



SUNDAYS RIVER VALLEY MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

2009/2010

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

Cllr Siphokazi Hilda Matinise	Mayor / Speaker
Cllr Lindelwa Joyce Kula	PR Councillors
Cllr Vuyokazi Cynthia Tshaka	PR Councillors
Cllr Zolile Andrew Lose	PR Councillors
Cllr Nombulelo Stephanus Deport	PR Councillors
Cllr Phillip John Frost	PR Councillors
Cllr Zilukele Desmond Gumbe	Ward Councillors - 1
Cllr Frans Adams	Ward Councillors - 2
Cllr Anthony Dancey	Ward Councillors - 3
Cllr David Charles Jonas	Ward Councillors - 4
Cllr Luthando Paul Ngcangca	Ward Councillors - 5
Cllr Martin Vuyo Tambo	Ward Councillors - 6
Cllr Hendry Jantjies	Ward Councillors - 7

Municipal Manager

Administrator Mrs V Zitumane

Chief Financial Officer

Mrs H Nagel

Grading of Local Authority

Two (2)

Auditors

Auditor-General

Bankers

First National Bank, Kirkwood

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General information (continued)

Registered Office: 30 Middle Street

Physical address:
30 Middle Street
Kirkwood

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Kirkwood

Telephone number: 042 - 230 7700

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E-mail address: srvm@srvm.gov.za

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements 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.

Municipal Manager:

31 August 2010

Sunday's River Valley Municipality
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Sunday's River Valley Municipality
STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	252 680	57 349
Trade and other receivables from exchange transactions	2	1 821 987	2 279 276
Other receivables from non-exchange transactions	3	20 617 654	22 601 884
Inventories	4	-	-
Investments	5	1 615 321	12 511 631
Current portion of receivables	6	3 168	3 016
VAT receivable	11	10 374 589	4 668 634
Non-current assets			
Non-current receivables	6	59 196	62 364
Property, plant and equipment	7	45 835 123	17 580 073
Total assets		80 579 717	59 764 228
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	39 923 980	38 150 153
Consumer deposits	9	209 277	215 267
VAT payable	10	4 114 783	4 393 999
Current provisions	12	2 496 634	3 243 084
Bank overdraft	1	2 282 372	282 923
Current portion of unspent conditional grants and receipts	13	-	-
Current portion of borrowings	14	1 417 628	109 666
Current portion of finance lease liability	15	782 137	541 043
Non-current liabilities			
Non-current unspent conditional grants and receipts	13	15 523 371	19 193 350
Non-current borrowings	14	1 695 329	2 865 925
Non-current finance lease liability	15	3 250 810	1 792 931
Non-current provisions	16	3 711 345	3 450 000
Total liabilities		75 407 666	74 238 339
Net assets		5 172 051	(14 474 111)
NET ASSETS			
Accumulated surplus / (deficit)		5 172 051	(14 474 111)
Total net assets		5 172 051	(14 474 111)

Sunday's River Valley Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	17	8 801 215	6 760 513
Property rates - penalties imposed and collection charges	17	-	14 986
Service charges	18	18 463 698	15 636 152
Rental of facilities and equipment	19	61 613	61 243
Interest earned - external investments	20	233 431	1 671 460
Interest earned - outstanding receivables	21	3 357 602	3 543 009
Fines		1 794 204	1 279 522
Licences and permits		1 745 996	4 627 843
Government grants and subsidies	22	54 457 732	155 500 544
Other income	23	404 170	4 527 788
Total revenue		89 319 660	193 623 060
Expenses			
Employee related costs	24	23 679 136	22 196 499
Remuneration of councillors	25	2 745 083	2 617 120
Bad debts impairment		16 101 200	17 489 741
Depreciation and amortisation expense	26	-	-
Repairs and maintenance		2 807 094	3 376 149
Finance costs	27	1 571 556	766 669
Bulk purchases	28	7 915 918	5 088 708
Grants and subsidies expensed	30	5 351 791	121 894 287
General expenses	31	11 377 088	15 597 146
Total expenses		71 548 867	189 026 319
Gain / (loss) on sale of assets	32	-	-
(Impairment loss) / Reversal of impairment loss	33	-	-
Profit / (loss) on fair value adjustment	33	(261 345)	(176 842)
Inventories: (Write-down) / reversal of write-down to net realisable value	4	-	-
Surplus / (deficit) for the period		17 509 448	4 419 899

