at beginning of year	-
	Current year receipts	1 550 000
	Conditions met - transferred to revenue	(1 550 000)
	Balance transferred to current liabilities	-
	Municipal Finance Management grant was used to implement the reforms of the MFMA.	
22.04	National: Municipal Systems Improvement Grant	
	Balance unspent at beginning of year	-
	Current year receipts	890 000
	Conditions met - transferred to revenue	(890 000)
	Balance transferred to current liabilities	-
	The MSIG was used to improve municipal systems in terms of ward committees and create a functional asset register.	
22.05	National: Neighbourhood Development Partnership Grant	
	Balance unspent at beginning of year	7 919 056
	Current year receipts	-
	Conditions met - transferred to revenue	-
	Returned to the National Revenue Fund	(1 307 000)
	Transferred to Trade Payables - Note 8	(4 602 000)
	Balance transferred to current liabilities	2 010 056
	The NDPG is utilised to attract private and community investment to unlock the social and economic potential within the Senqu area.	

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R
22.06	<i>National: Expanded Public Works Program</i>	
	Balance unspent at beginning of year	-
	Current year receipts	2 160 000
	Conditions met - transferred to revenue	(2 160 000)
		-
	Balance transferred to current liabilities	-
	The EPWP was utilised to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.	
22.07	<i>National: Dept Sport (Youth Development - Sport Fields)</i>	
	Balance unspent at beginning of year	-
	Current year receipts	1 398 033
	Conditions met - transferred to revenue	(1 398 033)
		-
	Balance transferred to current liabilities	-
	The Department of Sport grant was utilised to provide new and improved sport facilities within the Senqu area.	
22.08	<i>Holo Hlahatsi Agricultural Project</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
		-
	Balance transferred to current liabilities	-
	The Holo Hlahatsi Agricultural grant was utilised as a Local Economic Development project within the Senqu area.	
22.09	<i>Prov Gov - Housing (Hillside)</i>	
	Balance unspent at beginning of year	453 423
	Current year receipts	-
	Conditions met - transferred to revenue	(220 771)
		-
	Balance transferred to current liabilities	232 651
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.	
22.10	<i>Implementation Ownership</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
		-
	Balance transferred to current liabilities	-
	The Implementation Ownership grant was utilised to transfer ownership from council to owners. (Registering of title deeds.)	
22.11	<i>Rossouw Agricultural Project</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
		-
	Balance transferred to current liabilities	-
	The Rossouw Agricultural grant was utilised as a Local Economic Development project within the Senqu area.	

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R
22.12	<i>Herschel People's Housing</i>	
	Balance unspent at beginning of year	7 719 169
	Current year receipts - Interest	334 344
	Balance transferred to current liabilities	<u><u>8 053 512</u></u>
	<p>The grant was received to be utilised for housing projects within the Senqu area.</p>	
22.13	<i>Plastic Products</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The Plastic Products grant was utilised as a Local Economic Development project within the Senqu area.</p>	
22.14	<i>Provincial Roads (Musong Road)</i>	
	Balance unspent at beginning of year	-
	Current year receipts	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The grant was received from Provincial Government and utilised to upgrade municipal roads in the area.</p>	
22.15	<i>Greenest Municipality</i>	
	Balance unspent at beginning of year	-
	Current year receipts	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The grant was utilised for working towards the goal of 'greening' the environment as well as proactively preserving it for future generations.</p>	
22.16	<i>Second Economy Regeneration (LED Strategy)</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The grant was received from Provincial Government to improve planning in the Senqu area.</p>	
22.17	<i>Clean Audit</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The grant was received from Provincial Governmen to target a clean audit report for Senqu Municipality.</p>	
22.18	<i>Commonage Management Plan</i>	
	Balance unspent at beginning of year	-
	Conditions met - transferred to revenue	-
	Balance transferred to current liabilities	<u><u>-</u></u>
	<p>The Commonage Management Plan grant was utilised as a Local Economic Development project within the Senqu area.</p>	

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R
	22.19 Vuna Awards	
	Balance unspent at beginning of year	-
	Current year receipts	470 000
	Conditions met - transferred to revenue	(110 404)
		-
	Balance transferred to current liabilities	359 596
	The Vuna Awards grant was a monetary prize won by Senqu Municipality in the Vuna awards contest in February 2014. The funds will be utilized towards addressing any matters raised in the audit reports that may prevent the municipality from obtaining a Clean Audit.	
	22.20 Alien Vegetation Eradication	
	Balance unspent at beginning of year	-
	Current year receipts	1 523 000
	Conditions met - transferred to revenue	(878 088)
		-
	Balance transferred to current liabilities	644 912
	The grant was received from the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism to remove alien species and thereafter conduct Land rehabilitation within the area.	
	22.21 Libraries	
	Balance unspent at beginning of year	-
	Current year receipts	1 200 000
	Conditions met - transferred to revenue	(1 200 000)
		-
	Balance transferred to current liabilities	-
	The Libraries grant was utilised for the up keeping and operational cost for libraries.	
23	SERVICE CHARGES	
	Electricity	23 428 352
	Service Charges	27 486 287
	<u>Less:</u> Rebates	(4 057 935)
		-
	Refuse removal	2 623 299
	Service Charges	6 796 699
	<u>Less:</u> Rebates	(4 173 400)
		-
	Total Service Charges	26 051 651
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.	
24	OTHER INCOME	
	Sundry Income	580 392
	Building Plan & Inspection Fees	31 913
	Electr. Re-Connection Fees	24 437
	Cemetery Fees	17 349
	Pound Fees	64 676
	Retention Withheld	86 622
		-
	Total Other Income	805 390

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R
25	EMPLOYEE RELATED COSTS	
	Employee related costs - Salaries and Wages	32 712 614
	Employee related costs - Contributions for UIF, pensions and medical aids	6 480 585
	Travel, motor car, telephone, assistance and other allowances	443 127
	Bonuses	3 880 057
	Housing Benefits and Allowances	19 832
	Leave Reserve Fund	1 496 853
	Overtime Payments	718 832
	Workmens Compensation Contributions	712 960
	Contribution to provision - Long Service Awards - Note 4	255 954
	Contribution to provision - Post Retirement Medical - Note 4	1 679 303
	Total Employee Related Costs	48 400 117
	KEY MANAGEMENT PERSONNEL	
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.	
	REMUNERATION OF KEY MANAGEMENT PERSONNEL	
	<i>Remuneration of the Municipal Manager - MM Yawa</i>	
	Annual Remuneration	1 326 570
	Performance Bonus - 2011/12	240 218
	Performance Bonus - 2012/13	252 555
	Car Allowance	82 800
	Telephone allowance	24 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 927 928
	<i>Remuneration of the Director Technical Services - RN Crozier</i>	
	Annual Remuneration	1 104 100
	Performance Bonus - 2011/12	204 185
	Performance Bonus - 2012/13	214 721
	Car Allowance	93 600
	Telephone allowance	12 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 630 391
	<i>Remuneration of Director Community and Social Services - CNL Gologolo</i>	
	Annual Remuneration	851 461
	Performance Bonus - 2011/12	104 757
	Performance Bonus - 2012/13	127 175
	Car Allowance	48 000
	Telephone allowance	12 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 145 177
	<i>Remuneration of the Director Financial Services - Mr CR Venter</i>	
	Annual Remuneration	1 197 699
	Performance Bonus - 2011/12	204 185
	Performance Bonus - 2012/13	214 721
	Telephone allowance	12 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 630 390
	<i>Remuneration of Director Corporate and Support Services - ML Theron (July 2012 - Sept 2012)</i>	
	Annual Remuneration	-
	Performance Bonus - 2011/12	64 466
	Telephone allowance	-
	Contributions to UIF, Medical and Pension Funds	-
	Total	64 466

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

25	EMPLOYEE RELATED COSTS (CONTINUED)	2014 R
	Remuneration of Director Corporate and Support Services - TE Wonga (from Oct 2012)	
	Annual Remuneration	819 563
	Performance Bonus - 2012/13	102 971
	Telephone allowance	12 000
	Car Allowance	96 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 032 319
	Remuneration of Director IPME - DP Agyemang (July 2012 - Sept 2012)	
	Annual Remuneration	-
	Telephone allowance	-
	Car Allowance	-
	Housing Allowance	-
	Contributions to UIF, Medical and Pension Funds	-
	Total	-
	Remuneration of Director IPME - P Bushula (from Oct 2012)	
	Annual Remuneration	1 057 735
	Performance Bonus - 2012/13	142 288
	Telephone allowance	12 000
	Contributions to UIF, Medical and Pension Funds	1 785
	Total	1 213 808
26	REMUNERATION OF COUNCILLORS	
	Mayor	698 694
	Speaker	563 129
	Executive Committee Members	1 736 675
	Councillors	6 204 231
	Other Councillors' contributions and allowances	377 580
	Total Councillors' Remuneration	9 580 309
	In-kind Benefits	
	The Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties. The packages are set out below:	
	Mayor	
	Annual Remuneration	677 826
	Telephone allowance	20 868
	Total	698 694
	Speaker	
	Annual Remuneration	499 871
	Telephone allowance	20 868
	Travel Allowance	42 390
	Total	563 129
	Executive Committee Members (6 members)	
	Annual Remuneration	1 584 972
	Telephone allowance	78 120
	Travel Allowance	73 582
	Total	1 736 675
	Councillors (Section 79 - 5 members for 2013/14 and 1 member for 2012/13)	
	Annual Remuneration	1 304 815
	Telephone allowance	65 100
	Total	1 369 915

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26	REMUNERATION OF COUNCILLORS (CONTINUED)	2014 R
	<i>Councillors (Other Councillors - 24 members for 2013/14 and 28 members for 2012/13)</i>	
	Annual Remuneration	4 899 416
	Telephone allowance	312 480
	Travel Allowance	-
	Total	5 211 896

