

# SENQU LOCAL MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

**30 JUNE 2021**

**AUDITED**

# SENQU LOCAL MUNICIPALITY

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# SENQU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

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

### LEGAL FORM

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

### JURISDICTION

The Senqu Local Municipality includes the following areas:

Lady Grey	Rhodes
Barkly East	Herschel
Sterkspruit	Rossouw

### MEMBERS OF THE COUNCIL

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

# SENQU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### **MUNICIPAL MANAGER**

MM Yawa

### **CHIEF FINANCIAL OFFICER**

K Fourie

### **REGISTERED OFFICE**

Murray Street, Lady Grey, 9755

### **POSTAL ADDRESS**

P.O. Box 18, Lady Grey, 9755

### **AUDITORS**

Auditor-General, P O Box 13252, East London

### **PRINCIPLE BANKERS**

Standard Bank, Lady Grey

### **ATTORNEYS**

Le Roux Attorneys, 101 Cape Road, Port Elizabeth

### **RELEVANT LEGISLATION**

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Labour Relation Amendment Act (Act 6 of 2014)

Collective Agreements

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

Municipal Regulation on Standard Chart of Accounts (mSCOA)

# SENQU LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements year ended 30 June 2021, which are set out on pages 1 to 120 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 the Generally Recognised Accounting Practices (GRAP) Standards, including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

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 2022 and am 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.

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MM Yawa  
Municipal Manager

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Date

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>469 695 328</b>	<b>382 099 097</b>
Cash and Cash Equivalents	2	442 224 136	351 427 450
Receivables from exchange transactions	3	15 500 488	16 790 051
Receivables from non-exchange transactions	4	6 375 274	2 855 030
Taxes	5	4 408 632	9 880 503
Operating Lease Asset	6.1	9 351	25 004
Inventory	7	1 177 447	1 121 059
<b>Non-Current Assets</b>		<b>485 314 380</b>	<b>478 569 339</b>
Investment Property	8	45 488 000	46 031 000
Property, Plant and Equipment	9	438 053 488	430 616 814
Intangible Assets	10	186 478	174 999
Capitalised Restoration Cost (PPE)	11	1 586 414	1 746 526
<b>Total Assets</b>		<b>955 009 707</b>	<b>860 668 435</b>
<b>Current Liabilities</b>		<b>63 696 415</b>	<b>45 022 826</b>
Borrowings	12	886 600	870 197
Consumer Deposits	13	1 766 410	1 665 387
Payables from exchange transactions	14	9 707 564	12 541 825
Payables from non-exchange transactions	15	35 013 323	15 072 379
Operating Lease Liability	6.2	8 271	9 088
Current Employee benefits	16	16 314 248	14 863 949
<b>Non-Current Liabilities</b>		<b>32 579 022</b>	<b>28 823 738</b>
Borrowings	12	7 748 035	8 634 947
Employee benefits	17	17 409 000	13 226 000
Non-Current Provisions	18	7 421 987	6 962 791
<b>Total Liabilities</b>		<b>96 275 437</b>	<b>73 846 564</b>
<b>NET ASSETS</b>		<b>858 734 270</b>	<b>786 821 872</b>
<b>COMMUNITY WEALTH</b>			
Revaluation Reserve	19.1	77 324 332	69 064 818
Accumulated Surplus	19.2	781 409 938	717 757 053
		<b>858 734 270</b>	<b>786 821 872</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>228 749 773</b>	<b>220 641 333</b>
<b>Taxation Revenue</b>		<b>12 830 089</b>	<b>12 430 040</b>
Property Rates	20	12 830 089	12 430 040
<b>Transfer Revenue</b>		<b>214 017 965</b>	<b>203 168 850</b>
Transfers and Subsidies - Capital	21	14 802 952	44 850 724
Transfers and Subsidies - Operating	21	199 215 013	158 318 126
<b>Other Revenue</b>		<b>1 901 720</b>	<b>5 042 443</b>
Actuarial Gains	17	48 156	2 832 480
Fines, Penalties and Forfeits	22	153 047	287 163
Insurance Receipts		-	338 011
Interest Earned - Penalty Interest on Property Rates	26	820 299	949 105
Gain on Fair Value Adjustments of Investment Property	8	868 500	516 000
Gain on Disposal of Capitalised Restoration Cost (PPE)	11	11 718	119 684
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>79 709 174</b>	<b>80 785 719</b>
<b>Operating Activities</b>		<b>79 709 174</b>	<b>80 785 719</b>
Service Charges	23	56 111 940	52 835 445
Rental from Fixed Assets	24	560 363	782 558
Interest Earned - external investments	25	16 039 660	21 294 387
Interest Earned - Service Debtors	26	3 010 992	3 142 361
Licences and Permits		1 391 719	971 983
Agency Services		1 487 542	906 255
Sales of Goods and Rendering of Services	27	255 784	245 881
Operational Revenue	28	851 174	606 850
<b>TOTAL REVENUE</b>		<b>308 458 947</b>	<b>301 427 052</b>
<b>EXPENDITURE</b>			
Employee related costs	29	99 890 943	93 582 730
Remuneration of Councillors	30	12 663 025	12 697 206
Debt Impairment	31	11 951 095	12 974 435
Depreciation and Amortisation	32	18 059 193	17 966 405
Impairment Loss	33	478 089	508 873
Actuarial Losses	17	1 880 314	5 594
Finance Charges	34	2 196 693	2 395 969
Bulk Purchases	35	39 900 367	35 072 720
Contracted services	36	21 861 168	19 207 962
Transfers and Subsidies	37	-	37 397
Operating Leases	38	83 280	74 339
Operational Cost	39	32 780 769	34 821 953
Loss on Disposal of Assets	40	3 042 125	356 088
Inventory Loss		19 001	-
<b>TOTAL EXPENDITURE</b>		<b>244 806 062</b>	<b>229 701 669</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>63 652 885</b>	<b>71 725 383</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2021

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2019 - Previously Reported</b>	<b>64 619 234</b>	<b>656 408 636</b>	<b>721 027 870</b>
Correction of Error - Refer to note 42.3	-	(10 376 966)	(10 376 966)
<b>Balance on 30 June 2019 - Restated</b>	<b>64 619 234</b>	<b>646 031 670</b>	<b>710 650 904</b>
Net Surplus for the year	-	71 725 383	71 725 383
Revaluation on Land and Buildings	4 445 584	-	4 445 584
<b>Balance on 30 June 2020 - Restated</b>	<b>69 064 818</b>	<b>717 757 053</b>	<b>786 821 872</b>
Net Surplus for the year	-	63 652 885	63 652 885
Revaluation on Land and Buildings	8 259 513	-	8 259 513
<b>Balance on 30 June 2021</b>	<b>77 324 332</b>	<b>781 409 939</b>	<b>858 734 270</b>



# SENQU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		10 150 049	9 448 428
Service charges and interest on outstanding debtors		51 383 017	40 780 521
Other revenue		4 699 628	4 138 702
Government - operating		201 714 100	158 445 250
Government - capital		31 845 900	45 935 750
Interest		16 039 660	21 294 387
Refund on VAT returns - VAT 201s		9 005 449	5 938 057
<b>Payments</b>			
Suppliers and employees		(213 742 417)	(202 604 238)
Finance charges		(594 809)	(830 859)
Transfers and Grants		-	(37 397)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>43</b>	<b>110 500 578</b>	<b>82 508 601</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on Disposal of Fixed Assets		-	-
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(18 831 688)	(43 357 632)
Purchase of Intangible Assets		(102 717)	-
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(18 934 405)</b>	<b>(43 357 632)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in Consumer Deposits		101 023	35 595
<b>Payments</b>			
Loans repaid		(870 510)	(854 514)
<b>NET CASH USED FINANCING ACTIVITIES</b>		<b>(769 487)</b>	<b>(818 919)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>90 796 686</b>	<b>38 332 050</b>
Cash and Cash Equivalents at the beginning of the year		351 427 450	313 095 400
Cash and Cash Equivalents at the end of the year		442 224 136	351 427 450

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2021 R (Actual)	2021 R (Final Budget)	2021 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	1 957 040	52 600 807	(50 643 767)	-96%	Money not yet transferred from Investment account
Call investment deposits	440 267 096	232 774 116	207 492 979	89%	Increased revenue as a result of improved control, under-expenditure due to lockdown regulations and unresponsive tenders; money not yet transferred to the Primary bank account
Consumer debtors	17 668 645	15 299 387	2 369 258	15%	Undercollection due to economic downfall which resulted in lower collection levels
Other Receivables	8 625 100	5 378 147	3 246 953	60%	Additional receivable account created to be recovered from third parties
Inventory	1 177 447	411 147	766 300	186%	More inventory in the store at year end due to lower utilisation as a result of the lockdown regulations
<b>Total current assets</b>	<b>469 695 327</b>	<b>306 463 604</b>	<b>163 231 723</b>		
<b>Non current assets</b>					
Investment property	45 488 000	45 607 000	(119 000)	0%	- Under-expenditure of Capital Budget due to the impact of Covid on planning and non-responsive
Property, plant and equipment	438 053 488	515 292 437	(77 238 949)	-15%	tenders
Intangible Assets	186 478	196 961	(10 483)	-5%	-
Capitalised Restoration Cost	1 586 414	-	1 586 414	100%	Included under Property, plant and equipment in the budget
<b>Total non current assets</b>	<b>485 314 380</b>	<b>561 096 398</b>	<b>(75 782 018)</b>		
<b>TOTAL ASSETS</b>	<b>955 009 707</b>	<b>867 560 002</b>	<b>87 449 705</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	886 600	886 938	(338)	0%	-
Consumer deposits	1 766 410	1 810 681	(44 271)	-2%	-
Trade and other payables	44 729 157	29 786 785	14 942 373	50%	Unspent grants due to delays in projects and non-responsive tenders
Provisions and Employee Benefits	16 314 248	15 099 842	1 214 406	8%	Effect of the revised assumptions used for the actuarial valuations
<b>Total current liabilities</b>	<b>63 696 415</b>	<b>47 584 246</b>	<b>16 112 169</b>		
<b>Non current liabilities</b>					
Borrowing	7 748 035	7 747 317	717	0%	- Effect of the revised assumptions used for the actuarial valuations, effect of the Contract Price
Provisions and Employee Benefits	24 830 987	26 777 350	(1 946 363)	-7%	Adjustment used for the Landfill Site calculations
<b>Total non current liabilities</b>	<b>32 579 022</b>	<b>34 524 667</b>	<b>(1 945 646)</b>		
<b>TOTAL LIABILITIES</b>	<b>96 275 437</b>	<b>82 108 913</b>	<b>14 166 524</b>		
<b>NET ASSETS</b>	<b>858 734 270</b>	<b>785 451 089</b>	<b>73 283 181</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	537 685 433	482 032 881	55 652 552	12%	Effect of under-expenditure of budget
Reserves	321 048 837	303 418 209	17 630 629	6%	Effect of revaluation on Land and Buildings
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>858 734 270</b>	<b>785 451 089</b>	<b>73 283 181</b>		

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

**ADJUSTMENTS TO APPROVED BUDGET**

	2021 R (Approved Budget)	2021 R (Adjustments)	2021 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	21 288 895	31 311 912	52 600 807	147%	Effect of the additional Equitable share grant received to provide relief to the required needs arising from the COVID 19 pandemic.
Call investment deposits	232 774 116	-	232 774 116	0%	-
Consumer debtors	21 299 387	(6 000 000)	15 299 387	-28%	Increase in Debt impairment to account for Debt Write-offs
Other Receivables	5 378 147	-	5 378 147	0%	-
Inventory	402 924	8 223	411 147	2%	-
<b>Total current assets</b>	<b>281 143 469</b>	<b>25 320 135</b>	<b>306 463 604</b>		
<b>Non current assets</b>					
Investment property	45 607 000	-	45 607 000	0%	-
Property, plant and equipment	521 165 240	(5 872 803)	515 292 437	-1%	Decrease in capital budget due to delays in projects
Intangible Assets	196 961	-	196 961	0%	-
<b>Total non current assets</b>	<b>566 969 201</b>	<b>(5 872 803)</b>	<b>561 096 398</b>		
<b>TOTAL ASSETS</b>	<b>848 112 670</b>	<b>19 447 332</b>	<b>867 560 002</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	886 938	-	886 938	0%	-
Consumer deposits	1 810 681	-	1 810 681	0%	-
Trade and other payables	28 532 376	1 254 408	29 786 785	4%	Effect of Unspent INEP grant
Provisions and Employee Benefits	15 099 842	-	15 099 842	0%	-
<b>Total current liabilities</b>	<b>46 329 838</b>	<b>1 254 408</b>	<b>47 584 246</b>		
<b>Non current liabilities</b>					
Borrowing	7 747 317	-	7 747 317	0%	-
Provisions and Employee Benefits	26 777 350	-	26 777 350	0%	-
<b>Total non current liabilities</b>	<b>34 524 667</b>	<b>-</b>	<b>34 524 667</b>		
<b>TOTAL LIABILITIES</b>	<b>80 854 505</b>	<b>1 254 408</b>	<b>82 108 913</b>		
<b>NET ASSETS</b>	<b>767 258 165</b>	<b>18 192 924</b>	<b>785 451 089</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	488 957 620	(6 924 739)	482 032 881	-1%	Appropriation to and from Reserves, Increase in surplus for the year
Reserves	278 300 546	25 117 663	303 418 209	9%	Increase due to appropriation from Accumulated Surplus
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>767 258 165</b>	<b>18 192 924</b>	<b>785 451 089</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2021

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2021 R (Actual)	2021 R (Final Budget)	2021 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>REVENUE BY SOURCE</b>					
Property rates	12 830 089	9 047 778	3 782 311	42%	Additional government properties were verified and billed during the year
Service charges	56 111 940	53 591 444	2 520 496	5%	Consumption based budget and is within 10%
Rental of facilities and equipment	560 363	123 476	436 887	354%	Greater demand for rental of municipal assets
Interest earned - external investments	16 039 660	18 800 000	(2 760 340)	-15%	Effect of the downward adjustment on interest rates
Interest earned - outstanding debtors	3 831 291	2 546 078	1 285 213	50%	More interest as a result of increase in debtors due to lower collection rate
Fines, penalties and forfeits	153 047	166 073	(13 026)	-8%	-
Licences and permits	1 391 719	1 184 250	207 469	18%	More revenue received than budgeted for due to the backlog during the lockdown period
Agency services	1 487 542	995 665	491 877	49%	More revenue received than budgeted for due to the backlog during the lockdown period
Transfers and Subsidies - Operating	199 215 013	196 750 200	2 464 813	1%	-
Other revenue	2 035 331	1 849 835	185 496	10%	-
<b>TOTAL OPERATING REVENUE</b>	<b>293 655 995</b>	<b>285 054 799</b>	<b>8 601 196</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	99 890 943	100 989 286	(1 098 343)	-1%	-
Remuneration of councillors	12 663 025	14 468 094	(1 805 069)	-12%	Effect of no increase in Council Remuneration
Debt impairment	11 951 095	12 633 161	(682 066)	-5%	-
Depreciation & asset impairment	18 537 282	21 432 296	(2 895 014)	-14%	Result of the underexpenditure of capital budget
Finance charges	2 196 693	3 188 381	(991 688)	-31%	Effect of the downward adjustment on interest rates
Bulk purchases	39 900 367	41 528 500	(1 628 133)	-4%	Demand less than anticipated
Other materials	-	18 402 014	(18 402 014)	-100%	Accounted for under "Other expenditure" in terms of GRAP
Contracted services	21 861 168	33 833 622	(11 972 454)	-35%	Cost containment strategy and under-expenditure of the budget due to lockdown regulations
Transfers and subsidies	-	48 007	(48 007)	-100%	Non transfer of the Joe Gqabi District Municipality subsidy
Other expenditure	34 744 363	42 494 029	(7 749 666)	-18%	"Other Materials" included in actual expenditure; under-expenditure of the budget due to lockdown regulations
Losses	3 061 126	-	3 061 126	100%	Did not budget for Losses
<b>TOTAL OPERATING EXPENDITURE</b>	<b>244 806 062</b>	<b>289 017 390</b>	<b>(44 211 328)</b>		
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>					
	<b>48 849 934</b>	<b>(3 962 591)</b>	<b>52 812 525</b>		
Transfers and Subsidies - Capital	14 802 952	37 622 657	(22 819 705)	-61%	Unspent grants due to delays in projects and non-responsive tenders
<b>NET SURPLUS FOR THE YEAR</b>	<b>63 652 885</b>	<b>33 660 066</b>	<b>29 992 819</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2021

#### ADJUSTMENTS TO APPROVED BUDGET

	2021 R	2021 R	2021 R		
	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material variances (10% of line-item with a minimum of R1m)	
<b>REVENUE BY SOURCE</b>					
Property rates	9 047 778	-	9 047 778	0%	-
Service charges	53 591 444	-	53 591 444	0%	-
Rental of facilities and equipment	123 476	-	123 476	0%	-
Interest earned - external investments	18 800 000	-	18 800 000	0%	-
Interest earned - outstanding debtors	2 546 078	-	2 546 078	0%	-
Fines, penalties and forfeits	176 674	(10 601)	166 073	-6%	-
Licences and permits	1 259 841	(75 591)	1 184 250	-6%	-
Agency services	1 059 218	(63 553)	995 665	-6%	-
Transfers and Subsidies - Operating	166 246 200	30 504 000	196 750 200	18%	Additional Equitable share grant received to provide relief to the required needs arising from the COVID 19 pandemic.
Other revenue	1 967 908	(118 073)	1 849 835	-6%	-
<b>TOTAL OPERATING REVENUE</b>	<b>254 818 617</b>	<b>30 236 182</b>	<b>285 054 799</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	100 989 286	-	100 989 286	0%	-
Remuneration of councillors	14 468 094	-	14 468 094	0%	-
Debt impairment	7 633 161	5 000 000	12 633 161	66%	Increase in Debt impairment to account for Debt Write-offs
Depreciation & asset impairment	21 432 296	-	21 432 296	0%	-
Finance charges	3 188 381	-	3 188 381	0%	-
Bulk purchases	39 028 500	2 500 000	41 528 500	6%	Additional expenditure budgeted for based on the needs of the COVID 19 pandemic.
Other materials	17 134 669	1 267 345	18 402 014	7%	Additional materials budgeted for based on the needs of the COVID 19 pandemic.
Contracted services	34 186 266	(352 644)	33 833 622	-1%	-
Transfers and subsidies	48 007	-	48 007	0%	-
Other expenditure	37 574 615	4 919 414	42 494 029	13%	Additional expenditure budgeted for based on the needs of the COVID 19 pandemic.
<b>TOTAL OPERATING EXPENDITURE</b>	<b>275 683 275</b>	<b>13 334 115</b>	<b>289 017 390</b>		
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>					
	<b>(20 864 658)</b>	<b>16 902 067</b>	<b>(3 962 591)</b>		
Government Grants and Subsidies - Capital	36 331 800	1 290 857	37 622 657	4%	Effect of Unspent INEP grant
<b>NET SURPLUS FOR THE YEAR</b>	<b>15 467 142</b>	<b>18 192 924</b>	<b>33 660 066</b>		