Sunday's River Valley Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
Balance at 30 June 2008	45 215 700	45 215 700
Changes in accounting policy	36 -	-
Correction of prior period error	37 -	-
Restated balance	45 215 700	45 215 700
Transfers to / from accumulated surplus/(deficit)	(64 109 710)	(64 109 710)
Surplus / (deficit) for the period	4 419 899	4 419 899
Balance at 30 June 2009	(14 474 111)	(14 474 111)
Transfers to / from accumulated surplus/(deficit)	2 136 714	2 136 714
Surplus / (deficit) for the period	17 509 448	17 509 448
Balance at 30 June 2010	5 172 051	5 172 051

Sunday's River Valley Municipality

CASH FLOW STATEMENT

as at 30 June 2010

	Note	2010 R	2009 R
CASH GENERATED BY OPERATIONS	34	9 562 090	9 177 982
Interest income		3 591 032	5 214 470
Finance costs		(1 571 556)	(766 669)
		11 581 567	13 625 783
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(28 255 050)	(17 580 072)
Proceeds from sale of fixed assets		-	-
Other		2 136 715	9 117
Net cash flows from investing activities		(26 118 335)	(17 570 955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) borrowings and finance lease liability		1 836 339	(72 709)
Other			4 888 092
Net cash flows from financing activities		1 836 339	4 815 383
Net increase / (decrease) in net cash and cash equivalents		(12 700 430)	870 211
Net cash and cash equivalents at beginning of period		12 286 058	11 415 847
Net cash and cash equivalents at end of period	35	(414 372)	12 286 058

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

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

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - issued October 2009

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the 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.

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

The municipality has elected to apply the transitional provision as contained in Directive 4 and 7 issued by the ASB.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

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

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	3 - 50	Buildings	50
Electricity - Meters	20 - 30	Specialist vehicles	5 - 30
Electricity	10 - 30	Other vehicles	4 - 7
Water	5 - 50	Office equipment	2 - 10
Sewerage	4 - 50	Furniture and fittings	3 - 15
		Specialised plant and equipment	4 - 15
Community		Other items of plant and equipment	3 - 15
Buildings	50	Landfill sites	30
Recreational Facilities	10 - 50	Computer equipment	2 - 10
Halls	30		
Libraries	30		
Heritage assets			
Buildings	30		
Paintings and artifacts	0		
Finance lease assets			
Office equipment	5		
Other assets	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of 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.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an 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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality has elected to apply the transitional provision as contained in Directive 4 and 7 issued by the ASB.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	10 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of 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.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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

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

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

The municipality has elected to apply the transitional provision as contained in Directive 4 and 7 issued by the ASB.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30 years
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5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

The municipality has elected to apply the transitional provision as contained in Directive 4 and 7 issued by the ASB.

5.2 SUBSEQUENT MEASUREMENT

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

Unsold properties and land used for housing are valued at the lower of cost or current replacement cost. Unsold properties and land used for housing are classified as inventory where there is an intention to develop such land and to sell or transfer it to a third party.

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.2.3 TRADE PAYABLES AND BORROWINGS

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

6.2.4 CASH AND CASH EQUIVALENTS

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

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

7 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 the 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 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 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits 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. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

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

has a detailed formal plan for the restructuring identifying at least:	(a) The municipality
business concerned;	- the business or part of a
- the location, function, and approximate number of employees who will be compensated for terminating their services;	- the principal locations affected;
expenditures that will be undertaken; and	- the
plan will be implemented; and	- when the

(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.

11 LEASES

11.1 MUNICIPALITY AS LESSEE

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11.2 MUNICIPALITY AS LESSOR

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on history.

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 containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

12.2 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.