Certification by the Municipal Manager

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

.....
Signed: Municipal Manager

27	DEBT IMPAIRMENT	
	Receivables from exchange transactions - Note 17	4 723 637
	Receivables from non-exchange transactions - Note 18	1 099 727
	Total Contribution to Impairment Provision	5 823 363
	Portion attributable to VAT - Refer to note - 10.01	(730 460)
	Transfer of Function - Note 35	-
	Debt impairment recognised in statement of financial performance	5 092 904

28	DEPRECIATION AND AMORTISATION	
	Property Plant and Equipment - Restated 2013	11 538 686
	Intangible Assets	75 215
	Capitalised Restoration Cost - Restated 2013	152 413
	Total Depreciation and Amortisation	11 766 313

29	REPAIRS AND MAINTENANCE	
	Buildings	373 640
	Tools and equipment	606 273
	Furniture and office equipment	29 274
	Vehicles and Implements	1 191 342
	Streets and stormwater	105 270
	Sport Fields	34 889
	Electricity Reticulation	955 972
	Fencing	44 019
	Street Lights	235 998
	Traffic and Road signs	4 829
	Other	176 741
	Total Repairs and Maintenance	3 758 247

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014
		R
30	FINANCE CHARGES	
	Long-term Liabilities - DBSA	1 114 258
	Finance leases	229
	Landfill Site - Restated 2013 - See note 5	166 064
	Total Finance charges	1 280 551
31	BULK PURCHASES	
	Electricity	19 424 456
	Total Bulk Purchases	19 424 456
32	GRANTS AND SUBSIDIES	
	Grants-in-aid and Donations	110 773
	Total Grants and Subsidies	110 773
33	OTHER OPERATING GRANT EXPENDITURE	
	Asset Register Project	420 667
	Alien Vegetation	870 527
	Call Centre Project	-
	Clean Audit Project	82 224
	Commonage Management Project	-
	Community Participation	11 120
	Greenest Municipality Project	195 500
	Housing Hillside Project	220 771
	IDP and Budget Project	347 617
	Job Creation Project	6 976 109
	Local Economic Development Project	453 573
	MFMA Implementation Project	1 693 037
	MIG PMU Project	953 417
	Musong Road Project	-
	Neighbourhood Development Project	-
	Plastic Products Project	-
	Revitalization 2nd Economy Project	-
	Rossouw Agricultural Project	-
	Town Register Project	-
	Total Operating grant expenditure	12 224 561
34	GENERAL EXPENSES	
	Audit Fees	1 644 465
	Advertisements	761 570
	Bank Charges	216 141
	Books, Magazines & Publications	7 539
	Communication	549 536
	Computer Costs	1 206 845
	Electricity Purchases	446 484
	Insurance: External	431 807
	Legal Costs	1 188 813
	Membership Fees	531 940
	Printing & Stationary	487 987
	Professional Services	660 044
	Performance Management Project	1 253 415
	Lady Grey LED Project	-
	SPU Project	535 221
	Valuation Roll Project	72 000
	Refuse Removal Project	6 998
	Subsistence & Traveling	2 946 974
	Telephone Charges	864 794
	Tourism	416 029
	Training	1 325 771
	Transport Costs	74 870
	Travel and Accommodation	2 709 231
	Vehicle: Fuel & Oil	2 346 791
	Ward Committees	1 739 426
	Sundry	1 887 329
	Total General Expenses	24 312 019

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

35	DISCONTINUED OPERATIONS	2014 R
	<u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u>	
	Employee Benefits	-
	Current Employee Benefits	-
	Taxes	-
	Receivables from Exchange Transactions - Water and Sanitation - net value	-
	Total effect of Discontinued Operations - Restated 2013	-

36 CORRECTION OF ERROR IN TERMS OF GRAP 3

Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.

36.01 Property, Plant and Equipment

Balance previously reported

- First time recognition of Property, Plant and Equipment - 1 July 2012 - Note 36.09
- Backlog Depreciation on 1 July 2012 for Property, Plant and Equipment previously not recognised - Note 36.09
- Depreciation for 2012/2013 for Property, Plant and Equipment previously not recognised - Note 36.10
- Property, Plant and Equipment incorrectly capitalised - 1 July 2012 - Note 36.09
- Effect on Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - 1 July 2012 - Note 36.09
- Effect on Depreciation for 2013/2013 for Property, Plant and Equipment incorrectly capitalised - Note 36.10
- Disposal of Property, Plant and Equipment previously not recognised - Cost - 2012/13 - Note 36.10
- Disposal of Property, Plant and Equipment previously not recognised - Accumulated Depreciation - 2012/13 - Note 36.10
- Disposal of Property, Plant and Equipment previously not recognised - Depreciation for 2012/13 - Note 36.10
- Derecognise Land and Buildings - 1 July 2012 - at Fair value - Note 36.09
- Land and Buildings previously not recognised - 1 July 2012 - at Fair value - Note 36.09
- Reclassification of Inventory - Land held for sale to Property, Plant and Equipment - 1 July 2012 - at Fair value - Note 36.03
- Reclassification of Investment Property to Property, Plant and Equipment - 1 July 2012 - at Fair value - Note 36.02
- Reclassification of Property, Plant and Equipment to Investment Property - 1 July 2012 - at Fair value - Note 36.02
- Disposal of Electrical Infrastructure previously not recognised - Cost - 1 July 2012 - Note 36.09
- Disposal of Electrical Infrastructure previously not recognised - Accumulated Depreciation - 1 July 2012 - Note 36.09
- Disposal of Electrical Infrastructure previously not recognised - Depreciation for 2012/13 - Note 36.10
- Disposal of Electrical Infrastructure previously not recognised - Cost - 2012/13 - Note 36.10
- Disposal of Electrical Infrastructure previously not recognised - Depreciation for 2012/13 - Note 36.10
- Correction of Integration of Infrastructure Assets - Cost - 1 July 2012 - Note 36.09
- Correction of Integration of Infrastructure Assets - Accumulated Depreciation - 1 July 2012 - Note 36.09
- Correction of Integration of Infrastructure Assets - Depreciation for 2012/13 - Note 36.10
- Disposal of Infrastructure Assets previously not recognised - Cost - 1 July 2012 - Note 36.09
- Disposal of Infrastructure Assets previously not recognised - Accumulated Depreciation - 1 July 2012 - Note 36.09
- Disposal of Infrastructure Assets previously not recognised - Depreciation for 2012/13 - Note 36.10
- Correction on Depreciation for 2012/13 of Transwilger Bridge incorrectly Capitalised - Note 36.10

Total

36.02 Investment Property

Balance previously reported

- Correction of Investment Property incorrectly capitalised - 1 July 2012 - at Fair value - Note 36.09
- Investment Property previously not recognised - 1 July 2012 - at Fair value - Note 36.09
- Reclassification of Investment Property to Property, Plant and Equipment - 1 July 2012 - at Fair value - Note 36.01
- Reclassification of Property, Plant and Equipment to Investment Property - 1 July 2012 - at Fair value - Note 36.01

Total

36.03 Inventory

Balance previously reported

- Correction of Inventory - Land held for sale incorrectly recognised - 1 July 2012 - at Cost - Note 36.09
- Reclassification of Inventory - Land held for sale to Property, Plant and Equipment - 1 July 2012 - at Fair value- Note 36.01

Total

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

36.04 Revaluation Reserve

Balance previously reported

Revaluation on Derecognition of Land and Buildings for 2011/2012 incorrectly capitalised - Note 36.10
 Revaluation on Land and Buildings for 2011/2012 previously not recognised - Note 36.10

Total

36.05 Employee Benefits Reserve

Balance previously reported

Correction of overstatement on Employee Benefits Reserve - Note 2.2

Total

36.06 Receivables from exchange transactions

Balance previously reported

Correction of VAT Output previously not transferred to Joe Gqabi District Municipality - Note 36.10

Total

36.07 Non-Current Provisions

Balance previously reported

Correction on Opening balance of Landfill Site Provision - recalculated according to IGRAP 2 - 1 July 2012 - Note 36.09
 Correction on 2012/2013 additions on Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.10
 Correction on 2012/2013 interest on Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.10

Total

36.08 Capitalised Restoration Costs

Balance previously reported

Correction on Cost on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.09
 Correction on Accumulated Depreciation on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.09
 Correction on Accumulated Impairments on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.09
 Correction on Acquisitions for 2012/2013 - recalculated according to IGRAP 2 - Note 36.10
 Correction on Depreciation for 2012/2013 - recalculated according to IGRAP 2 - Note 36.10
 Correction on Impairment for 2012/2013 - recalculated according to IGRAP 2 - Note 36.10