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2021**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2021 R (Actual)	2021 R (Final Budget)	2021 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	10 150 049	7 099 684	3 050 365	30%	Additional government properties were verified and billed during the year Budgeted for bigger "under-collection" as a result of the economic downturn. Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Service charges	51 383 017	42 052 570	9 330 447	18%	Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Other revenue	4 699 628	6 290 590	(1 590 962)	-34%	Other revenue in the budget
Government - operating	201 714 100	196 750 200	4 963 900	2%	Effect of VAT portion on grants
Government - capital	31 845 900	37 622 657	(5 776 757)	-18%	Effect of VAT portion on grants
Interest	16 039 660	18 800 000	(2 760 340)	-17%	Effect of the downward adjustment on interest rates
Refund on VAT returns - VAT 201s	9 005 449	-	9 005 449	100%	VAT accounted for in other line items in the budget
<b>Payments</b>					
Suppliers and Employees	(213 742 417)	(243 947 778)	30 205 362	-14%	Improved control and under-expenditure due to the lockdown regulations
Finance charges	(594 809)	(3 188 381)	2 593 572	-436%	Only finance charges physically paid included in the "actual" amount
Transfers and Grants	-	(48 007)	48 007	-100%	Non transfer of the Joe Gqabi District Municipality subsidy
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>110 500 578</b>	<b>61 431 535</b>	<b>49 069 043</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	-	-	-	0%	-
<b>Payments</b>					
Capital assets	(18 934 405)	(70 918 952)	51 984 547	-275%	Unspent grants due to delays in projects and non-responsive tenders
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(18 934 405)</b>	<b>(70 918 952)</b>	<b>51 984 547</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	101 023	86 223	14 800	15%	-
<b>Payments</b>					
Repayment of borrowing	(870 510)	(870 554)	45	0%	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(769 487)</b>	<b>(784 332)</b>	<b>14 844</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>90 796 685</b>	<b>(10 271 749)</b>	<b>101 068 434</b>		
Cash and Cash Equivalents at the beginning of the year	351 427 450	295 646 672	55 780 778	16%	Result of increased revenue, improved control and under-expenditure of the budget
Cash and Cash Equivalents at the end of the year	442 224 136	285 374 923	156 849 213	35%	Result of increased revenue, improved control and under-expenditure due to lockdown regulations and non-responsive tenders

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2021**

**ADJUSTMENTS TO APPROVED BUDGET**

	2021 R	2021 R	2021 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates	7 099 684	-	7 099 684	0%
Service charges	42 052 570	-	42 052 570	0%
Other revenue	4 560 531	1 730 059	6 290 590	38%
Government - operating	166 246 200	30 504 000	196 750 200	18%
Government - capital	36 331 800	1 290 857	37 622 657	4%
Interest	20 797 877	(1 997 877)	18 800 000	-10%
<b>Payments</b>				
Suppliers and Employees	(237 859 848)	(6 087 930)	(243 947 778)	3%
Finance charges	(3 188 381)	-	(3 188 381)	0%
Transfers and subsidies	(48 007)	-	(48 007)	0%
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>35 992 425</b>	<b>25 439 109</b>	<b>61 431 535</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	-	-	-	0%
<b>Payments</b>				
Capital assets	(76 791 755)	5 872 803	(70 918 952)	-8%
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(76 791 755)</b>	<b>5 872 803</b>	<b>(70 918 952)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Increase in consumer deposits	86 223	-	86 223	0%
<b>Payments</b>				
Repayment of borrowing	(870 554)	-	(870 554)	0%
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(784 332)</b>	<b>-</b>	<b>(784 332)</b>	
<b>NET DECREASE IN CASH HELD</b>	<b>(41 583 661)</b>	<b>31 311 912</b>	<b>(10 271 749)</b>	
Cash and Cash Equivalents at the beginning of the year	295 646 672	-	295 646 672	0%
Cash and Cash Equivalents at the end of the year	254 063 011	31 311 912	285 374 923	12%

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1 ACCOUNTING POLICIES

#### 1.01 BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

#### 1.02 TRANSITIONAL PROVISIONS

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

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

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

#### 1.03 PRESENTATION CURRENCY

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

#### 1.04 GOING CONCERN ASSUMPTION

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.05 COMPARATIVE INFORMATION

#### 1.05.1 Prior year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Items deemed immaterial are also corrected if the value thereof can become material.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policies in the current year.

### 1.06 MATERIALITY

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

Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

### 1.07 BUDGET INFORMATION

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

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

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

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 1.08.1 Effective dates determined

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

The Municipality resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

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

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 1.08.2 Effective dates not yet determined

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

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

##### 1.08.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

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

##### 1.08.2.2 GRAP 25 (Revised 2021) - Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

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

##### 1.08.2.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This Interpretation addresses the following:

- (a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
- (b) How a minimum funding requirement might affect the availability of reductions in future contributions.

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.09 RESERVES

#### 1.09.1 *Revaluations Reserve*

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

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

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

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

#### 1.09.2 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

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

#### 1.09.3 *Employee Benefits Reserve*

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

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

#### 1.09.4 *Valuation Roll Reserve*

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### **1.10 INVESTMENT PROPERTY**

#### **1.10.1 Initial Recognition**

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

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

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

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

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

#### **1.10.2 Subsequent Measurement – Fair Value Model**

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

#### **1.10.3 Derecognition**

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.11 PROPERTY, PLANT AND EQUIPMENT

#### 1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

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

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

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

#### 1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment, other than Land and Buildings, are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

#### 1.11.3 Subsequent Measurement – Revaluation Model

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 1.11.4 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

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

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

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

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

	YEARS		YEARS
<b>Infrastructure</b>		<b>Land and Buildings</b>	
Roads and Paving	7 - 115	Buildings and	
Bridges	50 - 80	Improvements	100
Electricity	10 - 65	Land	Indefinite
Storm Water	12 - 85		
<b>Community</b>		<b>Other Assets</b>	
Community Halls	100	Vehicles	5 - 22
Libraries	100	Plant & Equipment	2 - 20
Parks & Gardens	15 - 50	Furniture	5 - 23
Sports facilities	30 - 45	Special Vehicles	10
Cemeteries	10 - 15	Specialised plant and	10 - 19
		Equipment	
<b>Capitalised Restoration Cost</b>		Office Equipment	5 - 19
Landfill Sites	9 - 52	Computer Equipment	3 - 20

#### 1.11.5 Impairment

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

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

#### 1.11.6 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.12 INTANGIBLE ASSETS

#### 1.12.1 Initial Recognition

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

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

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

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

#### 1.12.2 Subsequent Measurement - Cost Model

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.12 INTANGIBLE ASSETS (CONTINUED)

#### 1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

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

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

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

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

	Years
Computer Software	5 - 19

#### 1.12.4 Impairment

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

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

#### 1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.13 IMPAIRMENT OF NON-MONETARY ASSETS

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

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

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

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

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

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

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### 1.13.3 Impairment loss

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

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

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

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

#### 1.13.4 Reversal of an impairment loss

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.14 INVENTORIES

#### 1.14.1 Initial Recognition

Inventories are assets:

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

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

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

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

#### 1.14.2 Subsequent Measurement

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

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

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

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.15 EMPLOYEE BENEFITS

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

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

#### 1.15.1 Post-Retirement Benefits

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

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

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### 1.15.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.15 EMPLOYEE BENEFITS (CONTINUED)

#### 1.15.2 Long-term Benefits

##### 1.15.2.1 Long Service Awards

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

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

#### 1.15.3 Short-term Benefits

##### 1.15.3.1 Provision for Staff Leave

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

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

##### 1.15.3.2 Staff Bonuses Accrued

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

##### 1.15.3.3 Provision for Performance Bonuses

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

##### 1.15.3.4 Other Short-term Employee Benefits

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.17 LEASES

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

#### 1.17.1 Municipality as Lessee

##### 1.17.1.1 Finance Leases

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

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

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

##### 1.17.1.2 Operating leases

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

#### 1.17.2 Municipality as Lessor

##### 1.17.2.1 Operating Leases

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.18 FINANCIAL INSTRUMENTS

#### 1.18.1 Initial Recognition

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

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

#### 1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

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

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.18 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.18.3 Impairment and uncollectability of financial assets

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

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

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

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

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

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

#### 1.18.4 Derecognition of financial instruments

##### 1.18.4.1 *Financial assets*

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

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

##### 1.18.4.2 *Financial liabilities*

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.18 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.18.5 Offsetting of financial instruments

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

### 1.19 STATUTORY RECEIVABLES

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

#### 1.19.1 Initial Recognition

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

#### 1.19.2 Subsequent Measurement

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

#### 1.19.3 Impairment and uncollectability of statutory receivables

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

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

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

#### 1.19.4 Derecognition

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.20 CASH AND CASH EQUIVALENTS

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

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

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

### 1.21 RECEIVABLES

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

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

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

### 1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the cash basis.

### 1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.24 CONSUMER DEPOSITS

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.25 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

### 1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### 1.26.1.1 *Taxation Revenue*

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.26 REVENUE (CONTINUED)

#### 1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

#### 1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

#### 1.26.1.4 *Insurance Receipts*

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

#### 1.26.1.5 *Unclaimed deposits*

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

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

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

#### 1.26.1.7 *Services in-kind*

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

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

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.26 REVENUE (CONTINUED)

#### 1.26.1.8 Contributed Assets

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

#### 1.26.2 Revenue from Exchange Transactions

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

##### 1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

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

##### 1.26.2.2 Interest earned

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

##### 1.26.2.3 Rental income

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

##### 1.26.2.4 Income from Agency Services

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

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

##### 1.26.2.5 Other Tariffs

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.26 REVENUE (CONTINUED)

#### 1.26.2.6 *Sale of goods*

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

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

#### 1.26.2.7 *Deferred payment*

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

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

### 1.27 BORROWING COSTS

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

### 1.28 UNAUTHORISED EXPENDITURE

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

### 1.29 IRREGULAR EXPENDITURE

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

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

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

### 1.32 CAPITAL COMMITMENTS

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

### 1.33 EVENTS AFTER REPORTING DATE

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

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

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.34 RELATED PARTIES

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.

Related party transaction is a transfer of resources, services or obligations between the Municipality and a related party, regardless of whether a price is charged.

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

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

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.35 ACCOUNTING BY PRINCIPALS AND AGENTS

An agent is an entity that has been directed another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principle and for the benefit of the principle.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with this Standard.

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

Where the Municipality acts as an agent, it recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.36 LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised as assets. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living and non-living resources.

### 1.37 SEGMENT REPORTING

A segment is an activity of the Municipality:

- (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same Municipality);
- (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- (c) for which separate financial information is available.

Management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the Municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis (i.e. departmental charges).

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the Municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.38 SERVICE CONCESSION ARRANGMENTS: ENTITY AS GRANTOR

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator, which in this case will be the Municipality.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- (a) is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- (b) is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

The Municipality recognises an asset provided by the operator and an upgrade to an existing asset of the Municipality, as a service concession asset if the Municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the Municipality controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the Municipality recognises a service concession asset, and the asset is not an existing asset of the Municipality (grantor), the Municipality (grantor) also recognises a liability.

The Municipality does not recognise a liability when an existing asset of the Municipality is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

The Municipality initially measures the service concession asset as follows:

- (a) Where the asset is not an existing asset of the Municipality, the asset is measured at its fair value.
- (b) Where the asset is an existing asset of the Municipality and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.38 SERVICE CONCESSION ARRANGMENTS: ENTITY AS GRANTOR (CONTINUED)

The Municipality initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the Municipality to the operator, or from the operator to the Municipality.

Where the Municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the Municipality accounts for the liability as a financial liability.

The Municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the Entity to the operator is determined using estimation techniques.

Where the Municipality does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the Municipality accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the Municipality and the operator.

The Municipality recognises revenue and reduces the liability according to the substance of the service concession arrangement.

If the Municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

The Municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

The Municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.39 CONSTRUCTION CONTRACTS

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The Municipality participates as a non-accredited municipality in the National Housing Programme. The Municipality's roles and responsibilities in the housing development process are set out in the binding arrangements entered into with the provincial Department of Human Settlements. The Municipality assesses the terms and conditions of each contract concluded with the provincial Department of Human Settlements to establish whether the contract is a construction contract or not.

The Accounting Standards Board (ASB) issued a *Guideline on accounting for arrangements undertaken in terms of the National Housing Programme*. The guideline makes a distinction between a project manager and a project developer.

Where the Municipality is appointed as the project manager, it will assist with the process of appointing a contractor to construct houses on behalf of the provincial Department of Human Settlements. The responsibility of appointment and payment of the contractors ultimately vest with the provincial Department of Human Settlements.

Where the Municipality is appointed as the project developer, it will take on the responsibility for the construction of the houses. As project developer the Municipality will appoint contractors and will make payments for work completed on meeting milestones agreed between itself and the contractor.

In general, where the Municipality is appointed as the project manager, it will act as an agent for the provincial Department of Human Settlements. Where the Municipality is appointed as the project developer, it is considered that the Municipality has entered into a construction contract with the provincial Department of Human Settlements.

The binding agreements entered into with the provincial Department of Human Settlements are non-commercial fixed price contracts. The objective of the arrangements is to construct low cost houses for the beneficiaries of the National Housing Programme in return for full reimbursement of costs from the department through a housing grant or subsidy.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for the work performed to date bear to the estimate total contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs shall be recognised as an expense in the period in which they are incurred.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.40 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

#### 1.40.1 Application of Directive 7

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

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

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

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

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

#### 1.40.2 Impairment of Receivables

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

#### 1.40.3 Useful lives and residual values

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 1.40.4 Impairment of non-monetary assets

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

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

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

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

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

#### 1.40.6 Provisions and Contingent Liabilities

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

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### 1.40.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

#### 1.40.8 Financial assets and liabilities

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



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 1.40.9 Revenue Recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

#### 1.40.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

#### 1.40.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Primary Bank Account	1 956 340	3 598 222
Call and short-term Investments Deposits	440 267 096	347 828 528
Cash Floats	700	700
<b>Total</b>	<b>442 224 136</b>	<b>351 427 450</b>

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

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

Unspent Conditional Grants	35 013 323	15 072 379
Capital Replacement Reserve	208 547 253	195 931 150
Valuation Roll Reserve	1 454 003	1 090 502
Employee Benefit Reserve	33 723 249	28 089 950
Taxes	1 215 653	1 357 632
Working Capital Requirements	162 270 656	109 885 836
	<b>442 224 136</b>	<b>351 427 450</b>

### Primary Bank Account

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

Bank Statement Balance - Opening Balance	3 654 982	1 482 764
Bank Statement Balance - Closing Balance	1 709 814	3 654 982
Cashbook Balance - Opening Balance	3 598 222	1 482 764
Cashbook Balance - Closing Balance	1 956 340	3 598 222

### Call and Notice Deposits

Call and Notice Deposits consist out of the following accounts:

Standard Bank 388489162/0	331 104 707	244 010 801
Standard Bank 388489731/0	98 624 324	93 678 569
Standard Bank 388486066/0	10 538 066	10 139 158
	<b>440 267 096</b>	<b>347 828 528</b>

## 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>60 799 300</b>	<b>49 266 626</b>	<b>11 532 674</b>
Electricity	30 197 292	20 204 724	9 992 567
Refuse	29 709 147	28 636 333	1 072 814
Housing Rentals	892 862	425 569	467 292
<b>Other Receivables</b>	<b>3 967 814</b>	<b>-</b>	<b>3 967 814</b>
Joe Gqabi District Municipality (WSA)	3 967 814	-	3 967 814
<b>Total</b>	<b>64 767 114</b>	<b>49 266 626</b>	<b>15 500 488</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2020

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>59 274 469</b>	<b>46 626 629</b>	<b>12 647 840</b>
Electricity	29 646 234	18 875 487	10 770 747
Refuse	28 100 469	27 142 079	958 390
Housing Rentals	1 527 766	609 063	918 703
<b>Other Receivables</b>	<b>4 142 210</b>	-	<b>4 142 210</b>
Joe Gqabi District Municipality (WSA)	4 142 210	-	4 142 210
<b>Total</b>	<b>63 416 680</b>	<b>46 626 629</b>	<b>16 790 051</b>

Included in the outstanding balances at 30 June 2021 are consumer debtors to the value of R328 843.13 who have made arrangements to repay their outstanding debt over a re-negotiated period.

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

<b>Ageing of service and other receivables:</b>	<b>2021 R</b>	<b>2020 R</b>
<b>Electricity Ageing</b>		
Current (0 - 30 days)	3 542 827	3 801 435
Past Due (31 - 60 Days)	1 635 319	1 489 171
Past Due (61 - 90 Days)	1 673 968	1 239 934
Past Due (90 Days +)	23 345 177	23 115 695
<b>Total</b>	<b>30 197 292</b>	<b>29 646 234</b>
<b>Refuse Ageing</b>		
Current (0 - 30 days)	863 314	971 365
Past Due (31 - 60 Days)	777 511	854 851
Past Due (61 - 90 Days)	740 449	839 156
Past Due (90 Days +)	27 327 873	25 435 097
<b>Total</b>	<b>29 709 147</b>	<b>28 100 469</b>
<b>Housing Rentals Ageing</b>		
Current (0 - 30 days)	41 646	62 149
Past Due (31 - 60 Days)	23 220	33 299
Past Due (61 - 90 Days)	7 141	95 983
Past Due (90 Days +)	820 854	1 336 334
<b>Total</b>	<b>892 862</b>	<b>1 527 766</b>
<b>Other Receivables Ageing</b>		
Past Due (90 Days +)	3 967 814	4 142 210
<b>Total</b>	<b>3 967 814</b>	<b>4 142 210</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Total Service and Other Receivables Ageing</b>		
Current (0 - 30 days)	4 447 787	4 834 948
Past Due (31 - 60 Days)	2 436 050	2 377 322
Past Due (61 - 90 Days)	2 421 559	2 175 073
Past Due (90 Days +)	55 461 717	54 029 336
<b>Total</b>	<b>64 767 114</b>	<b>63 416 679</b>
<b>Reconciliation of Allowance for impairment</b>		
Balance at the beginning of the year	46 626 629	38 179 517
Contribution to the provision	8 855 082	10 659 554
Electricity	1 496 152	2 542 252
Refuse	7 358 929	7 809 533
Housing Rentals	-	307 769
Bad Debts Written off	(6 215 085)	(2 212 442)
Electricity	(166 915)	(942 823)
Refuse	(6 048 170)	(1 269 619)
Balance at the end of the year	<b>49 266 626</b>	<b>46 626 629</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance.