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 proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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

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

12.3 GRANTS, TRANSFERS AND DONATIONS

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

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councilors. Defined Contribution plans are post-employment benefit plans, under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

15 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

16 IMPAIRMENT OF 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 service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service 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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A 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 service 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 surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2010 R	2009 R
Cash on hand	340	340
Cash at bank	252 340	57 009
	252 680	57 349

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Kirkwood Branch - Acc No 6202 549 0856

Cash book balance at beginning of year	1 430 912	(903 264)
Cash book balance at end of year	(2 282 372)	1 430 912
Bank statement balance at beginning of year	(285 225)	(891 327)
Bank statement balance at end of year	(109 924)	(285 225)

Current Account (Other Account)

First National Bank - Kirkwood Branch - Acc No 620 2765 1935 (MVR)
First National Bank - Kirkwood Branch - Acc No 620 7077 5310 (Traffic Fines)
First National Bank - Kirkwood Branch - Acc No 620 9844 9385 (Easy Pay)

Cash book balance at beginning of year	57 009	151 976
Cash book balance at end of year	252 340	57 009
Bank statement balance at beginning of year	56 615	151 276
Bank statement balance at end of year	159 583	56 615

Savings Account

None

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

Cash on hand

Cash on hand	340	340
Total cash and cash equivalents	252 680	57 349
Total bank overdraft	2 282 372	282 923

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R	
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2010			
Service debtors			
Rates	15 412 838	(12 277 895)	
Electricity	4 285 759	(3 374 515)	
Water	18 724 863	(21 353 630)	
Sewerage	5 493 433	(5 366 650)	
Refuse	12 298 362	(12 021 250)	
Other	2 358 757	(2 358 088)	
Total	58 574 013	(56 752 027)	
as at 30 June 2009			
Service debtors			
Rates	10 135 255	(23 541 929)	
Electricity	3 284 052	(1 672 997)	
Water	15 990 719	(8 826 551)	
Sewerage	3 877 771	(2 104 266)	
Refuse	8 536 192	(3 746 767)	
Other	2 220 108	(1 872 310)	
Total	44 044 097	(41 764 821)	
<u>Rates: Ageing</u>			
Current (0 – 30 days)		(177 434)	
31 - 60 Days		3 312 377	
61 - 90 Days		262 537	
91 - 120 Days		208 907	
121 - 365 Days		11 806 451	
+ 365 Days			
Total		10 135 255	
<u>Electricity, Water and Sewerage: Ageing</u>			
Current (0 – 30 days)		(3 162 299)	
31 - 60 Days		1 848 673	
61 - 90 Days		1 153 644	
91 - 120 Days		900 304	
121 - 365 Days		40 062 096	
+ 365 Days			
Total		2 956 095	
<u>Other Debtors: Ageing</u>			
Current (0 – 30 days)		(13 494)	
31 - 60 Days		14 163	
61 - 90 Days		15 037	
91 - 120 Days		13 927	
121 - 365 Days		2 329 124	
+ 365 Days			
Total		2 194 369	
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2010			
Current (0 – 30 days)	(679 465)	(33 914)	240 314
31 - 60 Days	8 060 894	-	52 032
61 - 90 Days	1 519 614	469 938	67 813
91 - 120 Days	1 199 688	210 933	37 061
121 - 365 Days	1 106 612	20 579	11 406
+ 365 Days	44 211 537	440 330	1 638 642
Total debtors by customer classification	55 418 880	1 107 866	2 047 267

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
2 Reconciliation of the doubtful debt provision		
Balance at beginning of the year	41 764 821	25 037 920
Contributions to provision	14 987 206	16 726 901
Balance at end of year	56 752 027	41 764 821
	-	-
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other debtors	5 185 328	3 429 960
Less: Provision for doubtful debts	(3 759 512)	(2 645 517)
Transfer of credit balance to trade and other payables	513 035	-
Transfer of credit balance from trade and other payables	18 647 780	
Non-current unspent conditional grants and receipts	31 024	21 817 442
Total Other Debtors	20 617 654	22 601 884
4 INVENTORIES		
Inventories:	-	-
Consumable stores - at cost	-	-
Water	-	-
<p>The municipality has elected to apply the transitional provision as contained in Directive 4 and 7 issued by the ASB.</p>		
5 INVESTMENTS		
Call investments	1 615 321	12 511 631
	1 615 321	12 511 631
See Appendix G for a detailed list of investments.		
6 NON-CURRENT RECEIVABLES		
Other non-current receivables	62 364	65 380
	62 364	65 380
Less : Current portion transferred to current receivables	(3 168)	(3 016)
Other non-current receivables	(3 168)	(3 016)
Total	59 196	62 364

OTHER LONG TERM LOANS

The loan to ACVV is unsecured, bears interest at 5% per annum and is repayable 6 monthly in instalments of R3,123