Total

36.09 Accumulated Surplus/(Deficit)

First time recognition of Property, Plant and Equipment - 1 July 2012 - Note 36.01
 Backlog Depreciation on 1 July 2012 for Property, Plant and Equipment previously not recognised - Note 36.01
 Property, Plant and Equipment incorrectly capitalised - 1 July 2012 - Note 36.01
 Effect on Backlog Depreciation for Property, Plant and Equipment incorrectly capitalised - 1 July 2012 - Note 36.01
 Derecognise Land and Buildings - 1 July 2012 - at Fair value - Note 36.01
 Correction of Investment Property incorrectly capitalised - 1 July 2012 - at Fair value - Note 36.02
 Correction of Inventory - Land held for sale incorrectly recognised - 1 July 2012 - at Cost - Note 36.03
 Land and Buildings previously not recognised - 1 July 2012 - at Fair value - Note 36.01
 Investment Property previously not recognised - 1 July 2012 - at Fair value - Note 36.02
 Disposal of Electrical Infrastructure previously not recognised - Cost - 1 July 2012 - Note 36.01
 Disposal of Electrical Infrastructure previously not recognised - Accumulated Depreciation - 1 July 2012 - Note 36.01
 Correction of Integration of Infrastructure Assets - Cost - 1 July 2012 - Note 36.01
 Correction of Integration of Infrastructure Assets - Accumulated Depreciation - 1 July 2012 - Note 36.01
 Disposal of Infrastructure Assets previously not recognised - Cost - 1 July 2012 - Note 36.01
 Disposal of Infrastructure Assets previously not recognised - Accumulated Depreciation - 1 July 2012 - Note 36.01
 Correction on Opening balance of Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.07
 Correction on Capitalised Restoration Cost - Cost on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.08
 Correction on Capitalised Restoration Cost - Acc. Depreciation on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.08
 Correction on Capitalised Restoration Cost - Acc. Impairments on 1 July 2012 - recalculated according to IGRAP 2 - Note 36.08

Total

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)

36.10 Statement of Financial Performance

Balance previously reported

Depreciation for 2012/2013 for Property, Plant and Equipment previously not recognised - Note 36.01
 Effect on Depreciation for 2012/2013 for Property, Plant and Equipment incorrectly capitalised - Note 36.01
 Disposal of Property, Plant and Equipment previously not recognised - Cost - 2012/13 - Note 36.01
 Disposal of Property, Plant and Equipment previously not recognised - Accumulated Depreciation - 2012/13 - Note 36.01
 Disposal of Property, Plant and Equipment previously not recognised - Depreciation for 2012/13 - Note 36.01
 Revaluation on Derecognition of Land and Buildings for 2011/2012 incorrectly capitalised - Note 36.04
 Revaluation on Land and Buildings for 2011/2012 previously not recognised - Note 36.04
 Disposal of Electrical Infrastructure previously not recognised - Depreciation for 2012/13 - Note 36.01
 Disposal of Electrical Infrastructure previously not recognised - Cost - 2012/13 - Note 36.01
 Disposal of Electrical Infrastructure previously not recognised - Depreciation for 2012/13 - Note 36.01
 Correction of Integration of Infrastructure Assets - Depreciation for 2012/13 - Note 36.01
 Disposal of Infrastructure Assets previously not recognised - Depreciation for 2012/13 - Note 36.01
 Correction on Depreciation for 2012/13 of Transwilger Bridge incorrectly Capitalised - Note 36.01
 Correction of Interest Accrual on Landfill Site Provision - recalculated according to IGRAP 2- Note 36.07
 Correction on 2012/2013 Interest on Landfill Site Provision - recalculated according to IGRAP 2 - Note 36.07
 Correction on Capitalised Restoration Cost - Acquisitions for 2012/2013 - recalculated according to IGRAP 2 - Note 36.08
 Correction on Capitalised Restoration Cost - Depreciation for 2012/2013 recalculated according to IGRAP 2 - Note 36.08
 Correction on Capitalised Restoration Cost - Impairment for 2012/2013 recalculated according to IGRAP 2 - Note 36.08
 Correction of VAT Output previously not transferred to Joe Gqabi District Municipality - Note 36.06

Total

**2014
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37 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year - From Continuing Operations	56 037 447
Adjustments for:	
Depreciation	11 766 313
Loss on disposal of property, plant and equipment	1 925 704
Impairments	-
Reversal of Impairment Losses of Property, Plant & Equipment	(4 094)
Contribution from/to employee benefits - non-current	1 935 257
Contribution from/to employee benefits - non-current - expenditure incurred	(384 875)
Contribution from/to employee benefits - non-current - actuarial gains	(585 789)
Contribution to employee benefits – current	3 740 444
Contribution to employee benefits – current - expenditure incurred	(2 999 069)
Contribution to provisions – non-current	166 064
Contribution to provisions – bad debt	5 823 363
Bad debts written off	(675 770)
Grants Received	135 611 377
Grant recognised as revenue	(147 213 069)
Unspent Grant returned to National Revenue Fund	(1 307 000)
Unspent Grant transferred to Trade Payables	(4 602 000)
Transfer of Function - Water and Sanitation	-
Operating lease income accrued	(9 084)
Operating lease expenses accrued	3 402
Operating Surplus/(Deficit) before changes in working capital	59 228 622
Changes in working capital	2 732 187
Increase/(Decrease) in Payables from Exchange Transactions	8 282 677
Increase/(Decrease) in Taxes	(4 106 054)
(Increase)/Decrease in Inventory	(297 853)
(Increase)/Decrease in Receivables from exchange transactions	565 291
Increase in Other Receivables from non-exchange transactions	(1 711 875)
Cash generated/(absorbed) by operations	61 960 809

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

38	CASH AND CASH EQUIVALENTS	2014 R
	Cash and cash equivalents included in the cash flow statement comprise the following:	
	Call Investments Deposits - Note 20	161 791 490
	Cash Floats - Note 20	700
	Bank - Note 20	1 197 764
	Total cash and cash equivalents	162 989 955

39	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	
	Cash and Cash Equivalents - Note 38	162 989 955
	Less:	162 989 955
	Unspent Committed Conditional Grants - Note 9	11 300 729
	Net cash resources available for internal distribution	151 689 226
	Allocated to:	
	Capital Replacement Reserve	99 138 779
	Valuation Roll Reserve	613 936
	Employee Benefit Reserve	17 403 219
	Resources available for Working capital requirements	52 550 447

40	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	
	Long-term Liabilities - Note 3	14 437 246
	Used to finance property, plant and equipment - at cost	(14 437 246)
	Cash invested for repayment of long-term liabilities	-

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

41	BUDGET COMPARISONS	
	In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 8 to 13.	

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:	
Opening balance	-
Unauthorised expenditure current year - capital	-
Unauthorised expenditure current year - operating	-
Unauthorised expenditure awaiting authorisation	-

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes -None	None

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

42

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

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)
<u>Budget Comparison by Vote - Unauthorised expenditure current year - Operating</u>			
Executive & Council	21 670 269	22 759 341	(1 089 073)
Planning & Development	11 654 635	12 712 004	(1 057 369)
Corporate Services	10 850 609	13 641 927	(2 791 318)
Housing	1 393 437	1 835 496	(442 059)
Public Safety	14 413	66 828	(52 415)
Budget & Treasury	15 525 040	16 325 225	(800 185)
Road Transport	27 056 559	29 566 102	(2 509 543)
Waste Water Management	-	827 365	(827 365)
Electricity	31 519 043	36 994 414	(5 475 371)
Community & Social Services	7 159 079	8 133 120	(974 041)
Sport & Recreation	242 705	528 089	(285 384)
Waste Management	10 923 677	12 634 333	(1 710 656)
	138 009 468	156 024 245	(18 014 777)
	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)

Budget Comparison by Vote - Unauthorised expenditure current year - Capital

Executive & Council	301 907	825 000	(523 094)
Planning & Development	49 947	270 000	(220 053)
Corporate Services	5 298 065	9 700 000	(4 401 935)
Public Safety	714 460	900 000	(185 540)
Budget & Treasury	393 320	500 000	(106 680)
Road Transport	35 306 465	37 793 968	(2 487 503)
Electricity	1 275 693	4 450 000	(3 174 307)
Community & Social Services	4 089 958	6 254 582	(2 164 624)
Sport & Recreation	2 350 545	5 366 000	(3 015 455)
Waste Management	2 947 020	4 430 000	(1 482 980)
	52 727 380	70 489 550	(17 762 170)

42.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-
Fruitless and wasteful expenditure current year	978 906
Condoned or written off by Council	-
Fruitless and wasteful expenditure awaiting condonement	978 906

Incident	Disciplinary steps/criminal proceedings
<i>Electricity losses higher than the norm 2012</i>	<i>None - R742 700</i>
<i>Electricity losses higher than the norm 2013</i>	<i>None - R2 029 794</i>
<i>Electricity losses higher than the norm 2014</i>	<i>None - R969 302</i>
<i>Interest paid to Eskom, Telkom and Kirchmanns</i>	<i>None - R9 604.63</i>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)

42.3 Irregular expenditure

**2014
R**

Reconciliation of irregular expenditure:

Opening balance	-
Irregular expenditure current year	20 900
Condoned or written off by Council	-
	20 900

Irregular expenditure awaiting further action

Incident	Disciplinary steps/criminal proceedings
<i>Payments made to the supplier exceeded the tender price</i>	None
<i>Deviations from Supply Chain regulations - Sect 44 - Awards to persons in service of state.</i>	None
<i>Payments made in contravention with Section 11(1) of MFMA - UIF refund to Councillors.</i>	None
	20 900

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.