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>19 694 574</b>	<b>17 526 416</b>	<b>2 168 158</b>
Rates	19 694 574	17 526 416	2 168 158
<b>Other Receivables</b>	<b>5 255 316</b>	<b>1 048 200</b>	<b>4 207 116</b>
Traffic fines income due	1 048 200	1 048 200	-
Other Receivables	4 207 116	-	4 207 116
<b>Total</b>	<b>24 949 890</b>	<b>18 574 616</b>	<b>6 375 274</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

30 JUNE 2020

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
<b>Service Receivables</b>	<b>16 448 321</b>	<b>14 588 875</b>	<b>1 859 446</b>
Rates	16 448 321	14 588 875	1 859 446
<b>Other Receivables</b>	<b>1 942 085</b>	<b>946 500</b>	<b>995 585</b>
Traffic fines income due	946 500	946 500	-
Other Receivables	995 585	-	995 585
<b>Total</b>	<b>18 390 405</b>	<b>15 535 375</b>	<b>2 855 030</b>

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

	2021	2020
	R	R
<b>Ageing of service receivables:</b>		
<b>Rates Ageing</b>		
Current (0 - 30 days)	91 044	89 992
Past Due (31 - 60 Days)	416 109	394 493
Past Due (61 - 90 Days)	387 524	504 748
Past Due (90 Days +)	18 799 897	15 459 088
<b>Total</b>	<b>19 694 574</b>	<b>16 448 321</b>

#### Reconciliation of Allowance for impairment

Balance at the beginning of the year	15 535 375	12 423 094
Contribution to the provision	3 293 327	3 438 654
Rates	3 191 627	3 165 354
Fines	101 700	273 300
Bad Debts Written off	(254 086)	(326 373)
Rates	(254 086)	(326 373)
Balance at the end of the year	<b>18 574 616</b>	<b>15 535 375</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

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

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2021</b>			
1 month past due	1 293 594	70 550	1 364 144
2 + months past due	6 986 340	2 094 871	9 081 211
<b>Total</b>	<b>8 279 934</b>	<b>2 165 421</b>	<b>10 445 355</b>
<b>2020</b>			
1 month past due	1 057 823	43 928	1 101 751
2 + months past due	8 087 168	1 804 712	9 891 880
<b>Total</b>	<b>9 144 991</b>	<b>1 848 640</b>	<b>10 993 631</b>

Trade and other receivables impaired:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2021</b>			
<b>Total</b>	<b>49 266 626</b>	<b>18 574 616</b>	<b>67 841 242</b>
<b>2020</b>			
<b>Total</b>	<b>46 626 629</b>	<b>15 535 375</b>	<b>62 162 004</b>

### 5 TAXES

	2021 R	2020 R
Vat Receivable/(Payable)	(793 631)	4 875 553
Vat on Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	5 202 263	5 004 950
<b>Total</b>	<b>4 408 632</b>	<b>9 880 503</b>

VAT is accounted for on the cash basis.

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

6 OPERATING LEASES	2021 R	2020 R
<b>6.1 OPERATING LEASE ASSETS</b>		
Operating Lease Asset	<u>9 351</u>	<u>25 004</u>
The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement.		
Reconciliation of Operating Lease Asset:		
Balance at the beginning of the year	25 004	37 729
Movement during the year	(15 652)	(12 725)
<b>Balance at the end of the year</b>	<u>9 352</u>	<u>25 004</u>
The municipality will receive the following lease payments from contracts that have defined lease payments and terms:		
Within 1 Year	124 198	268 072
Between 1 and 5 Years	-	124 198
	<u>124 198</u>	<u>392 270</u>
The lease payments are in respect of properties being lease out over a period ranging up to 2022.		
<b>6.2 OPERATING LEASE LIABILITIES</b>		
Operating Lease Liability	<u>8 271</u>	<u>9 088</u>
The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.		
Reconciliation of Operating Lease Liability:		
Balance at the beginning of the year	9 088	6 908
Movement during the year	(817)	2 180
<b>Balance at the end of the year</b>	<u>8 271</u>	<u>9 088</u>
The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms:		
Within 1 Year	43 703	40 466
Between 1 and 5 Years	30 649	74 352
	<u>74 352</u>	<u>114 818</u>
The Municipality entered into a lease agreement to rent the Library building in Lady Grey. The lease agreement was renewed on 1 March 2018 and will run up to 28 February 2023. The initial monthly rental is R3 238 (VAT inclusive) and the lease is subject to an annual increase of 8%.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>7 INVENTORY</b>		
Electricity materials	1 177 447	1 121 059
<b>Total</b>	<b>1 177 447</b>	<b>1 121 059</b>

No inventory were pledged as security for liabilities.

### 8 INVESTMENT PROPERTY

Investment Property - Carrying Value	<b>45 488 000</b>	<b>46 031 000</b>
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The movement in investment properties is reconciled as follows:

<b>Opening Carrying Value</b>	46 031 000	45 607 000
Fair Value	46 031 000	45 607 000
Transfers from Property, Plant and equipment - Note 9	376 500	-
Transfers to Property, Plant and equipment - Note 9	(1 788 000)	-
Fair Value Adjustment	868 500	516 000
Disposal	-	(92 000)
<b>Closing Carrying Value</b>	45 488 000	46 031 000
Fair Value	45 488 000	46 031 000

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

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

The valuations were performed by Umhlaba Valuers and the valuer was Mr Wessel Christiaan van Deventer, a professional valuer with registration number 2816. Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

Rental revenue earned from Investment Properties	515 042	726 553
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# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 9 PROPERTY PLANT AND EQUIPMENT

30 June 2021	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
<b>Land and Buildings</b>	<b>124 142 690</b>	<b>1 697 493</b>	-	<b>7 193 164</b>	<b>1 247 466</b>	<b>134 280 814</b>	-	<b>1 082 849</b>	<b>(1 082 849)</b>	<b>164 034</b>	<b>(164 034)</b>	-	<b>134 280 814</b>
Land	28 364 775	-	-	-	1 411 500	29 776 275	-	-	-	-	-	-	29 776 275
Buildings	95 777 915	1 697 493	-	7 193 164.10	(164 034)	104 504 539	-	1 082 849	(1 082 849)	164 034	(164 034)	-	104 504 539
<b>Infrastructure</b>	<b>358 334 114</b>	<b>13 508 335</b>	<b>(5 208 391)</b>	-	-	<b>366 634 058</b>	<b>119 360 751</b>	<b>11 299 413</b>	<b>(2 190 074)</b>	-	-	<b>128 470 090</b>	<b>238 163 968</b>
Roads	216 522 726	6 184 306	(1 591 465)	-	-	221 115 567	94 317 435	8 361 094	(1 498 102)	-	-	101 180 427	119 935 140
Stormwater	67 338 489	1 199 426	(3 543 011)	-	-	64 994 905	15 554 714	1 218 496	(670 746)	-	-	16 102 464	48 892 441
Solid Waste	32 653 235	3 870 738	-	-	-	36 523 973	1 915 492	334 385	-	-	-	2 249 878	34 274 096
Electricity	29 303 233	2 253 865	(73 916)	-	-	31 483 182	5 255 814	999 340	(21 226)	-	-	6 233 929	25 249 253
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	2 317 296	386 096	-	-	-	2 703 392	9 813 039
<b>Community Assets</b>	<b>51 865 169</b>	<b>2 085 356</b>	-	-	-	<b>53 950 525</b>	<b>8 964 319</b>	<b>1 930 253</b>	-	-	-	<b>10 894 571</b>	<b>43 055 954</b>
Sports Fields	26 314 447	-	-	-	-	26 314 447	3 835 574	835 390	-	-	-	4 670 964	21 643 483
Node Development	9 199 831	348 698	-	-	-	9 548 529	1 849 050	295 379	-	-	-	2 144 430	7 404 099
Parks & Gardens	7 829 419	-	-	-	-	7 829 419	312 889	60 452	-	-	-	373 340	7 456 079
Cemetery	7 105 750	1 736 658	-	-	-	8 842 407	1 998 089	460 164	-	-	-	2 458 253	6 384 154
Other	1 415 723	-	-	-	-	1 415 723	968 717	278 867	-	-	-	1 247 584	168 139
<b>Other Assets</b>	<b>58 814 072</b>	<b>1 540 504</b>	<b>(189 619)</b>	-	-	<b>60 164 957</b>	<b>34 214 162</b>	<b>3 563 853</b>	<b>(165 811)</b>	-	-	<b>37 612 204</b>	<b>22 552 753</b>
Motor Vehicles	12 518 079	770 968	(170 419)	-	-	13 118 628	8 243 399	327 918	(145 029)	-	-	8 426 288	4 692 340
Plant & Equipment	27 718 109	14 351	(19 200)	-	-	27 713 260	12 514 668	1 610 104	(20 782)	-	-	14 103 989	13 609 271
Office Equipment	2 396 567	10 170	-	-	-	2 406 737	2 110 626	143 428	-	-	-	2 254 054	152 683
Furniture & Fittings	4 807 163	173 087	-	-	-	4 980 250	3 645 072	346 211	-	-	-	3 991 283	988 967
Loose Equipment	525 917	-	-	-	-	525 917	477 862	19 482	-	-	-	497 344	28 573
Computer Equipment	6 766 859	571 928	-	-	-	7 338 787	4 881 696	763 762	-	-	-	5 645 459	1 693 329
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	2 340 840	352 948	-	-	-	2 693 788	1 387 590
<b>Total</b>	<b>593 156 046</b>	<b>18 831 688</b>	<b>(5 398 010)</b>	<b>7 193 164</b>	<b>1 247 466</b>	<b>615 030 354</b>	<b>162 539 232</b>	<b>17 876 368</b>	<b>(3 438 734)</b>	<b>164 034</b>	<b>(164 034)</b>	<b>176 976 866</b>	<b>438 053 488</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2020	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
<b>Land and Buildings</b>	<b>112 103 321</b>	<b>8 853 026</b>	<b>(159 500)</b>	<b>3 629 803</b>	<b>(283 958)</b>	<b>124 142 690</b>	-	<b>933 782</b>	<b>(933 782)</b>	<b>283 958</b>	<b>(283 958)</b>	-	<b>124 142 690</b>
Land	28 377 379	-	(159 500)	146 896	-	28 364 775	-	-	-	-	-	-	28 364 775
Buildings	83 725 942	8 853 026	-	3 482 906	(283 958)	95 777 915	-	933 782	(933 782)	283 958	(283 958)	-	95 777 915
<b>Infrastructure</b>	<b>328 833 911</b>	<b>29 624 489</b>	<b>(124 285)</b>	-	-	<b>358 334 114</b>	<b>108 188 344</b>	<b>11 203 637</b>	<b>(31 230)</b>	-	-	<b>119 360 751</b>	<b>238 973 363</b>
Roads	203 578 486	12 944 240	-	-	-	216 522 726	85 814 738	8 502 697	-	-	-	94 317 435	122 205 291
Stormwater	61 550 591	5 787 898	-	-	-	67 338 489	14 156 771	1 397 943	-	-	-	15 554 714	51 783 775
Solid Waste	23 727 987	8 925 248	-	-	-	32 653 235	1 863 619	51 873	-	-	-	1 915 492	30 737 743
Electricity	27 460 415	1 967 103	(124 285)	-	-	29 303 233	4 421 973	865 070	(31 230)	-	-	5 255 814	24 047 419
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	1 931 244	386 052	-	-	-	2 317 296	10 199 135
<b>Community Assets</b>	<b>49 439 245</b>	<b>2 425 923</b>	-	-	-	<b>51 865 169</b>	<b>7 060 518</b>	<b>1 903 800</b>	-	-	-	<b>8 964 319</b>	<b>42 900 850</b>
Sports Fields	26 314 447	-	-	-	-	26 314 447	3 000 270	835 304	-	-	-	3 835 574	22 478 873
Node Development	8 609 456	590 375	-	-	-	9 199 831	1 579 391	269 659	-	-	-	1 849 050	7 350 780
Parks & Gardens	6 099 079	1 730 340	-	-	-	7 829 419	252 446	60 443	-	-	-	312 889	7 516 530
Cemetery	7 000 541	105 209	-	-	-	7 105 750	1 538 048	460 041	-	-	-	1 998 089	5 107 660
Other	1 415 723	-	-	-	-	1 415 723	690 363	278 354	-	-	-	968 717	447 006
<b>Other Assets</b>	<b>56 763 730</b>	<b>2 454 194</b>	<b>(403 852)</b>	-	-	<b>58 814 072</b>	<b>30 943 263</b>	<b>3 663 216</b>	<b>(392 317)</b>	-	-	<b>34 214 162</b>	<b>24 599 910</b>
Motor Vehicles	12 518 079	-	-	-	-	12 518 079	7 957 870	285 529	-	-	-	8 243 399	4 274 680
Plant & Equipment	25 534 924	2 427 094	(243 909)	-	-	27 718 109	11 097 441	1 655 849	(238 622)	-	-	12 514 668	15 203 441
Office Equipment	2 499 949	-	(103 381)	-	-	2 396 567	2 006 924	206 661	(102 959)	-	-	2 110 626	285 942
Furniture & Fittings	4 781 744	27 100	(1 681)	-	-	4 807 163	3 276 135	370 076	(1 139)	-	-	3 645 072	1 162 091
Loose Equipment	525 917	-	-	-	-	525 917	448 849	29 012	-	-	-	477 862	48 055
Computer Equipment	6 821 739	-	(54 880)	-	-	6 766 859	4 167 842	763 452	(49 597)	-	-	4 881 696	1 885 163
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	1 988 202	352 638	-	-	-	2 340 840	1 740 538
<b>Total</b>	<b>547 140 206</b>	<b>43 357 632</b>	<b>(687 637)</b>	<b>3 629 803</b>	<b>(283 958)</b>	<b>593 156 046</b>	<b>146 192 125</b>	<b>17 704 435</b>	<b>(1 357 328)</b>	<b>283 958</b>	<b>(283 958)</b>	<b>162 539 232</b>	<b>430 616 814</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2020	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Loss on Fair Value Revaluation	Transfers	Closing Balance	
<b>Previously Reported</b>	557 517 173	43 812 482	(687 637)	3 674 304	(283 958)	604 032 364	146 192 125	18 087 224	(1 359 581)	283 958	(283 958)	162 919 768	441 112 596
Prior Period Adjustment - Refer to Note 42.1	(10 376 967)	(454 850)	-	(44 502)	-	(10 876 318)	-	(382 789)	2 253	-	-	(380 536)	(10 495 782)
<b>Restated Balance</b>	<b>547 140 206</b>	<b>43 357 632</b>	<b>(687 637)</b>	<b>3 629 803</b>	<b>(283 958)</b>	<b>593 156 046</b>	<b>146 192 125</b>	<b>17 704 435</b>	<b>(1 357 328)</b>	<b>283 958</b>	<b>(283 958)</b>	<b>162 539 232</b>	<b>430 616 814</b>

The valuations of Land and Buildings were performed by Umhlaba Valuers and the valuer was Mr Wessel Christiaan van Deventer, a professional valuer with registration number 2816. Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

No assets were pledged as security for liabilities.

Refer to note 41 for the disclosure of repairs and maintenance per asset class as required by GRAP 17.

The municipality have 47 assets that are fully depreciated which are still in use. These assets are immaterial in value and will be replaced once funding is made available.

The following project (included in Work in Progress) is taking a significant longer period to complete:

Project	Carrying value	Reason for delays
Upgrading of Lady Grey Solid Waste: Ward 14	4 237 544	The completion of the project is delayed due to the contractor abandoning the site without notification to the municipality. The project will be re-advertised in the 2021/22 financial year to appoint a new contractor. The asset constructed to date are still in good condition.

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

	2021 R	2020 R
Buildings	962 757	14 400 905
Infrastructure - Electricity	-	1 835 780
Infrastructure - Roads	6 078 295	23 935 147
Infrastructure - Stormwater	-	6 451 715
Infrastructure - Waste Management	9 238 321	29 978 470
Sports Fields	183 051	183 051
Node Development	-	819 040
Parks & Gardens	5 886 332	5 886 332
Cemetery	2 024 723	288 065
<b>Total Work in Progress (WIP) - Restated 2020</b>	<b>24 373 480</b>	<b>83 778 506</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>10 INTANGIBLE ASSETS</b>		
Intangible Assets - Carrying Value	<u>186 478</u>	<u>174 999</u>
The movement in intangible assets is reconciled as follows:		
<b>Opening Carrying Value</b>	174 999	265 403
Cost	883 379	883 379
Accumulated Amortisation	(708 380)	(617 976)
Acquisitions	102 717	-
Amortisation for the year	(91 238)	(90 404)
<b>Closing Carrying Value</b>	186 478	174 999
Cost	986 096	883 379
Accumulated Amortisation	(799 619)	(708 380)
Intangible Assets consist only out of software		
No intangible asset were assessed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities		
There are no contractual commitments for the acquisition of intangible assets.		
<b>11 CAPITALISED RESTORATION COST (PPE)</b>		
Capitalised Restoration Cost - Carrying Value	<u>1 586 414</u>	<u>1 746 526</u>
The movement in capitalised restoration cost is reconciled as follows:		
<b>Opening Carrying Value</b>	1 746 526	3 146 836
Cost	4 631 086	5 516 916
Accumulated Depreciation	(1 809 966)	(1 638 401)
Accumulated Impairments	(1 074 594)	(731 679)
Additions/(Disposal)	250 312	(1 005 514)
Gain on disposal	11 718	119 684
Depreciation for the year	(91 587)	(171 565)
Impairments for the year	(330 555)	(342 915)
<b>Closing Carrying Value</b>	1 586 414	1 746 526
Cost	4 893 116	4 631 086
Accumulated Depreciation	(1 901 553)	(1 809 966)
Accumulated Impairments	(1 405 149)	(1 074 594)

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

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

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

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

### 12 BORROWINGS

	2021 R	2020 R
Annuity Loans	8 634 635	9 505 144
<b>Sub-Total</b>	<b>8 634 635</b>	<b>9 505 144</b>
Less: Current portion	886 600	870 197
Annuity Loans	886 600	870 197
<b>Total</b>	<b>7 748 035</b>	<b>8 634 947</b>
Borrowings were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.		
Annuity loans are payable as follows:		
Payable within one year	1 474 353	1 578 488
Payable within two to five years	5 576 027	5 778 475
Payable after five years	4 685 868	6 003 957
<b>Total amount payable</b>	<b>11 736 247</b>	<b>13 360 920</b>
<b>Less:</b> Outstanding Future Finance Charges	(3 101 613)	(3 855 776)
<b>Present value of annuity loans</b>	<b>8 634 635</b>	<b>9 505 144</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>13 CONSUMER DEPOSITS</b>		
Electricity	1 766 410	1 665 387
<b>Total</b>	<b>1 766 410</b>	<b>1 665 387</b>

No guarantees held in lieu of Electricity Deposits

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

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

### 14 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	5 036 888	4 115 667
Deposits: Other	176 779	15 318
Payments received in advance	492 324	489 546
Retentions	3 862 649	7 739 156
DBSA Interest Accrual	138 923	182 139
<b>Total</b>	<b>9 707 564</b>	<b>12 541 825</b>

Payables are being recognised net of any discounts received.

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

The carrying value of payables approximates its fair value.