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	-	-	16 558 881	-	-	1 021 192	-	17 580 073
Cost/Revaluation	-	-	16 558 881	-	-	1 021 192	-	17 580 073
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	2 150 000	21 009 718	-	-	5 095 332	-	28 255 050
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2010	-	2 150 000	37 568 599	-	-	6 116 524	-	45 835 123
Cost/Revaluation	-	2 150 000	37 568 599	-	-	6 116 524	-	45 835 123
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

[App B'IA1](#)

The municipality has elected to apply the transitional provision as contained in Directive 4

The municipality is currently in the process of compiling a fully GRAP compliance fixed assets register. Professional consultants have been appointed to update the fixed asset register. In line with directive 4 the municipality will have a fully compliant GRAP fixed asset register by 30 June 2011.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

7.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	16 558 881	-	-	1 021 192	-	17 580 073
Capital under Construction	-	-	400 000	-	-	(400 000)	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2009	-	-	16 558 881	-	-	1 021 192	-	17 580 073
Cost/Revaluation	-	-	16 558 881	-	-	1 021 192	-	17 580 073
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

[App B'A1](#)

The municipality has elected to apply the transitional provision as contained in Directive 4

The municipality is currently in the process of compiling a fully GRAP compliance fixed assets register. Professional consultants have been appointed to update the fixed asset register. In line with directive 4 the municipality will have a fully compliant GRAP fixed asset register by 30 June 2011.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2010 R	2009 R
Trade creditors	35 845 633	31 965 399
Payments received in advance	29 522	34 705
Transfer of credit balances from Other receivables from non-exchange transactions	513 035	-
Transfer of debit balances from MIG Conditional Grant VAT	18 647 780	-
Other creditors	(15 111 989)	6 150 049
Total creditors	39 923 980	38 150 153

The fair value of trade and other payables approximates their carrying amounts.

9 CONSUMER DEPOSITS

Electricity and Water	208 140	195 244
Other	1 137	20 023
Total consumer deposits	209 277	215 267

10 VAT PAYABLE

VAT payable / provision	4 114 783	4 393 999
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11 VAT RECEIVABLE

VAT receivable	(10 374 589)	(4 668 634)
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 PROVISIONS

Provision for leave	2 491 657	2 345 616
Staff bonuses	4 978	897 467
Total Provisions	2 496 634	3 243 084

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for leave
as at 1 July 2009	897 467	2 345 616
Contributions to provision / (expenditure)	(892 490)	146 040
as at 30 June 2010	4 978	2 491 657
as at 1 July 2008	2 345 616	905 142
Contributions to provision / (expenditure)	(1 448 149)	1 440 474
as at 30 June 2009	897 467	2 345 616

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Unspent Conditional Grants from other spheres of Government

	2010 R	2009 R
IDP fund	1 009	193 693
Res zoning fund	0	29 464
Planning Moses Madiba	1 001	13 994
General Valuation Fund	1 856	-
Spatial development PLA	1 001	43 146
Paterson micro enterprises	508 559	508 559
Municipal infrastructure	-	3 630 545
MIG - cool facility	-	1 014
Kirkwood cemetery fund	1 000	67 524
Rectification encroachment	88 711	84 661
Rectification encroachment Moses Madiba	77 967	74 407
Rectification encroachment Paterson	101 344	96 719
Municipal systems improvement	-	284 077
Survey Moses Madiba	-	14 516
Capacity building	15 279	15 279
Revision and intergration	191 269	191 269
Paterson labour	-	1 056
Drought relief fund	113 816	259 972
NM Paterson accident fund	-	4 304
Agri rates trust	(0)	1 270
KK 113 fund	(31 024)	(183 504)
Sunday's River Valley financial management grant fund	(0)	(297 581)
Intergrating zoning scheme fund	295 901	286 001
Asset register	400 000	400 000
Revenue collection	-	(34 931)
Sunday's River Valley town planning	1 007	50 297
Paterson housing fund	-	(36 337)
Addo Nomathamsanqa 91 Sites houses	0	4 850
Paterson housing establishment grant	-	(21 942)
Addo noluthanddo 801 houses	-	(8 050 782)
Bergsig raw houses fund	64 057	62 468
Moses Madiba 750 houses fund	-	(6 653 923)
Addo noluthanddo top structure	-	(166 577)
Addo Nomathamsanqa 1728	-	71 084
Addo Valencia 600 infrastructure	-	1 534
Enon Basheba 450 infrastructure	-	(1 267 504)
Moses Madiba 750 infrastructure	-	(60 303)
Enon Besheba labour	-	(1 684 244)
Paterson 150 houses	-	(1 670 568)
Addo Nomathamsanqa 300	-	(1 337 575)
Emsengeni sewer supply	2 806 613	1 991 724
MIG - balance of fund	(0)	3 005
Paterson bucket eradication	2 422 492	1 397 796
Aquapark/waterbourne sewerage	-	4 659
Moses MAdiba/waterbourne sewerage	-	(151 346)
Langbos VIP project	-	30 684
MIG Emsengeni fund	-	1 208
Free basic electricity	-	(45 376)
Kirkwood upgrade water treatment	-	(154 949)
Water service Authority	-	37 331
Paterson bulk water supply	7 904 883	8 932 221
W S D P	74 290	151 124
O & M	-	251 893
DBSA Security	1 319	-
Meter Reading Fund	200 000	-
Indigent Register Fund	250 000	-
Transfer of funds with Debit balances to Other Receivables from Non-Exchange transactions	31 024	21 817 442
Total Unspent Conditional Grants and Receipts	15 523 371	19 193 350
Non-current unspent conditional grants and receipts	15 523 371	19 193 350
Current portion of unspent conditional grants and receipts	-	-