42.4 Material Losses

Electricity distribution losses

Kwh purchased	26 275 380
Kwh sold	22 278 982
Kwh losses	3 996 398
Kwh cost	0.7081
% Losses - Notes - 42.2	15.21%
Amount of Units lost considered fruitless expenditure above a norm of average 10%	1 368 860
Cost of units lost considered fruitless expenditure	969 302

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

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

Opening balance	-
Council subscriptions	482 265
Amount paid - current year	(482 265)
Balance unpaid (included in creditors)	-

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

Opening balance	-
Current year audit fee	1 644 465
Amount paid - current year	(1 644 465)
Amount paid - previous year	-
Balance unpaid (included in creditors)	-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

43	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2014 R
43.3	<u>VAT - [MFMA 125 (1)(b)]</u>	
	Opening balance	(1 854 772)
	Amounts received - previous year	1 854 772
	Amounts received - current year	4 817 110
	Amounts claimed - current year (payable)	(9 899 128)
	Closing balance Cr/(Dt)	<u><u>(5 082 019)</u></u>
	Vat in suspense due to cash basis of accounting	<u><u>1 146 073</u></u>
	<p>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.</p>	
43.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>	
	Opening balance	-
	Current year payroll deductions and Council Contributions	8 725 830
	Amount paid - current year	(8 725 830)
	Balance unpaid	<u><u>-</u></u>
43.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>	
	Opening balance	-
	Current year payroll deductions and Council Contributions	5 703 501
	Amount paid - current year	(5 703 501)
	Balance unpaid (included in creditors)	<u><u>-</u></u>
43.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>	
	<p>No Councillors had arrear accounts outstanding for more than 90 days during the year</p> <p>Refer to Note 51.1 for outstanding accounts at year-end for Councillors</p>	
43.7	<u>Non-Compliance with Supply Chain Management Regulations</u>	
	<p>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 and condoned by Council.</p>	
43.8	<u>Reporting i.t.o Section 45 - Supply Chain Management Regulations</u>	
	<p>The following business were done with employees of the municipality with an influence in decision making:</p>	
	<u>Staff Member</u>	<u>Entity</u>
	NG Ndlangwe	SJN Construction (Spouse is Director) 5 300
	TG Koena	Masekeleng Trading (Father is Owner) 60 501
	M A Theron	Lady Grey Joinery and Construction (Spouse is Director) 28 913

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R
44	CAPITAL COMMITMENTS	
	Commitments in respect of capital expenditure:	
	Approved and contracted for:	39 595 034
	Land & Buildings	10 688 439
	Infrastructure	15 298 248
	Community	13 608 347
	Total - Reclassified 2013	39 595 034
	This expenditure will be financed from:	
	Capital Replacement Reserve	11 645 699
	Government Grants - MIG	23 460 213
	Department of Sport	4 489 122
		39 595 034

45 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

This risk is managed on an on-going basis.

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

1% (2013 - 0.5%) Increase in interest rates	1 485 520
0.5% (2013 - 0.5%) Decrease in interest rates	(742 760)

**2014
R**

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

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

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

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

45

FINANCIAL RISK MANAGEMENT (CONTINUED)

Balances past due not impaired:

	2014 %	2014 R	2013 %
<u>Non-Exchange Receivables</u>			
Rates	100.00%	761 415	100.00%
<u>Exchange Receivables</u>			
Electricity	92.53%	942 840	94.57%
Refuse	6.34%	64 634	4.19%
Other	1.13%	11 500	1.24%
	100.00%	1 018 974	100.00%

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

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

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

	2014 %	2014 R	2013 %
<u>Non-Exchange Receivables</u>			
Rates	100.00%	5 851 688	100.00%
<u>Exchange Receivables</u>			
Electricity	66.43%	9 045 497	61.85%
Refuse	30.88%	4 204 586	36.12%
Other	2.69%	366 351	2.02%
	100.00%	13 616 434	100%

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

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

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

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

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

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

	2014 R
Receivables from exchange transactions	8 226 138
Cash and Cash Equivalents	162 989 955
Unpaid conditional grants and subsidies	986 071
	172 202 164

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

45

FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

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

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

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
2014			
Long Term liabilities - Annuity Loans	1 904 768	6 993 162	7 602 683
Capital repayments	791 775	3 286 625	4 437 524
Interest	1 112 994	3 706 538	3 165 159
Provisions - Landfill Sites	-	1 802 055	1 183 289
Capital repayments	-	1 470 153	882 988
Interest	-	331 902	300 300
Trade and Other Payables	4 455 775	-	-
	<u>6 360 543</u>	<u>8 795 218</u>	<u>8 785 972</u>
2013			
Long Term liabilities	1 925 432	7 195 606	7 855 737
Capital repayments	779 689	3 237 337	4 357 588
Interest	1 145 743	3 958 269	3 498 149
Long Term liabilities - Finance Leases	11 738	-	-
Capital repayments	11 510	-	-
Interest	229	-	-
Provisions - Landfill Sites - Restated	-	712 848.09	2 173 522.65
Capital repayments	-	597 767	1 631 590
Interest	-	115 081	541 932
Trade and Other Payables	1 018 187	-	-
	<u>2 955 358</u>	<u>7 908 454</u>	<u>10 029 260</u>

46

FINANCIAL INSTRUMENTS

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

46.1 Financial Assets	Classification	2014 R
Receivables		
Receivables from exchange transactions	Financial instruments at amortised cost	7 489 159
Other Receivables		
Government Subsidies and Grants	Financial instruments at amortised cost	986 071
Short-term Investment Deposits		
Call Deposits	Financial instruments at amortised cost	161 791 490
Bank Balances and Cash		
Bank Balances	Financial instruments at amortised cost	1 197 764
Cash Floats and Advances	Financial instruments at amortised cost	700
		<u>171 465 185</u>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

46	FINANCIAL INSTRUMENTS (CONTINUED)	2014
		R
	SUMMARY OF FINANCIAL ASSETS	
	Financial instruments at amortised cost	171 465 185
46.2	Financial Liability	Classification
	Long-term Liabilities	
	Annuity Loans	Financial instruments at amortised cost 13 645 472
	Capitalised Lease Liability	Financial instruments at amortised cost -
	Payables from exchange transactions	
	Trade creditors	Financial instruments at amortised cost 779 114
	Deposits: Other	Financial instruments at amortised cost 8 278 661
	Current Portion of Long-term Liabilities	
	Annuity Loans	Financial instruments at amortised cost 791 775
	Capitalised Lease Liability	Financial instruments at amortised cost -
		23 495 021
	SUMMARY OF FINANCIAL LIABILITY	
	Financial instruments at amortised cost	23 495 021
47	EVENTS AFTER THE REPORTING DATE	
	No events after reporting date	
48	IN-KIND DONATIONS AND ASSISTANCE	
	The municipality did not receive any in-kind donations or assistance during the year under review.	
49	PRIVATE PUBLIC PARTNERSHIPS	
	Council has not entered into any private public partnerships during the financial year.	
50	CONTINGENT LIABILITY	2014
		R
	The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:	
	<u>Traffic Officers</u>	
	Appeal against arbitration outcome to reinstate traffic officers who were found guilty of corruption. This is a pending review in the Labour Court along with an ancillary urgent application. The potential cost of R550 000 includes the retrospective reinstatement of three former employees.	550 000
	<u>Contingencies arising from pending litigation on wage curve agreement</u>	
	On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012.	
	As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.	
	The Labour Appeal Court ruled in favour of SALGA during the 2013-2014 financial year.	

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

50	CONTINGENT LIABILITY (CONTINUED)	2014 R
	<u>Landfill Sites</u>	
	The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	
	<u>Hawks matter</u>	
	Currently a Pending Investigation from the HAWKS is on-going, a case has been opened and employees has been charged.	
	<u>Ex-gracia payment</u>	
	Upon termination of MM and 3 other Section 57 Managers contracts, an ex-gracia amount of 1.25 x the employees' gross annual salary will be paid to these employees.	7 337 511
	<u>Land Invasion</u>	
	The municipality is currently engaged in litigation in respect of various land invasion cases in Sterkspruit and Herschel.	-
	<u>Moeletsi, Nqogodo & April defamation claims</u>	
	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 August 2013.	300 000
51	RELATED PARTIES	
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.	
51.1	Related Party Transactions	
		Rates - Levied 1 Jul 13 - 30 Jun 14
	Year ended 30 JUNE 2014	
	Councillors	5 078
	N Mtyali	-
	J Konstable	1 749
	M Mjali	8
	R M Joubert	1 576
	Mpelwane	834
	M Mfisa	-
	M Mafilika	-
	M Eliya	26
	N C Motemekwana	-
	S Thindleni	459
	NR Nthako	426
	HI van Der Walt	-
	MA Mshasha	-
	Municipal Manager and Section 57 Employees	4 246
	MM Yawa	-
	R Crozier	4 246
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.	
51.2	Compensation of key management personnel	
	The compensation of key management personnel and the Remuneration of Councillors is set out in notes 25 and 26 to the Annual Financial Statements.	
51.3	Other related party transactions	2014 R
	The following purchases were made during the year where Councillors or Management have an interest:	
	<u>Councillor/Staff Member</u>	<u>Entity</u>
	M A Theron	Copper Leaf Trading (Spouse is Director) -
	M M Yawa	JoGeda (MM on Board of Directors) -

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 609 934
<u>1 609 934</u>
<u>1 609 934</u>

95 532 283
15 697 251
<u>17 632 892</u>
<u>(1 935 641)</u>
330 838
200 246 646
<u>311 807 018</u>

15 219 060
11 510
<u>15 230 570</u>
791 198
<u>779 689</u>
<u>11 510</u>
<u>14 439 371</u>

Sum
payments

1 925 432
7 195 606
<u>16 647 621</u>
25 768 659
<u>(10 549 599)</u>
<u>15 219 060</u>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R
Sum
Items
11 738
<hr/> 11 738
(229)
<hr/> 11 510 <hr/>

<u>Maturity Date</u>
11/2013

2013
R
9 493 538
727 044
<hr/> 10 220 582 <hr/>

11 204 297
1 636 849
(204 096)
(1 911 095)
(1 029 209)
<hr/> 9 696 746
(203 208)
<hr/> 9 493 538 <hr/>

951 858
209 133
(51 719)
(168 154)
(107 841)
<hr/> 833 277
(106 233)
<hr/> 727 044 <hr/>

12 156 155
1 845 982
(255 814)
(2 079 250)
(1 137 050)
<hr/> 10 530 023
(309 441)
<hr/> 10 220 582 <hr/>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