### 15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

#### Unspent Conditional Government Grants

National Government	23 087 320	3 545 284
Provincial Government	11 926 003	11 527 095
<b>Total</b>	<b>35 013 323</b>	<b>15 072 379</b>

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

No grants were withheld in the current year.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

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

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

16 CURRENT EMPLOYEE BENEFITS	2021 R	2020 R
Post Retirement Medical Benefits - Note 17	221 000	215 000
Long Service Awards - Note 17	296 000	383 000
Bonuses	3 027 077	2 925 634
Performance Bonuses	3 056 922	3 040 086
Compensation for injuries on duty contribution	4 616 931	3 774 342
Staff Leave	5 096 318	4 525 887
<b>Total</b>	<b>16 314 248</b>	<b>14 863 949</b>

The movement in current employee benefits are reconciled as follows:

#### Bonuses

Opening Balance	2 925 634	2 706 081
Contribution during the year	5 286 701	5 253 554
Payments made	(5 185 257)	(5 034 001)
Balance at end of year	<b>3 027 077</b>	<b>2 925 634</b>

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

#### Performance Bonuses

Opening Balance	3 040 087	2 623 106
Contribution during the year	2 562 724	2 729 763
Payments made	(2 545 888)	(2 312 783)
Balance at end of year	<b>3 056 922</b>	<b>3 040 086</b>

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

#### Compensation for injuries on duty contribution

Opening Balance	3 774 342	2 964 659
Contribution during the year	842 589	809 683
Balance at end of year	<b>4 616 931</b>	<b>3 774 342</b>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

16	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2021 R	2020 R
	<b><u>Staff Leave</u></b>		
	Opening Balance	4 525 887	3 930 963
	Contribution during the year	3 044 727	2 548 303
	Payments made	(2 474 296)	(1 953 379)
	Balance at end of year	<b>5 096 318</b>	<b>4 525 887</b>

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

17	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	14 926 000	11 045 000
	Long Service Awards	2 483 000	2 181 000
	<b>Total</b>	<b>17 409 000</b>	<b>13 226 000</b>

### 17.1 POST RETIREMENT MEDICAL BENEFITS

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

Opening Balance	11 260 000	11 983 632
Contribution during the year	2 262 000	2 344 006
Current Service Cost	1 034 000	1 196 739
Interest Cost	1 228 000	1 147 267
Payments made	(255 314)	(235 158)
Actuarial Loss/(Gain)	1 880 314	(2 832 480)
Total balance at year-end	15 147 000	11 260 000
Less: Current Portion - Note 16	(221 000)	(215 000)
<b>Total</b>	<b>14 926 000</b>	<b>11 045 000</b>

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

	2021	2020
In-service members	194	186
In-service non-members	70	89
Continuation members	3	3
<b>Total</b>	<b>267</b>	<b>278</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

	2021 R	2020 R
In-service members	12 346 000	8 623 000
In-service non-members	862 000	827 000
Continuation members	1 939 000	1 810 000
<b>Total Unfunded Liability</b>	<b>15 147 000</b>	<b>11 260 000</b>

The total in-service non-member liability increased to R827 000 at the Valuation Date, following an increase in the assumed proportion of in-service non-members who will join a medical aid scheme by retirement and continue with the medical aid subsidy at and after retirement (the "take-up rate"), from 0% at the last valuation, to 20% at this valuation.

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

	2019 R	2018 R	2017 R
In-service members	10 113 774	11 469 723	10 930 981
Continuation members	1 869 858	1 656 532	3 562 311
<b>Total Unfunded Liability</b>	<b>11 983 632</b>	<b>13 126 255</b>	<b>14 493 291</b>

Experience adjustments were calculated as follows:

	2021 R m	2020 R m
Liabilities: (Gain)/Loss	0.332	(0.630)
Assets: Gain/(Loss)	-	-

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

	2019 R m	2018 R m	2017 R m
Liabilities: (Gain)/Loss	0.636	(2.684)	0.491
Assets: Gain/(Loss)	-	-	-

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

Bonitas  
Hosmed  
LA Health  
Munimed  
SAMWU Medical Aid

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

<b>Interest Rates</b>	<b>2021</b>	<b>2020</b>
Discount rate	10.44%	11.01%
Health Care Cost Inflation Rate	7.05%	7.00%
Net Effective Discount Rate	3.17%	3.75%

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

#### **Mortality Rates**

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

#### **Normal Retirement Age**

It has been assumed that in-service members will retire at age 62 for males and 59 for females, which then implicitly allows for expected rates of early and ill-health retirement.

#### **Last Valuation**

The last valuation was performed in August 2021.

#### **Actuarial Valuation Method**

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

#### **The amounts recognised in the Statement of Financial Performance are:**

Employee related costs - Current Service Cost	1 034 000	1 196 739
Finance Charges - Interest Cost	1 228 000	1 147 267
Actuarial Gains	1 880 314	(2 832 480)
<b>Net amount charged to Statement of Financial Performance</b>	<b>4 142 314</b>	<b>(488 474)</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	13.208	1.939	15.147	
Health care inflation				
+ 1%	16.209	2.081	18.290	21%
- 1%	10.874	1.812	12.686	-16%
Discount rate				
+ 1%	10.955	1.817	12.772	-16%
- 1%	16.135	2.078	18.213	20%
Post-employment mortality				
+ 1 year	12.863	1.857	14.720	-3%
- 1 year	13.551	2.023	15.574	3%
Average retirement age				
- 1 year	14.592	1.939	16.531	9%
Continuation of membership at retirement				
- 10%	11.511	1.939	13.450	-11%

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

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 536 000	1 570 000	3 106 000	
Health care inflation				
+ 1%	1 909 000	1 898 000	3 807 000	23%
- 1%	1 252 000	1 313 000	2 565 000	-17%
Discount rate				
+ 1%	1 273 000	1 449 000	2 722 000	-12%
- 1%	1 882 000	1 709 000	3 591 000	16%
Post-employment mortality				
+ 1 year	1 497 000	1 526 000	3 023 000	-3%
- 1 year	1 577 000	1 615 000	3 192 000	3%
Average retirement age				
- 1 year	1 837 000	1 715 000	3 552 000	14%
Continuation of membership at retirement				
- 10%	1 339 000	1 393 000	2 732 000	-12%

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

17.2 LONG SERVICE AWARDS	2021 R	2020 R
The movement in Long Service Awards are reconciled as follows:		
Opening Balance	2 564 000	2 147 050
Contribution during the year	551 000	540 811
Current Service Cost	386 000	373 786
Interest Cost	165 000	167 025
Payments made	(287 844)	(129 455)
Actuarial Loss/(Gain)	(48 156)	5 594
Total balance at year-end	<u>2 779 000</u>	<u>2 564 000</u>
Less: Current Portion - Note 16	(296 000)	(383 000)
<b>Total</b>	<u><u>2 483 000</u></u>	<u><u>2 181 000</u></u>

The following members are eligible for long service bonuses:

	2021	2020
In-service members	<u>264</u>	<u>275</u>

	2021 R	2020 R
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The liability in respect of past service has been estimated to be as follows:

In-service members	<u>2 779 000</u>	<u>2 564 000</u>
<b>Total Unfunded Liability</b>	<u><u>2 779 000</u></u>	<u><u>2 564 000</u></u>

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

	2019 R	2018 R	2017 R
In-service members	<u>2 147 050</u>	<u>1 725 612</u>	<u>1 597 582</u>
<b>Total Unfunded Liability</b>	<u><u>2 147 050</u></u>	<u><u>1 725 612</u></u>	<u><u>1 597 582</u></u>

Experience adjustments were calculated as follows:

	2021 R	2020 R
Liabilities: (Gain)/Loss	(56 156)	84 594
Assets: Gain/(Loss)	-	-

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

	2019 R	2018 R	2017 R
Liabilities: (Gain)/Loss	553	54 126	38 958
Assets: Gain/(Loss)	-	-	-

Key Actuarial Assumptions used are as follows:

#### Interest Rates

	2021	2020
Discount rate	8.70%	6.95%
General Salary Inflation (long-term)	5.64%	3.72%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.90%	3.11%

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

#### Last Valuation

The last valuation was performed in August 2020.

#### Actuarial Valuation Method

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

#### The amounts recognised in the Statement of Financial Performance are:

Employee related costs - Current Service Cost	386 000	373 786
Finance Charges - Interest Cost	165 000	167 025
Actuarial (Gain)/Losses	(48 156)	5 594
<b>Net amount charged to Statement of Financial Performance</b>	<b>502 844</b>	<b>546 405</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	Total liability R	% change
Liability	2 779 000	
General earnings inflation rate		
+ 1%	2 921 000	5%
- 1%	2 648 000	-5%
Discount rate		
+ 1%	2 641 000	-5%
- 1%	2 931 000	5%
Average retirement age		
+ 2 years	2 921 000	5%
- 2 years	2 691 000	-3%
Withdrawal rates		
x 2	2 203 000	-21%
x 0.5	3 163 000	14%

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

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	389 000	229 000	618 000	
General earnings inflation rate				
+ 1%	412 000	242 000	654 000	6%
- 1%	367 000	218 000	585 000	-5%
Discount rate				
+ 1%	369 000	242 000	611 000	-1%
- 1%	410 000	215 000	625 000	1%
Average retirement age				
+ 2 years	408 000	242 000	650 000	5%
- 2 years	377 000	222 000	599 000	-3%
Withdrawal rates				
x 2	291 000	179 000	470 000	-24%
x 0.5	455 000	263 000	718 000	16%

### 17.3 OTHER PENSION BENEFITS

Defined Benefit Plans	2021 R	2020 R
Council contributes to the following defined benefit plans:		
<b>Cape Joint Pension Fund</b>	9 315 562	8 567 955
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100.5% (30 June 2019 - 100.3%).		
<b>Total</b>	<b>9 315 562</b>	<b>8 567 955</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

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

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

<b>Defined Contribution Plans</b>	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Council contributes to the following defined contribution plans:		
SALA Pension Fund	983 058	1 032 057
SAMWU National Provident Fund	90 226	85 333
<b>Total</b>	<b>1 073 283</b>	<b>1 117 390</b>

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

### 18 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	<b>7 421 987</b>	<b>6 962 791</b>
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The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	6 962 791	7 717 487
Contribution during the year	459 196	(754 696)
Increase/(Decrease) in estimate	250 312	(1 005 514)
Interest Cost	208 884	250 818
<b>Total</b>	<b>7 421 987</b>	<b>6 962 791</b>

The decrease in the provision is due to the lower Contract Price Adjustment (CPA) for the period under review.





# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

20	PROPERTY RATES	2021 R	2020 R
	Total Property Rates	16 807 884	15 682 731
	Less: Rebates	(3 977 795)	(3 252 692)
	<b>Total</b>	<b>12 830 089</b>	<b>12 430 040</b>

Property rates levied are based on the following rateable valuations:

Residential Property	781 654 500	444 045 500
Commercial Property	412 098 500	367 678 500
Public Benefits Organisations	88 967 000	60 007 000
Public Service Infrastructure	4 727 000	2 047 000
Agricultural Purposes	2 469 081 000	2 499 734 000
State - National / Provincial Services	811 173 000	512 708 000
Municipal Property	383 942 000	420 446 000
Vacant Property	122 005 500	71 565 500
Industrial Property	14 203 000	13 372 000
<b>Total Valuation</b>	<b>5 087 851 500</b>	<b>4 391 603 500</b>

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

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

	2021	2020
The following rates are applicable to the valuations above:		
Residential	0.7452c/R	0.7030c/R
Commercial	0.9687c/R	0.9139c/R
Public Service Infrastructure	0.0000c/R	0.0000c/R
Agricultural	0.1863c/R	0.1758c/R
State - National / Provincial Services	0.9687c/R	0.9139c/R
Vacant Property	1.1178c/R	1.0545c/R

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>21 TRANSFERS AND SUBSIDIES</b>		
<b>Unconditional Grants - National Government</b>	<b>189 021 000</b>	<b>149 935 000</b>
Equitable Share	189 021 000	149 935 000
<b>Conditional Grants - National Government</b>	<b>23 496 964</b>	<b>51 733 850</b>
Municipal Finance Management	1 700 000	1 700 000
Municipal Infrastructure Grant	17 644 737	44 985 000
EPWP (Expanded Public Works Program)	2 617 000	2 384 000
Integrated National Electrification Grant	1 290 857	2 432 220
Municipal Disaster Relief Grant	244 370	232 630
<b>Conditional Grants - Provincial Government</b>	<b>1 500 000</b>	<b>1 500 000</b>
Libraries	1 500 000	1 500 000
<b>Total</b>	<b>214 017 964</b>	<b>203 168 850</b>
Disclosed as:		
Transfers and Subsidies - Capital	14 802 952	44 850 724
Transfers and Subsidies - Operating	199 215 013	158 318 126
<b>Total</b>	<b>214 017 965</b>	<b>203 168 850</b>
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	189 021 000	149 935 000
Budget & Treasury	1 700 000	1 700 000
Planning & Development	3 964 270	2 249 250
Corporate Services	244 370	232 630
Community & Social Services	1 500 000	1 500 000
Road Transport	16 297 467	45 119 750
Electricity	1 290 858	2 432 219
<b>Total</b>	<b>214 017 965</b>	<b>203 168 849</b>

The movements per grant can be summarised as follows:

### 21.01 Equitable Share

Grants Received	189 021 000	149 935 000
Transferred to Revenue - Operating	(189 021 000)	(149 935 000)
Closing Unspent Balance	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>21 TRANSFERS AND SUBSIDIES (CONTINUED)</b>		
<b>21.02 Financial Management Grant (FMG)</b>		
Opening Unspent Balance	-	-
Grants Received	1 700 000	1 700 000
Transferred to Revenue - Operating	(1 700 000)	(1 700 000)
Closing Unspent Balance	-	-
The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.		
<b>21.03 Municipal Infrastructure Grant (MIG)</b>		
Opening Unspent Balance	-	-
Grants Received	33 522 000	44 985 000
Transferred to Revenue - Capital	(13 680 467)	(42 735 750)
Transferred to Revenue - Operating	(3 964 270)	(2 249 250)
Closing Unspent Balance	15 877 264	-
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
<b>21.04 NDPG (Neighbourhood Development Partnership Grant)</b>		
Opening Unspent Balance	2 010 056	2 010 056
Closing Unspent Balance	2 010 056	2 010 056
The NDPG is utilised to attract private and community investment to unlock the social and economic potential within the Senqu area.		
<b>21.05 EPWP (Expanded Public Works Program) - National</b>		
Opening Unspent Balance	-	-
Grants Received	2 617 000	2 384 000
Transferred to Revenue - Operating	(2 617 000)	(2 384 000)
Closing Unspent Balance	-	-
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
<b>21.06 Integrated National Electrification Grant</b>		
Opening Unspent Balance	1 290 857	523 077
Grants Received	-	3 200 000
Transferred to Revenue - Capital	(1 122 485)	(2 114 974)
Transferred to Revenue - Operating	(168 373)	(317 246)
Closing Unspent Balance	-	1 290 857
The Integrated National Electrification Grant was received from National Treasury to utilised for electrical projects within the Senqu area.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2021 R	2020 R
	<b>21.07 Municipal Disaster Relief Grant</b>		
	Opening Unspent Balance	244 370	-
	Grants Received	-	477 000
	Transferred to Revenue - Operating	(244 370)	(232 630)
	Closing Unspent Balance	<u>-</u>	<u>244 370</u>
	The grant was allocated to the municipality to provide immediate relief to the required needs arising from the COVID 19 pandemic.		
	<b>21.08 Prov Gov - Housing (Hillside)</b>		
	Opening Unspent Balance	232 651	232 651
	Closing Unspent Balance	<u>232 651</u>	<u>232 651</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.09 Herschel People's Housing</b>		
	Opening Unspent Balance	11 094 443	10 523 185
	Current year receipts - Interest	398 908	571 258
	Closing Unspent Balance	<u>11 493 351</u>	<u>11 094 443</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.10 Libraries</b>		
	Opening Unspent Balance	-	-
	Grants Received	1 500 000	1 500 000
	Transferred to Revenue - Operating	(1 500 000)	(1 500 000)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The Libraries grant was utilised for the upkeep and operational cost for libraries.		
	<b>21.11 EPWP (Expanded Public Works Program) - Provincial</b>		
	Opening Unspent Balance	-	-
	Grants Received	5 200 000	-
	Closing Unspent Balance	<u>5 200 000</u>	<u>-</u>
	The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
	<b>21.12 Greenest Municipality</b>		
	Opening Unspent Balance	200 000	-
	Grants Received	-	200 000
	Closing Unspent Balance	<u>200 000</u>	<u>200 000</u>
	The grant was received for 'greening' the environment as well as proactively preserving it for future generations.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2021 R	2020 R
	<b>21.13 Total Transfers and Subsidies</b>		
	Opening Unspent Balance	15 072 378	13 288 970
	Grants Received	233 560 000	204 381 000
	Current year receipts - Interest	398 908	571 258
	Transferred to Revenue - Capital	(14 802 951)	(44 850 724)
	Transferred to Revenue - Operating	(199 215 013)	(158 318 126)
	Closing Unspent Balance	<u>35 013 322</u>	<u>15 072 378</u>
22	<b>FINES, PENALTIES AND FORFEITS</b>		
	Fines: Pound Fees	10 699	9 163
	Fines: Traffic	142 348	278 000
	<b>Total</b>	<u>153 047</u>	<u>287 163</u>
	In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.		
23	<b>SERVICE CHARGES</b>		
	Electricity Revenue	44 114 779	41 361 651
	Refuse Removal Revenue	11 997 161	11 473 793
	<b>Total</b>	<u>56 111 940</u>	<u>52 835 445</u>
	The costs associated with the Free Basic Services provided to indigents are disclosed under operating expenditure projects. It is disclosed in various other expenditure line items as stated below:		
	Cost of Free Basic Services: Electricity	8 167 084	6 055 833
	Bulk Purchases	7 099 907	5 168 292
	Operational Cost	1 067 176	887 541
	Cost of Free Basic Services: Refuse	3 185 905	3 076 454
	Operational Cost	3 185 905	3 076 454
	<b>Total</b>	<u>11 352 989</u>	<u>9 132 287</u>
24	<b>RENTAL FROM FIXED ASSETS</b>		
	Investment Property	515 042	726 553
	Buildings	40 300	47 675
	Machinery and Equipment	5 021	8 330
	<b>Total</b>	<u>560 363</u>	<u>782 558</u>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>25 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Interest earned on Investment - Standard Bank 388489162/0	11 093 910	14 203 938
Interest earned on Investment - Standard Bank 388489731/0	4 945 755	7 090 449
<b>Total</b>	<b>16 039 665</b>	<b>21 294 387</b>
<b>26 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Interest Earned - Service Debtors	3 010 992	3 142 361
Interest Earned - Penalty Interest on Property Rates	820 299	949 105
<b>Total</b>	<b>3 831 291</b>	<b>4 091 466</b>
<b>27 SALES OF GOODS AND RENDERING OF SERVICES</b>		
Advertisements	8 312	91 177
Building Plan Clause Levy	27 240	23 288
Cemetery and Burial	30 537	18 392
Clearance Certificates	14 045	15 145
Entrance Fees	2 666	939
Library Fees	3 380	3 310
Photocopies and Faxes	1 830	1 458
Sale of Agricultural Products	36 696	26 435
Tender Documents	126 000	63 913
Valuation Services	5 077	1 825
<b>Total</b>	<b>255 784</b>	<b>245 881</b>
<b>28 OPERATIONAL REVENUE</b>		
Commission	607 726	277 446
Grazing Fees	226	700
LG Seta	118 685	164 428
Request for Information	-	91
Sale of Property	-	12 000
Staff Recoveries	124 538	152 185
<b>Total</b>	<b>851 174</b>	<b>606 850</b>
<b>29 EMPLOYEE RELATED COSTS</b>		
Basic Salary	69 705 339	64 842 634
Pension and UIF Contributions	10 845 867	10 004 633
Medical Aid Contributions	6 079 065	5 366 712
Bonuses	5 286 701	5 253 554
Performance Bonus	2 562 724	2 729 763
Telephone allowance	726 900	715 770
Housing Allowances	186 176	473 076
Other benefits and allowances	33 444	77 759
Leave Contributions	3 044 727	2 548 303
Long service awards	386 000	373 786
Post Retirement Medical Benefits	1 034 000	1 196 739
<b>Total</b>	<b>99 890 943</b>	<b>93 582 730</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>29 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Remuneration of Key Personnel</b>		
Key management personnel are all appointed on 5-year fixed contracts.		
<b><i>Municipal Manager - MM Yawa</i></b>		
Annual Remuneration	1 953 040	1 962 810
Performance Bonus - 2018/19	-	412 698
Performance Bonus - 2019/20	476 762	-
Telephone allowance	38 000	24 000
UIF Contributions	1 898	1 785
<b>Total</b>	<b>2 469 700</b>	<b>2 401 292</b>
<b><i>Director Financial Services - Mr K Fourie</i></b>		
Annual Remuneration	1 636 165	1 588 123
Performance Bonus - 2018/19	-	309 368
Performance Bonus - 2019/20	329 477	-
Travel Allowance	127 133	123 723
Telephone allowance	24 800	12 000
UIF Contributions	1 898	1 785
<b>Total</b>	<b>2 119 474</b>	<b>2 034 999</b>
<b><i>Director Technical Services - RN Crozier (Contract expired August 2020)</i></b>		
Annual Remuneration	176 602	1 098 783
Performance Bonus - 2018/19	-	272 721
Performance Bonus - 2019/20	219 110	-
Travel Allowance	15 600	93 600
Telephone allowance	2 000	12 000
UIF Contributions	297	1 785
<b>Total</b>	<b>413 610</b>	<b>1 478 889</b>
<b><i>Director Technical Services - R Ruiters (Appointed September 2020)</i></b>		
Annual Remuneration	1 173 260	-
Travel Allowance	247 473	-
Telephone allowance	22 800	-
UIF Contributions	1 601	-
<b>Total</b>	<b>1 445 134</b>	<b>-</b>
<b><i>Director Community and Social Services - CNL Gologolo (Retired Dec 2019)</i></b>		
Annual Remuneration	-	633 298
Performance Bonus - 2018/19	-	143 324
Performance Bonus - 2019/20	98 023	-
Travel Allowance	-	24 000
Telephone allowance	-	6 000
UIF Contributions	-	892
<b>Total</b>	<b>98 023</b>	<b>807 514</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>29 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<i>Acting Director Community and Social Services - U Sobudula (Acting from January 2020)</i>		
Acting Allowance	174 312	104 776
Performance Bonus - 2019/20	147 182	-
<b>Total</b>	<b>321 494</b>	<b>104 776</b>
<i>Director Community and Social Services - N Nyezi (Appointed May 2021)</i>		
Annual Remuneration	147 239	-
Telephone allowance	8 400	-
UIF Contributions	354	-
<b>Total</b>	<b>155 993</b>	<b>-</b>
<i>Director Corporate and Support Services - TE Wonga (Contract expired August 2020)</i>		
Annual Remuneration	176 020	1 128 084
Performance Bonus - 2018/19	-	144 954
Performance Bonus - 2019/20	161 450	-
Travel Allowance	16 000	96 000
Telephone allowance	2 000	12 000
UIF Contributions	297	1 785
<b>Total</b>	<b>355 768</b>	<b>1 382 822</b>
<i>Director Corporate and Support Services - Z Koyana (Appointed March 2021)</i>		
Annual Remuneration	310 090	-
Telephone allowance	16 800	-
UIF Contributions	708	-
<b>Total</b>	<b>327 599</b>	<b>-</b>
<i>Director Development and Town Planning Services - P Bushula (Contract expired August 2020)</i>		
Annual Remuneration	192 202	1 226 175
Performance Bonus - 2018/19	-	269 200
Performance Bonus - 2019/20	219 111	-
Telephone allowance	2 000	12 000
UIF Contributions	297	1 785
<b>Total</b>	<b>413 611</b>	<b>1 509 159</b>
<i>Director Development and Town Planning Services - K Chaphi (Appointed September 2020)</i>		
Annual Remuneration	1 298 991	-
Travel Allowance	38 812	-
Telephone allowance	22 800	-
UIF Contributions	1 601	-
<b>Total</b>	<b>1 362 203</b>	<b>-</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