112
5

117

6 904 449
2 792 297

9 696 746

2010
R (million)

8.217

2011
R (million)

(1.277)
-

2013
%

9.14%
7.93%
1.12%

2013
R

9 696 746

9 696 746

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

11 204 297
1 432 753

798 331
838 518
(204 096)

(1 911 095)
(1 029 209)

9 696 746

(203 208)

9 493 538

% change

% change

19%
-15%
-15%
19%
4%
7%
-7%

% change

22%
-17%
3%
4%
15%

2013

195

2013
%

7.11%
6.77%
0.31%

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013

R

833 277

833 277

2010

R

644 199

2011

79 620

-

2013

R

951 858

157 414

159 778

49 355

(51 719)

(168 154)

(107 841)

833 277

(106 233)

727 044

% change

5%

-5%

-5%

6%

-6%

7%

22%

% change

6%

-5%

-5%

4%

28%

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

2 899 109

567 874
71 437
2 832

642 143

3 527 111

3 527 111

4 603 223
(1 252 252)

3 350 971
24 474

522 382
(497 907)

151 666

-
151 666

3 527 111

2013

R

832 191
799 399
662 589
635 165
597 767

3 527 111

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2012

54.74%
61.28%
65.69%
29.15%
90.30%

2013

R

949 266

949 266

203 208

106 233

1 005 015

2 098 972

-

2 063 241

5 476 669

181 632

21 576

203 208

110 712

(4 479)

106 233

1 247 354

(35 471)

(206 868)

1 005 015

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 202 988
1 273 503
(53 412)
(324 106)

2 098 972

405 517
439 071
(844 588)

-

2 846 213
529 618
(843 547)
(469 043)

2 063 241

63 721
10 640
626 597
666 585
277 242
-

1 644 785

27 825 349

19 652 757
8 172 591

-

-

27 825 349

1 700 000

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 371 733
(949 635)

422 097

1 932 120

1 932 120

1 510 022

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

29 241
29 241
27 454
27 454
1 786

2016
R

1 012 976

2013
R

1 422 006
2 336 439
4 603 223 (2 266 785)
(791 647)
- (791 647)
(122 786)
(4 603 223) 4 480 437
24 474
522 382 (497 907)
(150 557)
- (150 557)
(10 595)
(522 382) 511 787
-
1 285 328
2 360 913 (942 204) (133 381)

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

84 851
517 468
<hr/>
602 319
(600 533)
<hr/>
1 787
<hr/> <hr/>

8 663 500

8 663 500
<hr/>
10 262 000
(3 196 500)
4 724 000
(3 180 000)
54 000
<hr/>
8 663 500
<hr/>
8 663 500
<hr/>

263 136

546 587
(283 452)
<hr/>
24 049
(519)
(105 485)
<hr/>
181 180
<hr/>
567 136
(385 956)
<hr/>

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 308 418

-

2 443 400
(1 536 500)
(906 900)

1 308 418

9 748 275

249 024

3 688 937

8 721 626

8 213 557

7 887 134
326 423

508 069

22 407 863
(9 474 829)

12 933 034

12 933 034

2 770 563

1 607 479

899 275

4 813 894

(342 937)

9 748 275

11 063

22 988

5 896

279 691

(70 614)

249 024

222 387

126 458

104 744

3 329 866

(94 518)

3 688 937

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

508 069
7 887 134

8 395 203

10 586 448
(4 309 947)
4 674 564
(1 476 236)

9 474 829

5 511 550
118 528
54 559
-

5 684 637
(4 845 700)

838 937

838 937

49 713
174 082
119 559
5 286 725
(118 528)

5 511 550

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Total

R's

497 631

1 282 759

1 780 390

861 769

1 264 520

2 126 289

Total

R's

19 468 123

Total

R's

14 320 529

2013

R

4 284 602

696 391

(135 293)

4 845 700

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 970
(630)

1 340

23 819
104 553

128 371

58 542
24 828

83 370

281 237
612 845
96 997

991 080

153 075 703
1 176 531
700

154 252 933

1 176 531

1 176 531

903 394
1 176 531

2 825 633
911 904

89 272 777
57 039 042
6 763 884

153 075 703

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

5 624 278

1 735 384
886 265
1 993 952
158 921
849 755

(1 312 589)

4 311 689

1 694 091 860

264 641 600
103 742 000
18 161 000
1 164 631 860
29 213 500
39 162 000
74 539 900

1 694 091 860

0.6800c/R
0.8160c/R
0.1700c/R
0.6800c/R
1.1400c/R

2013
R

89 723 000

89 723 000

33 818 323

15 949 170
1 500 000
800 000
10 154 769
1 857 000
175 203
103 897
507 727
53 216
49 582
90 167
626 675
500 000
109 862
95 000
46 056
-
-
1 200 000

123 541 323

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

20 143 049
103 398 274

123 541 323

89 723 000

300 000
2 095 000
10 554 334
3 678 226
560 941
3 094 896
500 000
13 034 926

123 541 323

89 723 000

(342 129)
28 025 000
(15 949 170)

11 733 701

-
1 500 000
(1 500 000)

-

-
800 000
(800 000)

-

8 164 825
10 205 000
(10 154 769)
(296 000)

7 919 056

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

-
1 857 000
(1 857 000)

-

-
175 203
(175 203)

-

103 897
(103 897)

-

830 240
130 909
(507 727)

453 423

53 216
(53 216)

-

49 582
(49 582)

-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

7 412 501
306 667

7 719 169

90 167
(90 167)

-

63 134
563 541
(626 675)

-

300 000
200 000
(500 000)

-

109 862
(109 862)

-

95 000
(95 000)

-

46 056
(46 056)

-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

-
-
-

-
-
-

-
1 200 000
(1 200 000)

22 762 907
26 438 375
(3 675 468)

2 504 474
6 449 098
(3 944 624)

25 267 381

1 011 640
17 766
36 910
14 122
20 070
94 465

1 194 973

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

27 628 238
5 970 423
104 500
2 994 045
23 226
529 618
482 501
439 071
209 133
1 636 849

40 017 604

1 243 009
-
-
82 800
21 500
1 713

1 349 022

1 033 083
-
-
93 600
12 000
1 713

1 140 396

798 119
-
-
48 000
12 000
1 713

859 832

1 126 683
-
-
12 000
1 713

1 140 396

185 961
-
3 000
374

189 335

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

563 897
-
9 000
82 000
1 338

656 235

255 758
3 000
17 100
7 500
374

283 732

747 545
-
9 000
103 695

860 240

665 421
536 311
1 672 110
5 520 635
463 741

8 858 218

645 549
19 872

665 421

474 049
19 872
42 390

536 311

1 524 152
74 376
73 582

1 672 110

248 536
12 396

260 932

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

5 272 099
344 305
107 040

5 723 444

4 674 564
696 391

5 370 955
34 331
(311 940)

5 093 346

12 662 516
105 485
150 557

12 918 558

204 175
205 960
4 942
1 046 801
385 841
4 160
555 069
19 698
1 240
36 874
89 711

2 554 473

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013

R

1 144 315
2 787
151 666

1 298 768

19 167 363

19 167 363

333 000

333 000

455 049

-

77 408

97 238

31 200

-

395 509

507 726

356 652

6 005 386

154 238

1 693 930

1 096 854

2 425 870

1 633 777

123 356

102 000

24 206

50 835

15 231 233

1 593 872

426 771

196 476

33 721

678 176

1 082 183

775 300

313 538

388 870

488 346

468 839

1 384 819

1 128 671

985

371 274

838 653

22 211

2 675 758

1 171 586

494 785

959 049

115 612

1 767 469

1 748 464

1 248 583

1 579 633

21 953 645

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 137 050
1 000 017
(311 940)
740 477

2 565 605

2013
R

201 257 572

8 263
(4 250)
(849)
(378 796)
226 956
26 078
(52 827)
19 283
2 104
(5 011 813)
517 000
906 900
3 180 000
(54 000)
(490 289)
271 285
10 895
(78 294)
12 193
(4 289 875)
1 790 852
23 387
(864 463)
154 395
46 192
6 215

197 234 114

10 262 000

(3 196 500)
4 724 000
(3 180 000)
54 000

8 663 500

3 751 818

(1 536 500)
(906 900)

1 308 418

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 642 127
(32 394)
201

1 609 934

17 632 892
(1 935 641)

15 697 251

12 606 610
326 423

12 933 034

5 125 605
(1 252 252)
(497 907)
151 666

3 527 111

-
(2 266 785)
(791 647)
4 480 437
(497 907)
(150 557)
511 787

1 285 328

8 263
(4 250)
(378 796)
226 956
(5 011 813)
(3 196 500)
(1 536 500)
517 000
4 724 000
(490 289)
271 285
(4 289 875)
1 790 852
(864 463)
154 395
1 252 252
(2 266 785)
(791 647)
4 480 437

(5 405 478)

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

42 605 591
(849)
26 078
(52 827)
19 283
2 104
32 394
(201)
10 895
(78 294)
12 193
23 387
46 192
6 215
497 907
(151 666)
(497 907)
(150 557)
511 787
326 423

43 188 149

2013
R

43 188 150

12 918 558
1 092 310
10 595
-
1 845 982
(255 814)
(2 079 250)
2 206 720
(1 741 547)
151 666
5 059 014
(1 611 528)
134 390 321
(123 541 323)
296 000
-
(6 541 551)
(24 828)
(630)

65 362 844
809 905

(1 503 596)
(384 880)
(230 751)
3 729 748
(800 616)

66 172 749

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

153 075 703
700
1 176 531

154 252 933

154 252 933

154 252 933
27 825 349

27 825 349

126 427 585

95 532 283
330 838
15 697 251

30 895 301

15 230 570
(15 230 570)

-

-

-

-

-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R
(Unauthorised)

-
-
-
-
-
-
-
-
-
-

2014
R
(Unauthorised)

-
-
-
-
-
-
-
-
-

2013
R

742 700
2 029 794
(2 772 494)

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

1 466 110
762 757
(2 228 867)

-

227 127

181 087

354 543

762 757

25 626 083
20 349 847
5 276 236
0.7480
20.59%
2 713 628
2 029 794

-
400 000
(400 000)

-

13 695
1 593 872
(1 593 872)
(13 695)

-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

(1 703 281)
1 703 281
15 223 886
(17 078 658)

(1 854 772)

1 293 873

-
6 543 688
(6 543 688)

-

-
4 894 398
(4 894 398)

-

-
-
-

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

28 728 555

2 063 852
21 838 199
4 826 503

28 728 555

3 418 057
22 555 074
2 755 424

28 728 555

2013
R

695 108
(695 108)

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

575 795

1 466 329

64 995

19 171

1 550 494

2013
R

4 845 700

5 860 386

3 422 772

191 671

9 474 829

2013
R

12 933 034

154 252 933

-

167 185 967

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Over 10 Years

7 372 657
5 921 323
1 451 334
3 938 216
1 362 978
2 575 239
-
11 310 874

8 791 884
6 844 446
1 947 438
-
-
-
3 502 569
1 297 754
2 204 815
-
12 294 453

2013
R

12 424 965

-

153 075 703

1 176 531
700

166 677 898

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

166 677 898

14 439 371

-

63 721
954 467

779 689
11 510

16 248 757

16 248 757

2013
R

550 000

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013
R

7 417 680

17 690

-

**Service
Charges -
Levied 1 Jul 13 -
30 Jun 14**

111 090

26 284

6 593

7 685

10 074

3 366

10 314

3 974

3 919

3 974

22 693

3 357

3 974

4 882

27 553

9 619

17 934

2013
R

151 651

333 000

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation			Carrying Value	
	Opening Balance R	Additions * R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals/ Revaluation R	Closing Balance R	R
Land and Buildings	52 998 259	6 366 392	-	59 364 651	-	448 457	448 457	-	59 364 651
Land	11 480 951	-	-	11 480 951	-	-	-	-	11 480 951
Buildings	41 517 309	6 366 392	-	47 883 700	-	448 457	448 457	-	47 883 700
Infrastructure	155 036 100	34 169 011	63 513	189 141 598	47 349 832	7 419 490	4 847	54 764 476	134 377 123
Main: Roads	98 777 351	28 988 934	57 602	127 708 683	38 992 930	5 944 046	2 142	44 934 834	82 773 849
Main: Storm Water	30 829 712	4 013 053	1 280	34 841 485	5 161 122	1 013 834	1 260	6 173 695	28 667 789
Main: Waste Management	2 904 379	220 098	-	3 124 477	1 063 045	150 928	-	1 213 972	1 910 505
Main: Electricity	10 163 842	791 311	4 631	10 950 522	2 132 736	309 625	1 444	2 440 917	8 509 605
Taxi Ranks	12 360 816	155 616	-	12 516 431	-	1 058	-	1 058	12 515 374
Community Assets	11 456 762	4 754 143	-	16 210 904	4 530	321 621	-	326 150	15 884 754
Sports Fields	2 780 560	2 120 192	-	4 900 752	-	44 455	-	44 455	4 856 297
Node Development	8 380 791	-	-	8 380 791	3 570	260 605	-	264 175	8 116 616
Parks & Gardens	9 579	944 813	-	954 392	960	5 450	-	6 410	947 982
Cemetery	285 832	1 689 138	-	1 974 969	-	11 110	-	11 110	1 963 859
Leased Assets	91 610	-	-	91 610	80 650	3 263	-	83 913	7 697
Office Equipment	91 610	-	-	91 610	80 650	3 263	-	83 913	7 697
Other Assets	35 161 963	7 381 484	3 278 093	39 265 354	10 075 567	3 345 856	1 285 934	12 135 489	27 129 865
Motor Vehicles	5 295 561	1 381 816	97 703	6 579 674	2 584 682	725 187	75 209	3 234 660	3 345 014
Plant & Equipment	21 357 014	2 304 553	2 837 337	20 824 229	4 428 820	1 545 677	921 903	5 052 595	15 771 635
Office Equipment	1 639 647	132 499	166 646	1 605 500	686 566	231 914	141 308	777 173	828 327
Furniture & Fittings	2 463 377	1 086 140	46 646	3 502 871	949 459	236 828	33 324	1 152 963	2 349 908
Loose Equipment	280 788	324 821	14 864	590 746	65 222	74 816	10 704	129 334	461 411
Computer Equipment	2 385 844	419 198	114 897	2 690 145	1 302 024	376 758	103 487	1 575 296	1 114 849
Specialised Vehicles	1 736 842	1 732 456	-	3 469 298	56 605	154 097	-	210 701	3 258 597
Security Items	2 890	-	-	2 890	2 188	578	-	2 766	124
	254 744 693	52 671 029	3 341 605	304 074 117	57 510 579	11 538 686	1 739 237	67 310 028	236 764 090

* Included in the Additions for 2013/2014 is an amount of R12 272 435 for work-in-progress

SENQU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value - Restated
- Note 36.01

	Cost				Accumulated Depreciation			Carrying Value	
	Opening Balance R	Additions R	Disposals - Restated R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals/ Revaluation R	Closing Balance R	R
Land and Buildings	47 819 981	5 178 278	-	52 998 259	-	382 347	382 347	-	52 998 259
Land	11 380 951	100 000	-	11 480 951	-	-	-	-	11 480 951
Buildings	36 439 031	5 078 278	-	41 517 309	-	382 347	382 347	-	41 517 309
Infrastructure	145 273 388	10 250 299	487 587	155 036 100	37 844 279	9 730 481	224 928	47 349 832	107 686 267
Main: Roads	90 316 188	8 494 936	33 773	98 777 351	30 716 559	8 286 669	10 299	38 992 930	59 784 421
Main: Storm Water	30 935 442	17 305	123 035	30 829 712	4 235 143	987 894	61 914	5 161 122	25 668 590
Main: Waste Management	2 904 379	-	-	2 904 379	910 848	152 196	-	1 063 045	1 841 335
Main: Electricity	9 784 041	710 580	330 779	10 163 842	1 981 729	303 722	152 715	2 132 736	8 031 106
Taxi Ranks	11 333 337	1 027 478	-	12 360 816	-	-	-	-	12 360 816
Community Assets	1 116 454	10 340 307	-	11 456 762	640	3 889	-	4 530	11 452 232
Sports Fields	-	2 780 560	-	2 780 560	-	-	-	-	2 780 560
Node Development	1 106 876	7 273 915	-	8 380 791	-	3 570	-	3 570	8 377 221
Parks & Gardens	9 579	-	-	9 579	640	319	-	960	8 619
Cemetery	-	285 832	-	285 832	-	-	-	-	285 832
Leased Assets	91 610	-	-	91 610	50 114	30 537	-	80 650	10 960
Office Equipment	91 610	-	-	91 610	50 114	30 537	-	80 650	10 960
Other Assets	25 435 147	11 872 328	2 145 512	35 161 963	8 724 129	2 514 664	1 163 215	10 075 567	25 086 396
Motor Vehicles	5 497 306	675 124	876 869	5 295 561	2 425 608	517 523	358 450	2 584 682	2 710 879
Plant & Equipment	13 649 185	8 594 848	887 020	21 357 014	3 964 050	1 047 023	582 241	4 428 820	16 928 193
Office Equipment	1 411 409	282 884	54 646	1 639 647	485 759	226 805	25 997	686 566	953 080
Furniture & Fittings	2 366 751	206 518	109 892	2 463 377	770 333	236 428	57 302	949 459	1 513 918
Loose Equipment	143 451	145 879	8 541	280 788	44 030	25 945	4 752	65 222	215 566
Computer Equipment	2 364 155	230 234	208 545	2 385 844	1 032 739	403 758	134 473	1 302 024	1 083 820
Specialised Vehicles	-	1 736 842	-	1 736 842	-	56 605	-	56 605	1 680 237
Security Items	2 890	-	-	2 890	1 610	578	-	2 188	702
	219 736 581	37 641 212	2 633 099	254 744 693	46 619 162	12 661 919	1 770 489	57 510 579	197 234 114

GRAP 17 - Property, Plant and Equipment

Included in PPE balances at each reporting period are the following Work in Progress balances. No depreciation is charged on these balances before the project is completed.