30	REMUNERATION OF COUNCILLORS	2021 R	2020 R
	Mayor	905 259	905 159
	Speaker	733 088	733 088
	Chief Whip	404 596	406 289
	Executive Committee Members	2 022 965	2 022 965
	Councillors	7 446 417	7 475 305
	Other Councillors' contributions and allowances	1 150 700	1 154 400
	<b>Total</b>	<b>12 663 025</b>	<b>12 697 206</b>
	<b>In-kind Benefits</b>		
	The Mayor and Speaker are full-time Councillors and each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor and Speaker may utilise official Council transportation when engaged in official duties. The packages are set out below:		
	<b>Mayor</b>		
	Annual Remuneration	860 859	860 759
	Telephone allowance	44 400	44 400
	<b>Total</b>	<b>905 259</b>	<b>905 159</b>
	<b>Speaker</b>		
	Annual Remuneration	688 688	688 688
	Telephone allowance	44 400	44 400
	<b>Total</b>	<b>733 088</b>	<b>733 088</b>
	<b>Chief Whip</b>		
	Annual Remuneration	360 196	361 889
	Telephone allowance	44 400	44 400
	<b>Total</b>	<b>404 596</b>	<b>406 289</b>
	<b>Executive Committee Members</b>		
	Annual Remuneration	1 800 965	1 800 965
	Telephone allowance	222 000	222 000
	<b>Total</b>	<b>2 022 965</b>	<b>2 022 965</b>
	<b>Councillors (Section 79)</b>		
	Annual Remuneration	1 748 090	1 754 275
	Telephone allowance	222 000	222 000
	<b>Total</b>	<b>1 970 090</b>	<b>1 976 275</b>
	<b>Councillors (Ordinary)</b>		
	Annual Remuneration	5 698 327	5 721 030
	Telephone allowance	928 700	932 400
	<b>Total</b>	<b>6 627 027</b>	<b>6 653 430</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>31 DEBT IMPAIRMENT</b>		
Receivables from exchange transactions - Note 3	8 855 082	10 659 554
Receivables from non-exchange transactions - Note 4	3 293 327	3 438 654
<b>Total Contribution to Debt Impairment Provision</b>	<b>12 148 408</b>	<b>14 098 208</b>
Movement in VAT included in debt impairment - Note 5	(197 313)	(1 123 773)
<b>Total</b>	<b>11 951 095</b>	<b>12 974 435</b>
Debt Impairment consists out of the following:		
Debt Impairment	5 481 924	10 435 620
Bad Debts Written off	6 469 171	2 538 815
<b>Total</b>	<b>11 951 095</b>	<b>12 974 435</b>
<b>32 DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	17 876 368	17 704 435
Intangible Assets	91 238	90 404
Capitalised Restoration Cost (PPE)	91 587	171 565
<b>Total</b>	<b>18 059 193</b>	<b>17 966 405</b>
<b>33 IMPAIRMENT LOSS</b>		
Land	-	-
Buildings	147 534	165 958
<b>Sub-Total</b>	<b>147 534</b>	<b>165 958</b>
Capitalised Restoration Cost (PPE)	330 555	342 915
<b>Total</b>	<b>478 089</b>	<b>508 873</b>
<b>34 FINANCE CHARGES</b>		
Annuity Loans	594 809	830 859
Rehabilitation Provision - Landfill Sites	208 884	250 818
Post Retirement Medical Benefits	1 228 000	1 147 267
Long Service Awards	165 000	167 025
<b>Total</b>	<b>2 196 693</b>	<b>2 395 969</b>
<b>35 BULK PURCHASES</b>		
Electricity	39 900 367	35 072 720
<b>Total</b>	<b>39 900 367</b>	<b>35 072 720</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

36	<b>CONTRACTED SERVICES</b>	<b>2021</b> R	<b>2020</b> R
	Consultants and Professional Services	9 907 967	7 506 995
	Business and Advisory	7 896 707	4 943 434
	Infrastructure and Planning	440 674	180 065
	Legal Cost	1 570 586	2 383 495
	Contractors	5 774 411	5 086 846
	Artists and Performers	1 900	38 900
	Electrical	364 179	656 852
	Fire Services	-	16 475
	Interior Decorator	36 100	10 000
	Maintenance of Buildings and Facilities	1 264 978	1 076 030
	Maintenance of Equipment	734 704	670 120
	Maintenance of Unspecified Assets	3 332 432	2 502 622
	Plants, Flowers and Other Decorations	-	1 678
	Transportation	40 118	114 168
	Outsourced Services	6 178 790	6 614 121
	Burial Services	13 360	14 426
	Catering Services	306 957	672 652
	Cleaning Services	6 500	24 600
	Medical Services	-	3 900
	Personnel and Labour	4 336 373	3 984 109
	Security Services	1 515 599	1 914 434
	<b>Total</b>	<b>21 861 168</b>	<b>19 207 962</b>
37	<b>TRANSFERS AND SUBSIDIES</b>		
	Tourism Support	-	37 397
	<b>Total</b>	<b>-</b>	<b>37 397</b>
38	<b>OPERATING LEASES</b>		
	Buildings	35 165	59 079
	Machinery and Equipment	48 115	15 260
	<b>Total</b>	<b>83 280</b>	<b>74 339</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

39	OPERATIONAL COST	2021 R	2020 R
	Advertising, Publicity and Marketing	722 797	636 186
	Achievement and Awards	-	-
	Assets less than the Capitalisation Threshold	105 914	66 182
	Bank Charges, Facility and Card Fees	301 365	271 126
	Communication	238 494	748 708
	Commission: Prepaid Electricity	736 674	447 690
	Consumables	6 765 156	5 292 357
	Courier and Delivery Services	478	-
	Deeds	12 183	11 050
	Entertainment	22 899	18 327
	External Audit Fees	3 286 557	2 618 301
	External Computer Service	3 326 114	2 233 630
	Fuel and Oil	3 693 672	3 899 000
	Insurance Underwriting	1 445 166	1 098 603
	Learnerships and Internships	399 672	232 548
	Licences	-	162 343
	Maintenance Materials	2 693 576	2 318 418
	Municipal Services	174 397	205 781
	Printing, Publications and Books	89 301	86 014
	Professional Bodies, Membership and Subscription	1 109 970	1 106 257
	Registration Fees	334 809	1 882 887
	Remuneration to Ward Committees	1 752 000	1 994 259
	Road Worthy Test	13 113	-
	Seating Allowance for Traditional Leaders	295 000	246 000
	Skills Development Fund Levy	371 158	852 972
	Transport Provided as Part of Departmental Activities	482 701	574 970
	Travel Agency Fees	10 042	164 463
	Travel and Subsistence	1 716 508	4 836 936
	Uniform and Protective Clothing	1 838 463	2 007 261
	Workmen's Compensation Fund	842 589	809 683
	<b>Total</b>	<b>32 780 769</b>	<b>34 821 953</b>
40	LOSS ON DISPOSAL OF ASSETS		
	Carrying value of Property, Plant and Equipment disposed	3 042 125	264 088
	Carrying value of Investment Property disposed	-	92 000
	<b>Total</b>	<b>3 042 125</b>	<b>356 088</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	2021 R	2020 R
<b>41 REPAIRS AND MAINTENANCE</b>		
Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
The following expenditure relating to Repairs and Maintenance projects were identified by the municipality:		
Contracted Services	6 339 472	5 227 183
Contractors - Electrical	364 179	656 852
Contractors - Maintenance of Buildings and Facilities	1 264 978	1 076 030
Contractors - Maintenance of Equipment	734 704	670 120
Contractors - Maintenance of Unspecified Assets	3 332 432	2 502 622
Contractors - Transportation	40 118	99 553
Outsourced Services - Personnel and Labour	603 061	222 006
Operational Cost	4 045 944	3 848 795
Assets less than the Capitalisation Threshold	15 028	-
Consumables	254 305	360 442
Fuel and Oil	1 149 131	1 243 253
Maintenance Materials	2 537 154	2 163 960
Road Worthy Test	13 113	-
Travel and Subsistence	-	-
Uniform and Protective Clothing	77 212	81 140
<b>Total</b>	<b>10 385 416</b>	<b>9 075 978</b>
GRAP 17 require disclosure of repairs and maintenance per asset class:		
Buildings and other structures	2 565 451	2 141 221
Tools and equipment	508 685	442 426
Furniture and office equipment	217 531	200 871
Vehicles and Implements	3 927 793	2 896 929
Roads and stormwater	2 348 052	2 041 497
Electricity Reticulation	471 412	760 752
Street Lights	191 647	524 508
Solid Waste Sites	154 845	67 774
<b>Total</b>	<b>10 385 416</b>	<b>9 075 978</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 42 CORRECTION OF ERROR IN TERMS OF GRAP 3

2020  
R

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

#### 42.1 PROPERTY PLANT AND EQUIPMENT

<b>Balance previously reported</b>	<b>441 112 596</b>
Eskom assets incorrectly capitalised - Note 42.3 and Note 42.4	(9 993 128)
Solid Waste Infrastructure reclassified as Work-in-progress - Note 42.4	380 536
Effect on Infrastructure - Solid Waste (Work-in progress)	23 601 292
Effect on Infrastructure - Solid Waste (Completed)	(23 601 292)
Effect on Depreciation	380 536
Reclassification of Asset Classes - Note 42.2 and Note 42.4	(2 550)
Effect on Infrastructure - Stormwater (Work-in progress) - Cost 1 July 2020	3 705 250
Effect on Infrastructure - Roads (Work-in progress) - Cost 1 July 2020	(3 705 250)
Effect on Infrastructure - Stormwater (Work-in progress) - Cost 2019/20	2 746 465
Effect on Infrastructure - Roads (Work-in progress) - Cost 2019/20	(2 746 465)
Effect on Buildings - Cost 1 July 2020	640 450
Effect on Land - Cost 1 July 2020	(640 450)
Effect on Depreciation - 2019/20	(7 279)
Effect on Revaluation Reserve - 2019/20	4 729
Buildings on commonage incorrectly included - Note 42.2, Note 42.3 and Note 42.4	(880 639)
Effect on Buildings - Cost 1 July 2020	(838 687)
Effect on Depreciation - 2019/20	9 531
Effect on Revaluation Reserve - 2019/20	(51 483)
<b>Restated Balance on 30 June 2020</b>	<b>430 616 814</b>

#### 42.2 REVALUATION RESERVE

<b>Balance previously reported</b>	<b>69 111 573</b>
Revaluation on Land and Buildings previously not recognised - Note 42.1	4 729
Revaluation reversal of Buildings incorrectly included - Note 42.1	(51 483)
<b>Restated Balance on 30 June 2020</b>	<b>69 064 818</b>

#### 42.3 ACCUMULATED SURPLUS

Eskom assets incorrectly capitalised - Note 42.1	(9 538 279)
Buildings on commonage incorrectly included - Note 42.1	(838 687)
<b>Restated Balance on 30 June 2020</b>	<b>(10 376 966)</b>

#### 42.4 STATEMENT OF FINANCIAL PERFORMANCE

<b>Balance previously reported</b>	<b>71 797 445</b>
Correction of Contracted Services	(454 850)
Eskom assets incorrectly capitalised - Note 42.1	(454 850)
Correction of Depreciation	382 789
Solid Waste Infrastructure reclassified as Work-in-progress - Note 42.1	380 536
Reclassification of Land and Buildings - Note 42.1	(7 279)
Buildings on commonage incorrectly included - Note 42.1	9 531

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

42	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)</b>		
		<b>2020</b>	
		<b>R</b>	
	Correction of Debt Impairment (Bad debts written-off)		-
	Effect on Debt Impairment		(2 538 814)
	Effect on Property Rates		187 627
	Effect on Service Charges		1 599 529
	Effect on Interest Earned - outstanding debtors		751 658
	<b>Restated Balance on 30 June 2020</b>		<b>71 725 383</b>
			<b>71 725 383</b>
			<b>71 725 383</b>
43	<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2021</b>	<b>2020</b>
		<b>R</b>	<b>R</b>
	Net Surplus for the year	63 652 885	71 725 383
	Adjusted for:		
	Non-Cash Items	36 084 326	29 908 341
	Debt Impairment	11 951 095	12 974 435
	Depreciation and Amortisation	18 059 193	17 966 405
	Impairments	478 089	508 873
	Gain on Fair Value Adjustments of Investment Property	(868 500)	(516 000)
	Gain on Disposal of Capitalised Restoration Cost (PPE)	(11 718)	(119 684)
	Actuarial Gains	(48 156)	(2 832 480)
	Actuarial Losses	1 880 314	5 594
	Finance Charges	1 601 884	1 565 110
	Loss on disposal of PPE	3 042 125	356 088
	Contributions - Provisions and Employee Benefits	13 156 740	12 911 828
	Post Retirement Medical Benefits	1 034 000	1 196 739
	Long Service Awards	386 000	373 786
	Performance Bonuses	2 562 724	2 729 763
	Bonuses	5 286 701	5 253 554
	Compensation for injuries on duty	842 589	809 683
	Staff Leave	3 044 727	2 548 303
	Expenditure - Provisions and Employee Benefits	(10 748 599)	(9 664 776)
	Post Retirement Medical Benefits	(255 314)	(235 158)
	Long Service Awards	(287 844)	(129 455)
	Performance Bonuses	(2 545 888)	(2 312 783)
	Bonuses	(5 185 257)	(5 034 001)
	Staff Leave	(2 474 296)	(1 953 379)
	Other adjustments	(6 454 336)	(2 523 910)
	Bad Debts Written Off	(6 469 171)	(2 538 815)
	Movement on Operating Lease Asset	15 652	12 725
	Movement on Operating Lease Liability	(817)	2 180
	Operating Surplus before changes in working capital	95 691 017	102 356 867
	Movement in working capital	14 809 561	(19 848 266)
	Receivables from exchange and non-exchange transactions	(7 712 605)	(13 808 250)
	Inventory	(56 387)	(709 912)
	Payables from exchange transactions	(2 834 261)	(3 327 188)
	Payables from non-exchange transactions	19 940 943	1 783 409
	Taxes	5 471 871	(3 786 325)
	<b>Cash Flow from Operating Activities</b>	<b>110 500 578</b>	<b>82 508 601</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