	2014	2013
	R	R
Buildings	2 091 876	-
Cemeteries	1 492 194	285 832
Infrastructure - Electricity	25 924	25 924
Infrastructure - Roads (Restated 2013)	29 055 550	8 494 936
Infrastructure - Waste Management	449 712	229 614
Parks & Gardens	721 865	-
Sports Fields	1 677 000	2 780 560
Taxi Ranks	935 995	12 360 816
	36 450 116	24 177 681

INSERT ACCOUNTING POLICY

**APPENDIX A - Unaudited
SENQU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS						
DBSA loan	Floating	103126/1	2029	10 425 693	631 860	9 793 833
DBSA loan	Fixed	103126/2	2030	4 793 367	149 954	4 643 414
Total Annuity Loans				15 219 060	781 814	14 437 246
LEASE LIABILITY						
Finance Leases			2013	11 510	11 510	-
Total Lease Liabilities				11 510	11 510	-
TOTAL EXTERNAL LOANS				15 230 570	793 324	14 437 246

APPENDIX B - Unaudited
SENQU MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2014
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions (Includes WIP)	Disposals	Closing Balance	Opening Balance	Additions	Disposals/Revaluation	Closing Balance	
Executive & Council	2 404 864	301 907	20 735	2 686 035	712 338	372 338	16 774	1 067 902	1 618 133
Planning & Development	10 423 021	49 947	2 481 296	7 991 672	1 080 605	94 774	735 147	440 231	7 551 441
Corporate Services	59 732 749	5 298 065.45	50 675	64 980 140	543 757	593 268	493 238	643 787	64 336 353
Budget & Treasury	2 901 017	393 320	150 358	3 143 979	1 445 740	395 227	135 861	1 705 106	1 438 873
Road Transport	160 479 223	35 306 465	211 387	195 574 302	48 458 723	8 483 517	132 000	56 810 240	138 764 062
Electricity	10 661 376	1 275 693	50 423	11 886 646	3 354 860	578 958	33 680	3 900 137	7 986 509
Community & Social Services	4 520 076	4 089 958	181 154	8 428 881	364 793	394 486	138 457	620 822	7 808 060
Public Safety	-	714 460	-	714 460	-	5 131	-	5 131	709 329
Sport & Recreation	5 178 987	2 350 545	-	7 529 532	96 505	47 420	-	143 925	7 385 607
Waste Management	7 674 026	2 947 020	250 761	10 370 285	1 839 226	648 783	106 952	2 381 057	7 989 228
	263 975 341	52 727 380	3 396 789	313 305 933	57 896 547	11 613 900	1 792 109	67 718 338	245 587 594

APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
4 836 000	19 369 927	(14 533 927)	Executive & Council	5 571 000	21 670 269	(16 099 269)
10 554 334	9 732 176	822 158	Planning & Development	878 088	11 654 635	(10 776 547)
2 285 250	10 804 555	(8 519 305)	Corporate Services	163 837	10 850 609	(10 686 772)
578 707	1 413 640	(834 933)	Housing	252 685	1 393 437	(1 140 753)
20 070	17 607	2 463	Public Safety	74 394	14 413	59 981
93 504 409	12 886 562	80 617 847	Budget & Treasury	98 705 169	15 525 040	83 180 129
15 386 969	28 721 864	(13 334 895)	Road Transport	41 118 285	27 056 559	14 061 725
30 115 520	29 482 732	632 788	Electricity	32 924 086	31 519 043	1 405 043
4 150 637	5 864 475	(1 713 838)	Community & Social Services	4 692 863	7 159 079	(2 466 216)
3 094 896	122 000	2 972 896	Sport & Recreation	2 221 294	242 705	1 978 589
7 190 470	10 113 576	(2 923 106)	Waste Management	7 445 216	10 923 677	(3 478 462)
						-
171 717 262	128 529 113	43 188 150	Total	194 046 915	138 009 468	56 037 447

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

Grant Description	Balance 1 JULY 2013	Contributions during the year	Interest on Investments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Returned National Revenue Fund	Transferred to Trade Payables	Balance 30 JUNE 2014
	R	R	R	R	R	R		R
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
<u>National Government Grants</u>								
Equitable Share	-	98 133 000	-	98 133 000	-	-	-	-
Municipal Finance Management	-	1 550 000	-	1 550 000	-	-	-	-
Municipal Infrastructure Grant	11 733 701	27 953 000	-	6 384 633	34 288 139	-	-	(986 071)
Municipal Systems Improvement	-	890 000	-	890 000	-	-	-	-
NDPG (Neighbourhood Development Partnership Grant)	7 919 056	-	-	-	-	1 307 000	4 602 000	2 010 056
EPWP (Expanded Public Works Program)	-	2 160 000	-	2 160 000	-	-	-	-
Dept Sport (Youth Development - Sport Fields)	-	1 398 033	-	-	1 398 033	-	-	-
Total National Government Grants	19 652 757	132 084 033	-	109 117 633	35 686 172	1 307 000	4 602 000	1 023 985
<u>Provincial Government Grants</u>								
Prov Gov - Housing (Hillside)	453 424	-	-	220 771	-	-	-	232 652
Herschel People's Housing	7 719 169	-	334 344	-	-	-	-	8 053 512
Vuna Awards	-	470 000	-	110 404	-	-	-	359 596
Alien Vegetation Eradication	-	1 523 000	-	878 088	-	-	-	644 912
Libraries	-	1 200 000	-	1 200 000	-	-	-	-
Total Provincial Government Grants	8 172 592	3 193 000	334 344	2 409 263	-	-	-	9 290 673
Total	27 825 350	135 277 033	334 344	111 526 897	35 686 172	1 307 000	4 602 000	10 314 658

**APPENDIX E - Unaudited
SENQU MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
<i>Governance and administration</i>	101 730	(314)	101 416	104 440	3 024	103.0%	102.7%	100 626
Executive and council	5 571	-	5 571	5 571	-	100.0%	100.0%	4 836
Budget and treasury office	96 102	(314)	95 788	98 705	2 917	103.0%	102.7%	93 504
Corporate services	56	-	56	164	108	291.6%	291.6%	2 285
<i>Community and public safety</i>	11 229	73	11 303	7 241	(4 061)	64.1%	64.5%	7 844
Community and social services	5 382	(585)	4 797	4 693	(104)	97.8%	87.2%	4 151
Sport and recreation	4 793	573	5 366	2 221	(3 145)	41.4%	46.3%	3 095
Public safety	1 033	(308)	725	74	(650)	10.3%	7.2%	20
Housing	21	394	415	253	(162)	60.9%	1191.9%	579
<i>Economic and environmental services</i>	26 499	14 519	41 018	41 996	978	102.4%	158.5%	25 941
Planning and development	1 287	1 745	3 032	878	(2 154)	29.0%	68.2%	10 554
Road transport	25 212	12 774	37 986	41 118	3 132	108.2%	163.1%	15 387
<i>Trading services</i>	35 657	(261)	35 396	40 369	4 973	114.1%	113.2%	37 306
Electricity	27 753	159	27 912	32 924	5 012	118.0%	118.6%	30 116
Waste management	7 904	(420)	7 484	7 445	(39)	99.5%	94.2%	7 190
Total Revenue - Standard	175 115	14 017	189 133	194 047	4 914	102.6%	110.8%	171 717
Expenditure - Standard								
<i>Governance and administration</i>	47 788	4 939	52 726	48 046	(4 681)	91.1%	100.5%	43 061
Executive and council	20 442	2 318	22 759	21 670	(1 089)	95.2%	106.0%	19 370
Budget and treasury office	15 707	618	16 325	15 525	(800)	95.1%	98.8%	12 887
Corporate services	11 639	2 003	13 642	10 851	(2 791)	79.5%	93.2%	10 805
<i>Community and public safety</i>	13 125	(1 911)	11 214	8 810	(2 405)	78.6%	67.1%	7 418
Community and social services	10 182	(2 049)	8 133	7 159	(974)	88.0%	70.3%	5 864
Sport and recreation	348	181	528	243	(285)	46.0%	69.8%	122
Public safety	637	80	717	14	(703)	2.0%	2.3%	18
Housing	1 958	(123)	1 835	1 393	(442)	75.9%	71.2%	1 414
<i>Economic and environmental services</i>	45 454	(3 176)	42 278	38 711	(3 567)	91.6%	85.2%	38 454
Planning and development	12 479	233	12 712	11 655	(1 057)	91.7%	93.4%	9 732
Road transport	32 975	(3 409)	29 566	27 057	(2 510)	91.5%	82.1%	28 722
<i>Trading services</i>	51 098	(1 292)	49 805	42 443	(7 363)	85.2%	83.1%	39 596
Electricity	35 883	460	36 344	31 519	(4 825)	86.7%	87.8%	29 483
Waste water management	827	0	827	-	(827)	-	-	-
Waste management	14 387	(1 753)	12 634	10 924	(1 711)	86.5%	75.9%	10 114
Total Expenditure - Standard	157 465	(1 440)	156 024	138 009	(18 015)	88.5%	87.6%	128 529
Surplus/(Deficit) for the year	17 650	15 458	33 108	56 037	22 929	169.3%	317.5%	43 188

**APPENDIX E - Unaudited
SENQU MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive and Council	5 571	-	5 571	5 571	-	100.0%	100.0%	4 836
Budget and Treasury Office	96 102	(314)	95 788	98 705	2 917	103.0%	102.7%	93 504
Corporate Services	56	-	56	164	108	291.6%	291.6%	2 285
Community and Social Services	5 382	(585)	4 797	4 693	(104)	97.8%	87.2%	4 151
Sport and Recreation	4 793	573	5 366	2 221	(3 145)	41.4%	46.3%	3 095
Public Safety	25	-	25	74	50	301.0%	301.0%	20
Housing	21	394	415	253	(162)	60.9%	1191.9%	579
Planning and development	1 287	1 745	3 032	878	(2 154)	29.0%	68.2%	10 554
Road Transport	25 212	12 774	37 986	41 118	3 132	108.2%	163.1%	15 387
Electricity	28 761	(149)	28 612	32 924	4 312	115.1%	114.5%	30 116
Waste Management	7 904	(420)	7 484	7 445	(39)	99.5%	94.2%	7 190
Total Revenue by Vote	175 115	14 017	189 133	194 047	4 914	102.6%	110.8%	171 717
Expenditure by Vote to be appropriated								
Executive and Council	20 442	2 318	22 759	21 670	(1 089)	95.2%	106.0%	19 370
Budget and Treasury Office	15 707	618	16 325	15 525	(800)	95.1%	98.8%	12 887
Corporate Services	11 639	2 003	13 642	10 851	(2 791)	79.5%	93.2%	10 805
Community and Social Services	10 182	(2 049)	8 133	7 159	(974)	88.0%	70.3%	5 864
Sport and Recreation	348	181	528	243	(285)	46.0%	69.8%	122
Public Safety	67	(0)	67	14	(52)	21.6%	21.6%	18
Housing	1 958	(123)	1 835	1 393	(442)	75.9%	71.2%	1 414
Planning and development	12 479	233	12 712	11 655	(1 057)	91.7%	93.4%	9 732
Road Transport	32 975	(3 409)	29 566	27 057	(2 510)	91.5%	82.1%	28 722
Electricity	36 454	540	36 994	31 519	(5 475)	85.2%	86.5%	29 483
Waste water management	827	0	827	-	(827)	-	-	-
Waste Management	14 387	(1 753)	12 634	10 924	(1 711)	86.5%	75.9%	10 114
Total Expenditure by Vote	157 465	(1 440)	156 024	138 009	(18 015)	88.5%	87.6%	128 529
Surplus/(Deficit) for the year	17 650	15 458	33 108	56 037	22 929	169.3%	317.5%	43 188