44	CASH AND CASH EQUIVALENTS	2021 R	2020 R
	Cash and Cash Equivalents comprise out of the following:		
	Primary Bank Account	1 956 340	3 598 222
	Call and short-term Investments Deposits	440 267 096	347 828 528
	Cash Floats	700	700
	<b>Total</b>	<b>442 224 136</b>	<b>351 427 450</b>

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

### 45 BUDGET COMPARISONS

#### 45.1 COMPARABLE BASIS

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

The following items are affected by these classification differences:

#### Statement of financial position

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

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

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

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

#### Statement of financial performance

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

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

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

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Actuarial Losses, Operating Leases and Operational Cost. Other materials are also included under Operational cost in the financial statements and not as a separate item on the Statement of financial performance as per the budget schedules. The reason for this is that the current detail provided in mSCOA does not provide the nature of the expense which could be problematic from a GRAP point of view.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 45 BUDGET COMPARISONS (CONTINUED)

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 45.2 MATERIAL VARIANCES

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

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

#### 46.1 UNAUTHORISED EXPENDITURE

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

	<b>2021 (Actual) R</b>	<b>2021 (Final Budget) R</b>	<b>2021 (Unauthorised) R</b>
<b>Unauthorised expenditure - Operating</b>			
Executive & Council	26 243 769	30 608 249	-
Planning & Development	18 644 373	20 489 805	-
Corporate Services	24 150 014	38 375 459	-
Budget & Treasury	32 951 559	39 498 648	-
Road Transport	28 081 506	28 192 064	-
Waste Water Management	4 168 377	4 855 498	-
Community & Social Services	11 923 259	12 378 951	-
Sport & Recreation	1 355 767	2 740 123	-
Public Safety	43 293	885 643	-
Electricity	62 057 633	63 371 817	-
Waste Management	35 186 514	47 621 133	-
<b>Total</b>	<b>244 806 062</b>	<b>289 017 390</b>	<b>-</b>
<b>Unauthorised expenditure - Capital</b>			
Executive & Council	24 339	1 415 233	-
Planning & Development	-	336 051	-
Corporate Services	1 737 740	8 723 897	-
Budget & Treasury	660 476	2 944 579	-
Road Transport	7 732 430	24 748 538	-
Community & Social Services	1 869 498	13 881 906	-
Electricity	2 647 117	4 178 712	-
Waste Management	4 262 806	14 690 036	-
<b>Total</b>	<b>18 934 405</b>	<b>70 918 952</b>	<b>-</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

46.2 FRUITLESS AND WASTEFUL EXPENDITURE	2021 R	2020 R
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	80 026	74 326
Fruitless and wasteful expenditure incurred	54 880	5 700
Council write-offs	-	-
<b>Fruitless and wasteful expenditure awaiting Council consideration</b>	<b>134 906</b>	<b>80 026</b>
Details of Fruitless and wasteful expenditure incurred :		
Penalties paid to Department of Transport	50 342	5 700
Interest paid to Eskom	4 538	-
<b>Total</b>	<b>54 880</b>	<b>5 700</b>

The Fruitless and Wasteful expenditure for the year under review relates to overdue roadworthy certificates and licences as well as interest on Eskom invoices. The Council has referred the amounts disclosed above to MPAC for investigation.

### 46.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	21 915 776	12 378 662
Irregular expenditure incurred	498 236	9 537 115
Council write-offs	-	-
<b>Irregular expenditure awaiting Council consideration</b>	<b>22 414 012</b>	<b>21 915 776</b>
Details of Irregular expenditure incurred :		
Deviations from Supply Chain Regulations and Policies	498 236	111 157
Non compliance with the BBEEE Act	-	9 425 958
<b>Total</b>	<b>498 236</b>	<b>9 537 115</b>

Breakdown of Irregular expenditure incurred:

1. Payments beyond the contract period for cash collection services	180 150	111 157
2. Non-compliance with the BBEEE Act	-	9 425 958
3. Incorrect procurement threshold followed	256 018	-
4. No prior approval of expenditure relating to additional Covid-19 compliance requirements	53 720	-
5. Highest quote selected without prior approval	8 348	-
<b>Total</b>	<b>498 236</b>	<b>9 537 115</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)	2021	2020
Number of incidents:		
Payments beyond the contract period for cash collection services	-	1
1. Non-compliance with the BBEEE Act	-	1
3. Incorrect procurement threshold followed	2	-
No prior approval of expenditure relating to additional Covid-19 compliance requirements	1	-
4. Highest quote selected without prior approval	1	-
5.	1	-
<b>Total</b>	<b>4</b>	<b>2</b>

The amount of R111 157 for 2019/20 and R498 236 for 2020/21 identified as Deviations from Supply Chain Regulations and Policies, relates to procurement that did not follow the supply chain prescripts, but was detected via the municipal internal control system.

The amount of R9 425 958 identified as Non compliance with the BBEEE Act relates to an award that was made to a contractor that was not in compliance with the BBEEE act, read with the Preferential Procurement Regulations. The amount relates to the same contract in the 2018/19 financial year where an amount of R12 354 797 was identified in the conduct of the audit. The irregular expenditure was identified in October 2019 and the total amount of R21 780 755 represents the expenditure up to the date the irregularity was identified. No further payments were done after the identification of the irregularity. The project was halted pending legal action.

The classification, validation and recoverability of all irregular expenditure will be determined by Council in terms of section 32 of MFMA and section 14 of the PPPFA 2017.

The Council has referred the amounts disclosed above to MPAC for investigation.

### 46.4 MATERIAL LOSSES

#### Electricity distribution losses

- Units purchased (Kwh)	26 976 525	26 049 570
- Units sold (Kwh)	22 044 178	21 733 734
- Units lost during distribution (Kwh)	4 932 347	4 315 836
- Units cost (Kwh)	1.2509	1.1641
- Percentage lost during distribution	18.28%	16.57%
- Units lost considered material losses above a 10% norm	2 234 695	1 710 879
- Cost of units lost considered as material losses	2 795 446	1 991 578

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2021 R	2020 R
	<b>47.1 Salga Contributions [MFMA 125 (1)(b)]</b>		
	Opening balance	-	-
	Expenditure incurred	1 104 970	1 071 483
	Payments	(1 104 970)	(1 071 483)
	<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
	<b>47.2 Audit Fees [MFMA 125 (1)(c)]</b>		
	Opening balance	-	-
	Expenditure incurred	3 779 540	2 964 625
	External Audit - Auditor-General	3 779 540	2 964 625
	Payments	(3 779 540)	(2 964 625)
	<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
	<b>47.3 VAT [MFMA 125 (1)(c)]</b>		
	Opening balance	9 936 918	6 097 409
	Amounts received - previous year	(1 630 771)	(2 989 908)
	Amounts received - current year	(7 374 678)	(2 948 149)
	Amounts claimed - current year (payable)	6 685 525	9 777 565
	<b>Vat Receivable</b>	<b>7 616 994</b>	<b>9 936 918</b>
	<b>Vat in suspense due to cash basis of accounting</b>	<b>(7 388 874)</b>	<b>(5 876 909)</b>
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
	<b>47.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
	Payments due to SARS	16 591 118	15 491 373
	Payments	(16 591 118)	(15 491 373)
	<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
	<b>47.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]</b>		
	Payments due to pension fund and medical aid	26 690 136	24 887 310
	Payments	(26 690 136)	(24 887 310)
	<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
	<b>47.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]</b>		
	No Councillors had arrear accounts outstanding for more than 90 days at year end.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

#### 47.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

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

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

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

#### 47.9 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF THE STATE

2021  
R

2020  
R

During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45). These transactions were at arms-length, interests were declared and employees played no part in procurement.

<u>Staff Member</u>	<u>Entity</u>		
M A Theron	Lady Grey Joinery and Construction (Spouse is Director)	36 685	40 243
M A Theron	Copper Leaf Trading CC (Spouse is Director)	117 926	83 994
D Oertel	First Wave (Son-in law is Director)	-	131 224
IL Mangali RS Bhunguzana	Kwa Jola & Trading (Mangali - Sister is Owner; Bhunguzana - Spouse is Owner)	41 700	25 500
Z. Koyana	Work Dynamics (Sister is Director)	87 448	-
N T Nkopane	New Elite Construction (Cousin is Director)	4 124 818	-
SS Theron	Gert Maintenance and Projects	68 694	-
<b>Total</b>		<b>4 477 272</b>	<b>280 962</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

48	CAPITAL COMMITMENTS	2021	2020
		R	R
	<b>Commitments in respect of capital expenditure:</b>		
	Approved and contracted for:	46 544 530	7 268 082
	Land & Buildings	7 950 825	1 313 720
	Infrastructure	30 543 510	5 251 888
	Community	8 050 195	702 474
	<b>Total</b>	<b>46 544 530</b>	<b>7 268 082</b>
	This expenditure will be financed from:		
	Capital Replacement Reserve	21 391 812	1 850 178
	Government Grants - MIG	25 152 718	3 949 270
	Government Grants - INEP	-	1 468 634
	<b>Total</b>	<b>46 544 530</b>	<b>7 268 082</b>

The Capital Commitments balance for 30 June 2020 were restated from R6 265 638 to R7 268 082 due to contract amounts not included, as well as projects reclassified from "Completed" to "Work-in-progress" at year end.

## 49 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

### 49.1 Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	442 224 136	351 427 450
Receivables from exchange transactions	15 500 488	16 790 051
<b>Total</b>	<b>457 724 624</b>	<b>368 217 501</b>

#### Cash and Cash Equivalents

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

<b>49</b>	<b>FINANCIAL RISK MANAGEMENT (CONTINUED)</b>	<b>2021</b>	<b>2020</b>
		<b>R</b>	<b>R</b>

### Receivables from Exchange Transactions

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

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

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

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

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

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

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

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Electricity	6 984 934	7 530 191
Refuse	864 290	724 265
Other Services	430 711	890 534
<b>Total</b>	<b>8 279 934</b>	<b>9 144 991</b>

These receivables can be aged as follows:

1 Month past due	1 293 594	1 057 823
2 Month past due	1 128 012	816 819
3 Month past due	447 610	674 478
> 3 Months past due	5 410 718	6 595 870
<b>Total</b>	<b>8 279 934</b>	<b>9 144 991</b>

### **49.2 Currency risk (Market Risk)**

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

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 49 FINANCIAL RISK MANAGEMENT (CONTINUED)

2021  
R

2020  
R

#### 49.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	442 223 436	351 426 750
Borrowings (Including Current Portion)	(8 634 635)	(9 505 144)
<b>Net balance exposed</b>	<b>433 588 801</b>	<b>341 921 606</b>

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

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

1% (2020 - 1%) increase in interest rates	4 335 888	3 419 216
0% (2020 - 0%) decrease in interest rates	-	-

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

#### 49.4 Liquidity risk

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

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

The following balances are exposed to liquidity risk:

30 JUNE 2021	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	1 474 353	5 576 027	4 685 868
Rehabilitation Provision	1 083 842	-	6 338 145
Payables from exchange transactions	9 215 239	-	-
<b>Total</b>	<b>11 773 434</b>	<b>5 576 027</b>	<b>11 024 013</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 49 FINANCIAL RISK MANAGEMENT (CONTINUED)

30 JUNE 2020	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	1 578 488	5 778 475	6 003 957
Rehabilitation Provision	1 016 785	-	13 609 091
Payables from exchange transactions	12 052 279	-	-
<b>Total</b>	<b>14 647 553</b>	<b>5 778 475</b>	<b>19 613 048</b>

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

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

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

The municipality is not exposed to any other price risk.

### 50 FINANCIAL INSTRUMENTS

2021  
R

2020  
R

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

#### Financial Assets

Cash and Cash Equivalents	442 224 136	351 427 450
Receivables from exchange transactions	15 008 163	16 436 338
<b>Total</b>	<b>457 232 299</b>	<b>367 863 788</b>

#### Financial Liabilities

Current Portion of Borrowings	886 600	870 197
Payables from exchange transactions	9 215 239	12 052 279
Borrowings	7 748 035	8 634 947
<b>Total</b>	<b>17 849 874</b>	<b>21 557 423</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

<b>51</b>	<b>STATUTORY RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
		<b>R</b>	<b>R</b>
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	<b>Receivables from Non-Exchange Transactions</b>		
	Rates	19 694 574	16 448 321
	Fines	1 048 200	946 500
	<b>Total</b>	<b><u>20 742 774</u></b>	<b><u>17 394 821</u></b>

Refer to note 4 for more detail relating to the fines and rates receivables, including any provision for impairment raised against the gross amounts disclosed above

### 52 PRINCIPAL-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principal-agent arrangements exists:

#### 52.01 Department of Transport and Public Works

The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of the principal-agent arrangement:

Collections payable to the Department at the beginning of year	-	-
Revenue collected from third parties	10 388 177	7 264 211
Commission earned on collections	(3 734 021)	(2 678 284)
Collections paid over to The Department	(6 654 155)	(4 585 926)
Collections payable to the Department at year-end	<u>-</u>	<u>-</u>

Minimal risk was transferred from the Department of Transport, as the principal, to Senqu Municipality, as the agent, beyond the cash collected on behalf of the principal.

### 53 EVENTS AFTER REPORTING DATE

None

### 54 IN-KIND DONATIONS AND ASSISTANCE

None

### 55 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

56	CONTINGENT LIABILITIES	2021 R	2020 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:		
	<b>56.01 Ex-gracia payment</b>		
	Upon termination of the Municipal Manager's contract, an ex-gracia amount of 1.25 x his gross annual salary will be paid to him.	3 305 646	3 492 508
	The Community Services and the Technical Services Directors' employment contracts were terminated by the Council on 19 December 2018. The aforesaid termination was subject to further litigation during 2019/20. Refer to note 56.02 below for the detail of the further litigation.		-
	<b>56.02 Termination of the four Directors' Employment Contracts</b>		
	The claimants have applied to the high court to have the decision reviewed and set aside.	-	-
	The MEC for local government launched a counter application to have the renewal of the claimants' contracts set aside.	300 000	200 000
	The counter application was successful and the employment contracts have been reviewed and set aside by the high court on 19 September 2019. The Municipality has been ordered to pay the costs of the parties as its Council took the decision to renew the contracts.		
	The claimants applied for leave to appeal but the appeal has not been pursued in anticipation of the outcome of the appeals by Mr Wonga against the judgment in his matter. Mr Wonga was ultimately unsuccessful in his appeals and the prospects of the claimants pursuing the application for leave to appeal is unlikely.		
	The taxed costs of the claimants have been paid but the MEC has not yet taxed his costs. A notice of taxation was recently submitted but withdrawn due non-compliance with the Rules.		
	<b>56.03 Dibanani Consulting CC</b>		
	The CC has instituted action in the High Court, Grahamstown during December 2019 for the recovery of professional consulting engineering fees for road construction projects in Tienbank and Herschel. The Municipality has defended the action and filed an exception to the particulars of claim inter alia based on the fact that the claims are based on variation orders of the original contract that did not comply with the regulatory framework. The exception was dismissed with costs.	640 369	640 369

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

56	CONTINGENT LIABILITIES (CONTINUED)	2021 R	2020 R
	<b>56.04 <u>Amadwala Construction Trading 363 CC</u></b>		
	Amadwala instituted action in the High Court, Mthatha during November 2019 for the recovery of the retention amount for a road construction project in Herschel. The Municipality has defended the claim but Amadwala has not pursued the litigation.	-	798 216
	<b>56.05 <u>RT Civils CC ("The contractor")</u></b>		
	The contractor has submitted a claim for the unlawful termination of the contract for Bid number: 03/2018, the Upgrading of the Lady Grey Solid Waste Site.		
	The Municipality's position is that the contractor abandoned the works and that the termination was lawful.		
	The contractor has demanded payment of R8 141 903.40 on 20 April 2020 but no statement of claim has been submitted.	8 141 903	-
	<b>56.06 <u>Mr D Tsembeyi</u></b>		
	Mr Tsembeyi instituted action in the High Court, Mthatha during March 2020 for the market value of the top structures of houses that he allegedly constructed on municipal land. The Municipality has defended the action and filed an exception to particulars of claim based inter alia on the court not having jurisdiction and the failure to comply with the rules for pleading. Mr Tsembeyi has applied to amend the particulars of claim and the Municipality has objected to the amendment and filed an opposing affidavit on 09 October 2020.	700 000	700 000
	The municipality is currently engaged in litigation listed below where the extent of the liability cannot be quantified at this stage:		
	<b>56.07 <u>Mr P Oliphant</u></b>		
	Mr Oliphant has instituted a claim in the Labour Court for the recovery of monies alleged to be due to him and payment of refund for a bursary that was awarded to him when he was in the employ of the Municipality. The Municipality has filed its replying affidavit and the plaintiff has filed a replying affidavit. The applicant filed a replying affidavit and the municipality has filed its heads of arguments. We await a date on when the matter will be heard	158 822	-
	<b>56.08 <u>Landfill Sites</u></b>		
	The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	-	-
	<b>56.09 <u>Land Invasion</u></b>		
	The municipality is currently engaged in litigation in respect of various land invasion cases in the Senqu Municipal Area.	-	-

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 57 RELATED PARTIES

Related parties are defined in note 1.34

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

Remuneration of related parties are disclosed in notes 29 and 30

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

	Rates - Levied 1 Jul 20 - 30 Jun 21	Service Charges - Levied 1 Jul 20 - 30 Jun 21
<b>Year ended 30 JUNE 2021</b>		
<b>Councillors</b>	<b>6 509</b>	<b>25 833</b>
N.P Mposelwa	2 910	2 087
M.N Mgojo	976	9 314
PM Mnisi	-	2 087
MA Mshasha	2 623	2 087
NC Stokwe	-	2 087
N Lose	-	2 087
NL Dumzela	-	2 087
M Phuza	-	1 913
ND Mfisa	-	2 087
<b>Municipal Manager and Section 56 Employees</b>	<b>-</b>	<b>15 360</b>
MM Yawa	-	15 360
K Fourie	156	2 087

The Municipal Manager is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

### 58 B-BBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Information.

### 59 IMPACT OF COVID-19 AND FINANCIAL SUSTAINABILITY

Senqu Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 60 SEGMENT REPORTING

#### 60.01 General Information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Community Services	Community Halls, Cemeteries, Libraries, Parks and Sports fields
2	Public safety	Traffic control, Animal pounds, Public Nuisances, Fencing, Licensing and Control of Animals
3	Planning and development	Town Planning, Economic Development, Corporate Planning, Billboards and Project Management Unit
4	Roads	Construction and maintenance of Roads, Taxi Ranks, Road and Traffic Regulation
5	Electricity	Electricity related services
6	Waste water management	Storm Water Management and Public Toilets
7	Waste management	Solid Waste Removal, Landfill Sites, Recycling and Street Cleaning
8	Other	Supply of overall Governance and Internal Audit function; Administrative, Corporate and Finance services to the segments above; Tourism, Markets, Licensing and Regulation

#### 60.02 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

#### 60.03 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

#### 60.04 Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed on the following page.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 60 SEGMENT REPORTING (CONTINUED)