**APPENDIX E - Unaudited
SENQU MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	4 612	(314)	4 298	4 492	194	104.5%	97.4%	4 312
Service charges	21 721	159	21 880	26 052	4 171	119.1%	119.9%	25 267
Rental of facilities and equipment	278	-	278	501	223	180.2%	180.2%	424
Interest earned - external investments	7 000	-	7 000	8 881	1 881	126.9%	126.9%	7 476
Interest earned - outstanding debtors	843	-	843	1 544	701	183.1%	183.1%	1 092
Fines	60	-	60	34	(26)	56.7%	56.7%	65
Licences and permits	1 140	-	1 140	1 548	408	135.8%	135.8%	1 750
Agency services	1 802	300	2 102	1 956	(146)	93.1%	108.6%	1 619
Transfers recognised - operational	106 932	2 145	109 077	111 527	2 450	102.2%	104.3%	103 398
Other revenue	371	(6)	365	1 824	1 460	500.3%	491.9%	5 952
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	144 760	2 284	147 043	158 361	11 317	6438.5%	109.4%	151 355
Expenditure By Type								
Employee related costs	57 313	(7 908)	49 405	48 400	(1 005)	98.0%	84.4%	40 018
Remuneration of councillors	9 635	208	9 843	9 580	(262)	97.3%	99.4%	8 858
Debt impairment	4 270	0	4 270	5 093	823	119.3%	119.3%	5 093
Depreciation & asset impairment	15 224	326	15 550	11 766	(3 784)	75.7%	77.3%	12 929
Finance charges	1 639	-	1 639	1 281	(358)	78.1%	78.1%	1 299
Bulk purchases	26 677	-	26 677	19 424	(7 253)	72.8%	72.8%	19 167
Transfers and grants	334	-	334	111	(223)	33.2%	33.2%	333
Other expenditure	42 373	5 934	48 306	40 428	(7 878)	83.7%	95.4%	39 739
Loss on disposal of PPE	-	-	-	1 926	1 926	-	-	1 092
Total Expenditure	157 465	(1 440)	156 024	138 009	(18 015)	-10832.3%	87.6%	128 529
Surplus/(Deficit)	(12 705)	3 724	(8 981)	20 351	29 332	-226.6%	-160.2%	22 826
Transfers recognised - capital	30 355	11 734	42 089	35 686	(6 403)	84.8%	117.6%	20 143
Contributed assets	-	-	-	-	-	-	-	219
Surplus/(Deficit) for the year	17 650	15 458	33 108	56 037	22 929	169.3%	317.5%	43 188

APPENDIX E - Unaudited
SENQU MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote					-	-	-	
Multi-year expenditure					-	-	-	
Vote 3 - Corporate Services	4 000	(4 000)	-	-	-	-	-	-
Vote 5 - Road Transport	18 554	(8 834)	9 720	11 048	1 328	113.7%	59.5%	349
Vote 10 - Sport & Recreation	4 793	(427)	4 366	2 036	(2 330)	46.6%	42.5%	2 586
Vote 12 - Electricity	1 508	(1 508)	-	-	-	-	-	-
Capital multi-year expenditure	28 855	(14 769)	14 086	13 084	(1 002)	92.9%	45.3%	2 935
Single-year expenditure								
Vote 1 - Executive & Council	1 625	(800)	825	302	(523)	36.6%	18.6%	714
Vote 2 - Planning & Development	100	170	270	50	(220)	18.5%	49.9%	7 319
Vote 3 - Corporate Services	400	9 300	9 700	5 298	(4 402)	54.6%	1324.5%	2 191
Vote 4 - Budget & Treasury	500	-	500	393	(107)	78.7%	78.7%	330
Vote 5 - Road Transport	7 160	20 914	28 074	24 258	(3 816)	86.4%	338.8%	18 598
Vote 9 - Community & Social Services	7 850	(1 595)	6 255	4 090	(2 165)	65.4%	52.1%	2 868
Vote 10 - Sport & Recreation	-	1 000	1 000	315	(685)	31.5%	#DIV/0!	195
Vote 11 - Public Safety	1 100	(200)	900	714	(186)	79.4%	65.0%	-
Vote 12 - Electricity	3 920	530	4 450	1 276	(3 174)	28.7%	32.5%	775
Vote 13 - Waste Management	4 970	(540)	4 430	2 947	(1 483)	66.5%	59.3%	1 741
Capital single-year expenditure	27 625	28 779	56 404	39 643	(16 760)	70%	144%	34 730
Total Capital Expenditure - Vote	56 480	14 009	70 490	52 727	(17 762)	75%	93%	37 665
Capital Expenditure - Standard					-	-	-	
<i>Governance and administration</i>	6 525	4 500	11 025	5 993	(5 032)	54.4%	91.9%	3 235
Executive and council	1 625	(800)	825	302	(523)	36.6%	18.6%	714
Budget and treasury office	500	-	500	393	(107)	78.7%	78.7%	330
Corporate services	4 400	5 300	9 700	5 298	(4 402)	54.6%	120.4%	2 191
<i>Community and public safety</i>	13 743	(1 222)	12 521	7 155	(5 366)	57.1%	52.1%	5 649
Community and social services	7 850	(1 595)	6 255	4 090	(2 165)	65.4%	52.1%	2 868
Sport and recreation	4 793	573	5 366	2 351	(3 015)	43.8%	49.0%	2 781
Public safety	1 100	(200)	900	714	(186)	79.4%	65.0%	-
<i>Economic and environmental services</i>	25 814	12 250	38 064	35 356	(2 708)	92.9%	137.0%	26 265
Planning and development	100	170	270	50	(220)	18.5%	49.9%	7 319
Road transport	25 714	12 080	37 794	35 306	(2 488)	93.4%	137.3%	18 947
<i>Trading services</i>	10 398	(1 518)	8 880	4 223	(4 657)	47.6%	40.6%	2 517
Electricity	5 428	(978)	4 450	1 276	(3 174)	28.7%	23.5%	775
Waste management	4 970	(540)	4 430	2 947	(1 483)	66.5%	59.3%	1 741
Total Capital Expenditure - Standard	56 480	14 009	70 490	52 727	(17 762)	75%	93%	37 665
Funded by:					-	-	-	
National Government	30 355	11 734	42 089	35 686	(6 403)	84.8%	117.6%	20 143
Transfers recognised - capital	30 355	11 734	42 089	35 686	(6 403)	85%	118%	20 143
Internally generated funds	26 125	2 276	28 401	17 041	(45 442)	-60.0%	-65.2%	17 522
Total Capital Funding	56 480	14 009	70 490	35 686	(34 803)	51%	63%	37 665

**APPENDIX E - Unaudited
SENQU MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts					-	-	-	
Ratepayers and other	28 531	(3 413)	25 118	33 318	8 200	132.6%	116.8%	35 066
Government - operating	106 932	1 532	108 464	134 304	25 840	123.8%	125.6%	134 390
Government - capital	30 355	11 734	42 089	-	(42 089)	-	-	-
Interest	7 843	-	7 843	8 881	1 038	113.2%	113.2%	7 476
Payments					-	-	-	
Suppliers and employees	(137 130)	(22 011)	(159 141)	(113 152)	45 989	71.1%	82.5%	(109 128)
Finance charges	(1 639)	-	(1 639)	(1 281)	358	78.1%	78.1%	(39 261)
Transfers and Grants	(334)	-	(334)	(111)	223	33.2%	33.2%	(1 632)
NET CASH FROM/(USED) OPERATING ACTIVITIES	34 559	(12 158)	22 401	61 961	39 560	276.6%	179.3%	26 912
CASH FLOWS FROM INVESTING ACTIVITIES					-	-	-	
Receipts					-	-	-	
Proceeds on disposal of PPE	-	-	-	128	-	-	-	236
Payments					-	-	-	
Capital assets	(56 480)	(14 009)	(70 490)	(52 727)	17 762	74.8%	93.4%	(37 665)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(56 480)	(14 009)	(70 490)	(52 600)	17 890	74.6%	93.1%	(37 429)
CASH FLOWS FROM FINANCING ACTIVITIES					-	-	-	
Receipts					-	-	-	
Increase (decrease) in consumer deposits	43	32	75	169	94	226.3%	397.1%	417
Payments					35 746	-	-	
Repayment of borrowing	(899)	108	(791)	(793)	(2)	100.3%	88.2%	(805)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(856)	140	(716)	(624)	92	87.1%	72.9%	(388)
NET INCREASE/ (DECREASE) IN CASH HELD	(22 777)	(26 028)	(48 805)	8 737	57 542	-17.9%	-38.4%	(10 905)
Cash/cash equivalents at the year begin:	101 623	52 630	154 253	154 253	-	100.0%	151.8%	125 897
Cash/cash equivalents at the year end:	78 846	26 602	105 448	162 990	57 634	154.6%	206.7%	154 253