	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	Other	Total
<b>2021</b>									
<b>REVENUE</b>									
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>1 500 000</b>	<b>153 047</b>	<b>3 964 270</b>	<b>16 297 467</b>	<b>1 290 858</b>	<b>-</b>	<b>11 718</b>	<b>205 532 414</b>	<b>228 749 773</b>
Property Rates	-	-	-	-	-	-	-	12 830 089	12 830 089
Government Grants and subsidies	1 500 000	-	3 964 270	16 297 467	1 290 858	-	-	190 965 370	214 017 965
Actuarial Gains	-	-	-	-	-	-	-	48 156	48 156
Fines, Penalties and Forfeits	-	153 047	-	-	-	-	-	-	153 047
Insurance Receipts	-	-	-	-	-	-	-	-	-
Interest Earned - Penalty Interest on Property Rates	-	-	-	-	-	-	-	820 299	820 299
Gain on Fair Value Adjustments of Investment Property	-	-	-	-	-	-	-	868 500	868 500
Gain on Disposal of Capitalised Restoration Cost (PPE)	-	-	-	-	-	-	11 718	-	11 718
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>68 127</b>	<b>3 297 434</b>	<b>35 551</b>	<b>5 021</b>	<b>45 186 005</b>	<b>-</b>	<b>14 424 128</b>	<b>16 692 909</b>	<b>79 709 174</b>
Service Charges	-	-	-	-	44 114 779	-	11 997 161	-	56 111 940
Rental from Fixed Assets	29 713	-	-	5 021	-	-	515 042	10 587	560 363
Interest Earned - external investments	-	-	-	-	-	-	-	16 039 660	16 039 660
Interest Earned - Service Debtors	-	-	-	-	1 071 226	-	1 911 698	28 068	3 010 992
Licences and Permits	-	1 390 194	-	-	-	-	-	1 525	1 391 719
Agency Services	-	1 487 542	-	-	-	-	-	-	1 487 542
Sales of Goods and Rendering of Services	38 414	36 696	35 551	-	-	-	-	145 123	255 784
Operational Revenue	-	383 003	-	-	-	-	226	467 945	851 174
<b>TOTAL REVENUE</b>	<b>1 568 127</b>	<b>3 450 481</b>	<b>3 999 821</b>	<b>16 302 487</b>	<b>46 476 863</b>	<b>-</b>	<b>14 435 845</b>	<b>222 225 322</b>	<b>308 458 947</b>
<b>EXPENDITURE</b>									
Employee related costs	7 917 307	4 329 498	12 583 166	7 367 818	7 550 935	2 646 565	16 712 235	40 783 417	99 890 943
Remuneration of Councillors	-	-	-	-	-	-	-	12 663 025	12 663 025
Debt Impairment	-	101 700	-	-	1 298 839	-	7 358 929	3 191 627	11 951 095
Depreciation and Amortisation	1 789 280	46 167	371 624	9 251 671	1 572 713	1 218 496	1 004 009	2 805 233	18 059 193
Impairment Loss	-	-	-	-	-	-	330 555	147 534	478 089
Actuarial Losses	-	-	-	-	1 880 314	-	-	-	1 880 314
Finance Charges	-	-	-	-	1 456 462	-	208 884	531 347	2 196 693
Bulk Purchases	-	-	-	-	39 900 367	-	-	-	39 900 367
Contracted services	1 517 210	217 813	3 355 180	1 186 719	1 882 126	290 473	4 252 161	9 159 486	21 861 168
Transfers and Subsidies	-	-	-	-	-	-	-	-	-
Operating Leases	35 165	-	-	-	-	-	48 115	-	83 280
Operational Cost	1 569 912	211 999	972 598	2 445 785	6 439 379	12 842	5 271 625	15 856 629	32 780 769
Loss on Disposal of Assets	-	-	-	2 965 627	76 498	-	-	-	3 042 125
Inventory Loss	-	-	-	-	-	-	-	19 001	19 001
<b>TOTAL EXPENDITURE</b>	<b>12 828 874</b>	<b>4 907 177</b>				<b>4 168 377</b>	<b>35 186 514</b>	<b>85 157 298</b>	<b>244 806 062</b>
<b>SURPLUS FOR THE YEAR</b>	<b>(11 260 747)</b>	<b>(1 456 696)</b>				<b>(4 168 377)</b>	<b>(20 750 669)</b>	<b>137 068 024</b>	<b>63 652 885</b>
<b>CAPITAL EXPENDITURE</b>	<b>1 869 498</b>	<b>-</b>	<b>-</b>	<b>7 732 430</b>	<b>2 647 117</b>	<b>-</b>	<b>4 262 806</b>	<b>2 422 555</b>	<b>18 934 405</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 60 SEGMENT REPORTING (CONTINUED)

	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	Other	Total
<b>2020</b>									
<b>REVENUE</b>									
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>1 803 279</b>	<b>287 163</b>	<b>2 249 250</b>	<b>45 119 750</b>	<b>33 800 899</b>	<b>-</b>	<b>28 655 884</b>	<b>108 725 107</b>	<b>220 641 331</b>
Property Rates	-	-	-	-	-	-	-	12 430 040	12 430 040
Government Grants and subsidies	1 500 000	-	2 249 250	45 119 750	30 968 419	-	28 536 200	94 795 230	203 168 849
Actuarial Gains	-	-	-	-	2 832 480	-	-	-	2 832 480
Fines, Penalties and Forfeits	-	287 163	-	-	-	-	-	-	287 163
Insurance Receipts	303 279	-	-	-	-	-	-	34 732	338 011
Interest Earned - Penalty Interest on Property Rates	-	-	-	-	-	-	-	949 105	949 105
Gain on Fair Value Adjustments of Investment Property	-	-	-	-	-	-	-	516 000	516 000
Gain on Disposal of Capitalised Restoration Cost (PPE)	-	-	-	-	-	-	119 684	-	119 684
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>68 620</b>	<b>2 177 930</b>	<b>131 118</b>	<b>6 470</b>	<b>42 569 300</b>	<b>-</b>	<b>14 119 494</b>	<b>21 712 788</b>	<b>80 785 720</b>
Service Charges	-	-	-	-	41 361 651	-	11 473 793	-	52 835 445
Rental from Fixed Assets	44 521	1 860	-	6 470	-	-	726 553	3 154	782 558
Interest Earned - external investments	-	-	-	-	-	-	-	21 294 387	21 294 387
Interest Earned - Service Debtors	-	-	-	-	1 199 891	-	1 919 147	23 323	3 142 361
Licences and Permits	-	970 114	-	-	-	-	-	1 869	971 983
Agency Services	-	906 255	-	-	-	-	-	-	906 255
Sales of Goods and Rendering of Services	24 099	26 435	114 465	-	-	-	-	80 883	245 881
Operational Revenue	-	273 267	16 653	-	7 758	-	-	309 172	606 850
<b>TOTAL REVENUE</b>	<b>1 871 899</b>	<b>2 465 093</b>	<b>2 380 368</b>	<b>45 126 220</b>	<b>76 370 199</b>	<b>-</b>	<b>42 775 378</b>	<b>130 437 895</b>	<b>301 427 052</b>
<b>EXPENDITURE</b>									
Employee related costs	7 615 800	2 857 981	10 077 575	8 043 637	6 879 437	2 376 155	15 117 734	40 614 410	93 582 730
Remuneration of Councillors	-	-	-	-	-	-	-	12 697 206	12 697 206
Debt Impairment	-	273 300	-	-	1 418 479	-	7 809 533	3 473 123	12 974 435
Depreciation and Amortisation	1 772 476	45 843	379 240	9 847 232	1 405 359	1 397 943	390 279	2 728 034	17 966 405
Impairment Loss	-	-	-	-	-	-	342 915	165 958	508 873
Actuarial Losses	-	-	-	-	-	-	-	5 594	5 594
Finance Charges	-	-	-	-	1 391 951	-	250 818	753 200	2 395 969
Bulk Purchases	-	-	-	-	35 072 720	-	-	-	35 072 720
Contracted services	933 459	125 137	2 761 048	1 068 967	1 785 815	265 515	4 230 367	8 037 654	19 207 962
Transfers and Subsidies	-	-	-	-	-	-	-	37 397	37 397
Operating Leases	35 163	-	-	-	-	-	15 260	23 916	74 339
Operational Cost	1 944 409	777 500	1 916 831	2 384 783	3 953 884	27 643	5 744 383	18 072 521	34 821 953
Loss on Disposal of Assets	-	-	-	-	-	-	-	356 088	356 088
<b>TOTAL EXPENDITURE</b>	<b>12 301 307</b>	<b>4 079 761</b>	<b>15 134 694</b>	<b>21 344 618</b>	<b>51 907 643</b>	<b>4 067 256</b>	<b>33 901 288</b>	<b>86 965 101</b>	<b>229 701 669</b>
<b>SURPLUS FOR THE YEAR</b>	<b>(10 429 407)</b>	<b>(1 614 669)</b>	<b>(12 754 326)</b>	<b>23 781 602</b>	<b>24 462 556</b>	<b>(4 067 256)</b>	<b>8 874 090</b>	<b>43 472 793</b>	<b>71 725 382</b>
<b>CAPITAL EXPENDITURE</b>	<b>695 584</b>	<b>1 730 340</b>	<b>13 000</b>	<b>19 714 422</b>	<b>3 303 818</b>	<b>-</b>	<b>9 033 343</b>	<b>8 867 126</b>	<b>43 357 632</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 61 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>Financial Performance</b>						
Property rates	9 047 778	-	9 047 778	12 830 089	3 782 311	12 430 040
Service charges	53 591 444	-	53 591 444	56 111 940	2 520 496	52 835 445
Investment revenue	21 346 078	-	21 346 078	19 870 951	(1 475 127)	25 385 853
Transfers recognised - operational	166 246 200	30 504 000	196 750 200	199 215 013	2 464 813	158 318 126
Other own revenue	4 587 117	(267 818)	4 319 299	5 628 002	1 308 703	7 606 866
<b>Total Operating Revenue</b>	<b>254 818 617</b>	<b>30 236 182</b>	<b>285 054 799</b>	<b>293 655 995</b>	<b>8 601 196</b>	<b>256 576 329</b>
Employee costs	100 989 286	-	100 989 286	99 890 943	(1 098 343)	93 582 730
Remuneration of councillors	14 468 094	-	14 468 094	12 663 025	(1 805 069)	12 697 206
Debt impairment	7 633 161	5 000 000	12 633 161	11 951 095	(682 066)	12 974 435
Depreciation & asset impairment	21 432 296	-	21 432 296	18 537 282	(2 895 014)	17 966 405
Finance charges	3 188 381	-	3 188 381	2 196 693	(991 688)	2 395 969
Materials and bulk purchases	56 163 169	3 767 345	59 930 514	39 900 367	(20 030 147)	35 072 720
Contracted services	34 186 266	(352 644)	33 833 622	21 861 168	(11 972 454)	19 207 962
Transfers and grants	48 007	-	48 007	-	(48 007)	37 397
Other expenditure	37 574 615	4 919 414	42 494 029	34 744 363	(7 749 666)	35 410 759
Loss on disposal of PPE	-	-	-	3 061 126	3 061 126	356 088
<b>Total Expenditure</b>	<b>275 683 275</b>	<b>13 334 115</b>	<b>289 017 390</b>	<b>244 806 062</b>	<b>(44 211 328)</b>	<b>229 701 669</b>
<b>Surplus/(Deficit)</b>	<b>(20 864 658)</b>	<b>16 902 067</b>	<b>(3 962 591)</b>	<b>48 849 934</b>	<b>52 812 525</b>	<b>26 874 660</b>
Transfers recognised - capital	36 331 800	1 290 857	37 622 657	14 802 952	(22 819 705)	44 850 724
<b>Surplus/(Deficit) for the year</b>	<b>15 467 142</b>	<b>18 192 924</b>	<b>33 660 066</b>	<b>63 652 885</b>	<b>29 992 819</b>	<b>71 725 383</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 61 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	76 791 755	(5 872 803)	70 918 952	18 934 405	(51 984 547)	43 357 632
Transfers recognised - capital	36 331 800	1 290 857	37 622 657	14 802 952	(22 819 705)	44 850 724
Internally generated funds	40 459 955	(7 163 660)	33 296 295	4 131 453	(29 164 842)	(1 493 092)
<b>Total sources of capital funds</b>	76 791 755	(5 872 803)	70 918 952	18 934 405	(51 984 547)	43 357 632
<b>Cash flows</b>						
Net cash from (used) operating	35 992 425	25 439 109	61 431 535	110 500 578	49 069 043	82 508 601
Net cash from (used) investing	(76 791 755)	5 872 803	(70 918 952)	(18 934 405)	51 984 547	(43 357 632)
Net cash from (used) financing	(784 332)	-	(784 332)	(769 487)	14 844	(818 919)
Net Cash Movement for the year	(41 583 661)	31 311 912	(10 271 749)	90 796 685	101 068 434	38 332 050
Cash/cash equivalents at beginning of year	295 646 672	-	295 646 672	351 427 450	55 780 778	313 095 400
<b>Cash/cash equivalents at the year end</b>	<b>254 063 011</b>	<b>31 311 912</b>	<b>285 374 923</b>	<b>442 224 135</b>	<b>156 849 212</b>	<b>351 427 450</b>

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

# SENQU LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2021

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2020 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2021 R
<b><u>ANNUITY LOANS</u></b>						
DBSA loan	103126/1	Floating	2029	6 002 672	631 860	5 370 811
DBSA loan	103126/2	Fixed	2030	3 502 473	238 650	3 263 823
<b>Total Annuity Loans</b>				<b>9 505 144</b>	<b>870 510</b>	<b>8 634 635</b>
<b>Total Borrowings</b>				<b>9 505 144</b>	<b>870 510</b>	<b>8 634 635</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2021

	Cost/Revaluation					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions (Includes WIP) R	Total Revaluation R	Disposals R	Closing Balance R	Opening Balance R	Additions R	(Disposals)/ Revaluation R	Closing Balance R	
Executive & Council	4 896 755	174 639	-	-	5 071 394	3 431 196	202 264	-	3 633 460	1 437 935
Planning & Development	3 975 808	55 921	-	-	4 031 729	2 968 692	392 056	-	3 360 748	670 981
Corporate Services	147 464 138	1 888 859	6 944 556	-	156 297 554	2 097 026	1 148 866	-	3 245 891	153 051 663
Budget & Treasury	22 569 745	387 674	-	-	22 957 418	14 851 499	1 597 705	-	16 449 204	6 508 214
Road Transport	309 162 774	7 803 084	-	(5 134 475)	311 831 383	117 244 973	10 478 961	(2 168 848)	125 555 086	186 276 297
Community & Social Services	49 517 543	2 085 356	2 146 226	-	53 749 125	5 686 594	1 321 211	-	7 007 805	46 741 320
Sport & Recreation	15 868 696	-	53 731	-	15 922 427	1 778 315	468 069	-	2 246 384	13 676 043
Public Safety	6 687 411	-	-	-	6 687 411	228 718	37 373	-	266 091	6 421 320
Electricity	40 494 021	2 668 133	-	(263 534)	42 898 620	9 342 318	1 572 713	(187 037)	10 727 994	32 170 625
Waste Management	39 433 535	3 870 738	-	-	43 304 273	5 618 282	912 422	-	6 530 704	36 773 569
<b>Total</b>	<b>640 070 426</b>	<b>18 934 405</b>	<b>9 144 513</b>	<b>(5 398 010)</b>	<b>662 751 334</b>	<b>163 247 612</b>	<b>18 131 640</b>	<b>(2 355 885)</b>	<b>179 023 368</b>	<b>483 727 967</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2021

VOTE	30 JUNE 2021			30 JUNE 2020		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Executive & Council	48 156	26 243 769	(26 195 613)	7 308 519	27 513 038	(20 204 520)
Planning & Development	3 991 510	18 644 373	(14 652 863)	2 289 191	17 140 671	(14 851 479)
Corporate Services	1 374 991	24 150 014	(22 775 023)	1 030 701	27 927 587	(26 896 886)
Budget & Treasury	220 808 962	32 951 559	187 857 403	122 187 982	29 019 967	93 168 015
Road Transport	19 705 574	28 081 506	(8 375 932)	47 553 155	24 777 505	22 775 651
Waste Water Management	-	4 168 377	(4 168 377)	-	4 067 256	(4 067 256)
Community & Social Services	1 567 535	11 923 259	(10 355 724)	1 872 688	10 791 161	(8 918 473)
Sport & Recreation	2 117	1 355 767	(1 353 649)	1 081	2 008 678	(2 007 598)
Public Safety	47 394	43 293	4 102	38 157	646 875	(608 718)
Electricity	46 476 863	62 057 633	(15 580 771)	76 370 199	51 907 643	24 462 556
Waste Management	14 435 845	35 186 514	(20 750 669)	42 775 378	33 901 288	8 874 090
<b>Total</b>	<b>308 458 947</b>	<b>244 806 062</b>	<b>63 652 885</b>	<b>301 427 052</b>	<b>229 701 669</b>	<b>71 725 382</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2021

Refer to Note 46.1 for disclosure of Unauthorised expenditure

	ACTUAL R	BUDGET R	VARIANCE R
<b>OPERATING EXPENDITURE</b>			
Executive & Council	26 243 769	30 608 249	(4 364 480)
Planning & Development	18 644 373	20 489 805	(1 845 432)
Corporate Services	24 150 014	38 375 459	(14 225 445)
Budget & Treasury	32 951 559	39 498 648	(6 547 089)
Road Transport	28 081 506	28 192 064	(110 558)
Waste Water Management	4 168 377	4 855 498	(687 121)
Community & Social Services	11 923 259	12 378 951	(455 692)
Sport & Recreation	1 355 767	2 740 123	(1 384 356)
Public Safety	43 293	885 643	(842 350)
Electricity	62 057 633	63 371 817	(1 314 184)
Waste Management	35 186 514	47 621 133	(12 434 619)
<b>Total</b>	<b>244 806 062</b>	<b>289 017 390</b>	<b>(44 211 328)</b>
<b>CAPITAL EXPENDITURE</b>			
Executive & Council	24 339	1 415 233	(1 390 894)
Planning & Development	-	336 051	(336 051)
Corporate Services	1 737 740	8 723 897	(6 986 157)
Road Transport	7 732 430	24 748 538	(17 016 108)
Community & Social Services	1 869 498	13 881 906	(12 012 408)
Sport & Recreation	-	-	-
Public Safety	-	-	-
Electricity	2 647 117	4 178 712	(1 531 596)
Waste Management	4 262 806	14 690 036	(10 427 230)
<b>Total</b>	<b>18 934 405</b>	<b>70 918 952</b>	<b>(51 984 547)</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX E (UNAUDITED)

### DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2021

	OPENING BALANCE	GRANTS RECEIVED	INTEREST ON INVESTMENTS	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	189 021 000	-	189 021 000	-	-
Municipal Finance Management Grant	-	1 700 000	-	1 700 000	-	-
Municipal Infrastructure Grant	-	33 522 000	-	3 964 270	13 680 467	15 877 264
NDPG (Neighbourhood Development Partnership Grant)	2 010 056	-	-	-	-	2 010 056
Integrated National Electrification Grant	1 290 857	-	-	168 373	1 122 485	-
EPWP (Expanded Public Works Program)	-	2 617 000	-	2 617 000	-	-
Municipal Disaster Relief Grant	244 370	-	-	244 370	-	-
<b>Total</b>	<b>3 545 283</b>	<b>226 860 000</b>	<b>-</b>	<b>197 715 013</b>	<b>14 802 951</b>	<b>17 887 320</b>
<b>PROVINCIAL GOVERNMENT</b>						
Prov Gov - Housing (Hillside)	232 652	-	-	-	-	232 652
Herschel People's Housing	11 094 443	-	398 908	-	-	11 493 351
Libraries	-	1 500 000	-	1 500 000	-	-
EPWP (Expanded Public Works Program)	-	5 200 000	-	-	-	5 200 000
Greenest Municipality	200 000	-	-	-	-	200 000
<b>Total</b>	<b>11 527 096</b>	<b>6 700 000</b>	<b>398 908</b>	<b>1 500 000</b>	<b>-</b>	<b>17 126 004</b>
<b>ALL SPHERES GOVERNMENT</b>						
	<b>15 072 379</b>	<b>233 560 000</b>	<b>398 908</b>	<b>199 215 013</b>	<b>14 802 951</b>	<b>35 013 323</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>REVENUE</b>						
<b>Governance and administration</b>	<b>128 548 804</b>	<b>18 281 294</b>	<b>146 830 098</b>	<b>222 223 797</b>	<b>75 393 699</b>	<b>130 436 025</b>
Executive and council	7 254 000	-	7 254 000	48 156	(7 205 844)	7 308 519
Finance and administration	121 294 804	18 281 294	139 576 098	222 175 641	82 599 543	123 127 506
Internal audit	-	-	-	-	-	-
<b>Community and public safety</b>	<b>4 454 782</b>	<b>(171 216)</b>	<b>4 283 566</b>	<b>2 126 841</b>	<b>(2 156 725)</b>	<b>2 636 610</b>
Community and social services	1 647 211	(3 301)	1 643 910	1 566 010	(77 900)	1 870 819
Sport and recreation	8 989	-	8 989	2 117	(6 872)	1 081
Public safety	2 798 582	(167 915)	2 630 667	558 713	(2 071 954)	764 711
Housing	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>41 043 663</b>	<b>(10 852)</b>	<b>41 032 811</b>	<b>23 705 395</b>	<b>(17 327 416)</b>	<b>49 933 524</b>
Planning and development	2 093 077	(10 852)	2 082 225	3 999 821	1 917 596	2 380 368
Road transport	38 950 586	-	38 950 586	19 705 574	(19 245 012)	47 553 155
<b>Trading services</b>	<b>117 100 072</b>	<b>13 427 999</b>	<b>130 528 071</b>	<b>60 401 389</b>	<b>(70 126 682)</b>	<b>118 419 023</b>
Energy sources	74 973 042	7 391 657	82 364 699	46 476 863	(35 887 836)	76 370 199
Waste management	42 127 030	6 036 342	48 163 372	13 924 526	(34 238 846)	42 048 824
<b>Other</b>	<b>3 096</b>	<b>(186)</b>	<b>2 910</b>	<b>1 525</b>	<b>(1 385)</b>	<b>1 869</b>
<b>Total Revenue - Standard</b>	<b>291 150 417</b>	<b>31 527 039</b>	<b>322 677 456</b>	<b>308 458 947</b>	<b>(14 218 509)</b>	<b>301 427 052</b>



# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>EXPENDITURE</b>						
<b>Governance and administration</b>	<b>109 930 088</b>	<b>(276 145)</b>	<b>109 653 943</b>	<b>84 127 148</b>	<b>(25 526 795)</b>	<b>85 576 081</b>
Executive and council	28 051 287	(155 000)	27 896 287	23 869 074	(4 027 213)	25 300 195
Finance and administration	79 166 839	(121 145)	79 045 694	57 883 379	(21 162 315)	58 063 042
Internal audit	2 711 962	-	2 711 962	2 374 695	(337 267)	2 212 844
<b>Community and public safety</b>	<b>18 500 535</b>	<b>288 000</b>	<b>18 788 535</b>	<b>12 854 850</b>	<b>(5 933 685)</b>	<b>12 893 346</b>
Community and social services	11 418 054	178 000	11 596 054	11 455 791	(140 263)	10 237 793
Sport and recreation	2 635 123	105 000	2 740 123	1 355 767	(1 384 356)	2 008 678
Public safety	4 447 358	5 000	4 452 358	43 293	(4 409 065)	646 875
Housing	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>43 361 435</b>	<b>(458 055)</b>	<b>42 903 380</b>	<b>45 381 390</b>	<b>2 478 010</b>	<b>39 967 034</b>
Planning and development	18 555 721	(458 055)	18 097 666	17 282 567	(815 099)	15 134 694
Road transport	24 625 349	-	24 625 349	28 081 506	3 456 157	24 777 505
Environmental protection	180 365	-	180 365	17 316	(163 049)	54 835
<b>Trading services</b>	<b>102 056 103</b>	<b>13 792 345</b>	<b>115 848 448</b>	<b>101 412 524</b>	<b>(14 435 924)</b>	<b>89 876 188</b>
Energy sources	58 219 472	5 152 345	63 371 817	62 057 633	(1 314 184)	51 907 643
Waste water management	4 855 498	-	4 855 498	4 168 377	(687 121)	4 067 256
Waste management	38 981 133	8 640 000	47 621 133	35 186 514	(12 434 619)	33 901 288
<b>Other</b>	<b>1 835 114</b>	<b>(12 030)</b>	<b>1 823 084</b>	<b>1 030 150</b>	<b>(792 934)</b>	<b>1 389 021</b>
<b>Total Expenditure - Standard</b>	<b>275 683 275</b>	<b>13 334 115</b>	<b>289 017 390</b>	<b>244 806 062</b>	<b>(44 211 328)</b>	<b>229 701 669</b>
<b>Surplus/(Deficit) for the year</b>	<b>15 467 142</b>	<b>18 192 924</b>	<b>33 660 066</b>	<b>63 652 885</b>	<b>29 992 819</b>	<b>71 725 382</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>REVENUE</b>						
Executive & Council	7 254 000	-	7 254 000	48 156	(7 205 844)	7 308 519
Planning & Development	1 975 324	(3 787)	1 971 537	3 991 510	2 019 973	2 289 191
Corporate Services	193 235	(10 505)	182 730	1 374 991	1 192 261	1 030 701
Budget & Treasury	121 219 322	18 284 734	139 504 056	220 808 962	81 304 906	122 187 982
Road Transport	41 655 674	(162 306)	41 493 368	19 705 574	(21 787 794)	47 553 155
Community & Social Services	1 650 307	(3 487)	1 646 820	1 567 535	(79 285)	1 872 688
Sport & Recreation	8 989	-	8 989	2 117	(6 872)	1 081
Public Safety	93 494	(5 609)	87 885	47 394	(40 491)	38 157
Electricity	74 973 042	7 391 657	82 364 699	46 476 863	(35 887 836)	76 370 199
Waste Management	42 127 030	6 036 342	48 163 372	14 435 845	(33 727 527)	42 775 378
<b>Total Revenue by Vote</b>	<b>291 150 417</b>	<b>31 527 039</b>	<b>322 677 456</b>	<b>308 458 947</b>	<b>(14 218 509)</b>	<b>301 427 052</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>EXPENDITURE</b>						
Executive & Council	30 763 249	(155 000)	30 608 249	26 243 769	(4 364 480)	27 513 038
Planning & Development	20 959 890	(470 085)	20 489 805	18 644 373	(1 845 432)	17 140 671
Corporate Services	38 375 459	-	38 375 459	24 150 014	(14 225 445)	27 927 587
Budget & Treasury	39 619 793	(121 145)	39 498 648	32 951 559	(6 547 089)	29 019 967
Road Transport	28 192 064	-	28 192 064	28 081 506	(110 558)	24 777 505
Waste Water Management	4 855 498	-	4 855 498	4 168 377	(687 121)	4 067 256
Community & Social Services	12 200 951	178 000	12 378 951	11 923 259	(455 692)	10 791 161
Sport & Recreation	2 635 123	105 000	2 740 123	1 355 767	(1 384 356)	2 008 678
Public Safety	880 643	5 000	885 643	43 293	(842 350)	646 875
Electricity	58 219 472	5 152 345	63 371 817	62 057 633	(1 314 184)	51 907 643
Waste Management	38 981 133	8 640 000	47 621 133	35 186 514	(12 434 619)	33 901 288
<b>Total Expenditure by Vote</b>	<b>275 683 275</b>	<b>13 334 115</b>	<b>289 017 390</b>	<b>244 806 062</b>	<b>(44 211 328)</b>	<b>229 701 669</b>
<b>Surplus/(Deficit) for the year</b>	<b>15 467 142</b>	<b>18 192 924</b>	<b>33 660 066</b>	<b>63 652 885</b>	<b>29 992 819</b>	<b>71 725 382</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>REVENUE BY SOURCE</b>						
Property rates	9 047 778	-	9 047 778	12 830 089	3 782 311	12 430 040
Service charges	53 591 444	-	53 591 444	56 111 940	2 520 496	52 835 445
Rental of facilities and equipment	123 476	-	123 476	560 363	436 887	782 558
Interest earned - external investments	18 800 000	-	18 800 000	16 039 660	(2 760 340)	21 294 387
Interest earned - outstanding debtors	2 546 078	-	2 546 078	3 831 291	1 285 213	4 091 466
Fines, penalties and forfeits	176 674	(10 601)	166 073	153 047	(13 026)	287 163
Licences and permits	1 259 841	(75 591)	1 184 250	1 391 719	207 469	971 983
Agency services	1 059 218	(63 553)	995 665	1 487 542	491 877	906 255
Transfers and Subsidies - Operating	166 246 200	30 504 000	196 750 200	199 215 013	2 464 813	158 318 126
Other revenue	1 967 908	(118 073)	1 849 835	2 035 331	185 496	4 658 907
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>254 818 617</b>	<b>30 236 182</b>	<b>285 054 799</b>	<b>293 655 995</b>	<b>8 601 196</b>	<b>256 576 329</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	100 989 286	-	100 989 286	99 890 943	(1 098 343)	93 582 730
Remuneration of councillors	14 468 094	-	14 468 094	12 663 025	(1 805 069)	12 697 206
Debt impairment	7 633 161	5 000 000	12 633 161	11 951 095	(682 066)	12 974 435
Depreciation & asset impairment	21 432 296	-	21 432 296	18 537 282	(2 895 014)	17 966 405
Finance charges	3 188 381	-	3 188 381	2 196 693	(991 688)	2 395 969
Bulk purchases	39 028 500	2 500 000	41 528 500	39 900 367	(1 628 133)	35 072 720
Other materials	17 134 669	1 267 345	18 402 014	-	(18 402 014)	-
Contracted services	34 186 266	(352 644)	33 833 622	21 861 168	(11 972 454)	19 207 962
Transfers and subsidies	48 007	-	48 007	-	(48 007)	37 397
Other expenditure	37 574 615	4 919 414	42 494 029	34 744 363	(7 749 666)	35 410 759
Loss on disposal of PPE	-	-	-	3 061 126	3 061 126	356 088
<b>Total Expenditure</b>	<b>275 683 275</b>	<b>13 334 115</b>	<b>289 017 390</b>	<b>244 806 062</b>	<b>(44 211 328)</b>	<b>229 701 669</b>
<b>Surplus/(Deficit)</b>	<b>(20 864 658)</b>	<b>16 902 067</b>	<b>(3 962 591)</b>	<b>48 849 934</b>	<b>52 812 525</b>	<b>26 874 660</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	36 331 800	1 290 857	37 622 657	14 802 952	(22 819 705)	44 850 724
<b>Surplus/(Deficit) for the year</b>	<b>15 467 142</b>	<b>18 192 924</b>	<b>33 660 066</b>	<b>63 652 885</b>	<b>29 992 819</b>	<b>71 725 383</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>CAPITAL EXPENDITURE (VOTE)</b>						
<b>Multi-year expenditure</b>						
Corporate Services	2 200 000	1 028 164	3 228 164	1 564 653	(1 663 511)	8 853 026
Budget & Treasury	-	-	-	-	-	-
Road Transport	19 559 547	2 808 845	22 368 392	7 496 197	(14 872 195)	18 668 146
Community & Social Services	11 063 432	2 818 474	13 881 906	1 869 498	(12 012 408)	105 209
Sport & Recreation	-	-	-	-	-	590 375
Public Safety	-	-	-	-	-	1 730 340
Electricity	2 000 000	1 708 712	3 708 712	2 040 809	(1 667 903)	1 967 103
Waste Management	30 555 472	(18 555 472)	12 000 000	3 870 739	(8 129 261)	8 925 248
<b>Total Multi-year expenditure</b>	<b>65 378 451</b>	<b>(10 191 277)</b>	<b>55 187 174</b>	<b>16 841 895</b>	<b>(38 345 279)</b>	<b>40 839 447</b>
<b>Single-year expenditure</b>						
Executive & Council	1 415 233	-	1 415 233	24 339	(1 390 894)	-
Planning & Development	336 051	-	336 051	-	(336 051)	13 000
Corporate Services	4 495 733	1 000 000	5 495 733	173 087	(5 322 646)	-
Budget & Treasury	2 944 579	-	2 944 579	660 476	(2 284 103)	14 100
Road Transport	1 941 672	438 474	2 380 146	236 233	(2 143 913)	1 046 276
Community & Social Services	-	-	-	-	-	-
Sport & Recreation	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Electricity	40 000	430 000	470 000	606 308	136 308	1 336 715
Waste Management	240 036	2 450 000	2 690 036	392 067	(2 297 969)	108 095
<b>Total Single-year expenditure</b>	<b>11 413 304</b>	<b>4 318 474</b>	<b>15 731 778</b>	<b>2 092 510</b>	<b>(13 639 268)</b>	<b>2 518 185</b>
<b>Total Capital Expenditure by Vote</b>	<b>76 791 755</b>	<b>(5 872 803)</b>	<b>70 918 952</b>	<b>18 934 405</b>	<b>(51 984 547)</b>	<b>43 357 632</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>	<b>11 055 545</b>	<b>2 028 164</b>	<b>13 083 709</b>	<b>2 422 555</b>	<b>(10 661 154)</b>	<b>8 867 126</b>
Executive and council	1 326 761	-	1 326 761	24 339	(1 302 422)	-
Finance and administration	9 640 312	2 028 164	11 668 476	2 398 216	(9 270 260)	8 867 126
Internal audit	88 472	-	88 472	-	(88 472)	-
<b>Community and public safety</b>	<b>12 023 578</b>	<b>2 546 372</b>	<b>14 569 950</b>	<b>1 869 498</b>	<b>(12 700 452)</b>	<b>2 425 924</b>
Community and social services	11 063 432	2 818 474	13 881 906	1 869 498	(12 012 408)	105 209
Sport and recreation	-	-	-	-	-	590 375
Public safety	960 146	(272 102)	688 044	-	(688 044)	1 730 340
<b>Economic and environmental services</b>	<b>20 877 124</b>	<b>3 519 421</b>	<b>24 396 545</b>	<b>7 732 430</b>	<b>(16 664 115)</b>	<b>19 727 422</b>
Planning and development	336 051	-	336 051	-	(336 051)	13 000
Road transport	20 541 073	3 519 421	24 060 494	7 732 430	(16 328 064)	19 714 422
<b>Trading services</b>	<b>32 835 508</b>	<b>(13 966 760)</b>	<b>18 868 748</b>	<b>6 909 922</b>	<b>(11 958 826)</b>	<b>12 337 161</b>
Energy sources	2 040 000	2 138 712	4 178 712	2 647 117	(1 531 596)	3 303 818
Waste water management	-	-	-	-	-	-
Waste management	30 795 508	(16 105 472)	14 690 036	4 262 806	(10 427 230)	9 033 343
<b>Total Capital Expenditure - Standard</b>	<b>76 791 755</b>	<b>(5 872 803)</b>	<b>70 918 952</b>	<b>18 934 405</b>	<b>(51 984 547)</b>	<b>43 357 632</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b>						
National Government	36 331 800	1 290 857	37 622 657	13 582 900	(24 039 757)	31 002 194
<b>Transfers recognised - capital</b>	<b>36 331 800</b>	<b>1 290 857</b>	<b>37 622 657</b>	<b>13 582 900</b>	<b>(24 039 757)</b>	<b>31 002 194</b>
Internally generated funds	40 459 955	(7 163 660)	33 296 295	5 351 505	(27 944 790)	12 355 438
<b>Total Capital Funding</b>	<b>76 791 755</b>	<b>(5 872 803)</b>	<b>70 918 952</b>	<b>18 934 405</b>	<b>(51 984 547)</b>	<b>43 357 632</b>



# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### CASH FLOWS

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates	7 099 684	-	7 099 684	10 150 049	3 050 365	9 448 428
Service charges	42 052 570	-	42 052 570	51 383 017	9 330 447	40 780 521
Other revenue	4 560 531	1 730 059	6 290 590	4 699 628	(1 590 962)	4 138 702
Government - operating	166 246 200	30 504 000	196 750 200	201 714 100	4 963 900	158 445 250
Government - capital	36 331 800	1 290 857	37 622 657	31 845 900	(5 776 757)	45 935 750
Interest	20 797 877	(1 997 877)	18 800 000	16 039 660	(2 760 340)	21 294 387
Refund on VAT returns - VAT 201s				9 005 449	9 005 449	5 938 057
<b>Payments</b>						
Suppliers and employees	(237 859 848)	(6 087 930)	(243 947 778)	(213 742 417)	30 205 362	(202 604 238)
Finance charges	(3 188 381)	-	(3 188 381)	(594 809)	2 593 572	(830 859)
Transfers and Grants	(48 007)	-	(48 007)	-	48 007	(37 397)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>35 992 425</b>	<b>25 439 109</b>	<b>61 431 535</b>	<b>110 500 578</b>	<b>49 069 043</b>	<b>82 508 601</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	-	-	-	-	-
<b>Payments</b>						
Capital assets	(76 791 755)	5 872 803	(70 918 952)	(18 934 405)	51 984 547	(43 357 632)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(76 791 755)</b>	<b>5 872 803</b>	<b>(70 918 952)</b>	<b>(18 934 405)</b>	<b>51 984 547</b>	<b>(43 357 632)</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

#### CASH FLOWS

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATE D OUTCOME 2020 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Increase (decrease) in consumer deposits	86 223	-	86 223	101 023	14 800	35 595
<b>Payments</b>						
Repayment of borrowing	(870 554)	-	(870 554)	(870 510)	45	(854 514)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(784 332)</b>	<b>-</b>	<b>(784 332)</b>	<b>(769 487)</b>	<b>14 844</b>	<b>(818 919)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(41 583 661)</b>	<b>31 311 912</b>	<b>(10 271 749)</b>	<b>90 796 685</b>	<b>101 068 434</b>	<b>38 332 050</b>
Cash/cash equivalents at the year begin:	295 646 672	-	295 646 672	351 427 450	55 780 778	313 095 400
Cash/cash equivalents at the year end:	254 063 011	31 311 912	285 374 923	442 224 136	156 849 213	351 427 450