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
14 BORROWINGS		
First National Bank	1 011 477	1 003 314
Development Bank of South Africa	2 101 480	1 972 277
	3 112 957	2 975 591
<u>Less : Current portion transferred to current liabilities</u>	(1 417 628)	(109 666)
First National Bank	(1 011 477)	-
Development Bank of South Africa	(406 151)	(109 666)
Total borrowings	1 695 329	2 865 925

Refer to Appendix A for more detail on borrowings.

[App A\A1](#)

15 FINANCE LEASE LIABILITY

2010	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	1 685 244	523 810	782 137
Within two to five years	3 250 810	379 297	3 250 810
	4 936 055	903 107	4 032 947
Less: Amount due for settlement within 12 months (current portion)			(782 137)
			3 250 810

The average lease term is 3 years and the average effective borrowing rate is 15%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2009	Present value of minimum lease payments R
Amounts payable under finance leases	
Within one year	541 043
Within two to five years	1 792 931
	2 333 974
Less: Amount due for settlement within 12 months (current portion)	(541 043)
	1 792 931

The average lease term is 3 years and the average effective borrowing rate is 15%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

16 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	3 711 345	3 450 000
Provision for long-service awards	-	-
Total Non-Current Provisions	3 711 345	3 450 000

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8%, over an average period of 2 years.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	3 450 000	1 200 000
Contributions to provision	261 345	2 073 158
Balance at the end of year	3 711 345	3 450 000

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
17 PROPERTY RATES		
Actual		
Residential	1 579 693	3 207 410
Commercial	914 758	704 005
Industries	-	-
Farms	3 223 596	1 732 480
State	3 083 168	1 116 618
Total property rates	8 801 215	6 760 513
Property rates - penalties imposed and collection charges	-	14 986
Total	8 801 215	6 775 499
Valuations		
Residential	2 865 519 211	213 490 284
Commercial	65 108 482	38 102 670
State	30 125 900	19 712 310
Exempt	64 655 357	31 612 545
Total Property Valuations	3 025 408 950	302 917 809
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an ad-hoc basis to take into account changes in individual property values due to alterations.		
18 SERVICE CHARGES		
Sale of electricity	9 744 337	4 901 225
Sale of water	3 980 846	6 211 109
Refuse removal	3 254 289	3 033 219
Sewerage and sanitation charges	1 484 226	1 490 599
Total Service Charges	18 463 698	15 636 152
19 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	61 013	61 243
Rental of equipment	600	-
Total rentals	61 613	61 243
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	233 431	1 671 460
Total interest	233 431	1 671 460
21 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Consumers	3 354 370	3 539 632
Long Term Debtors	3 232	3 377
Total interest	3 357 602	3 543 009
22 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	20 232 384	15 636 204
MIG Grant	21 381 383	-
Housing	-	113 996 540
MSIG	1 300 000	1 446 747
Finance Management Grant	1 500 000	-
Subsidy - Health	2 365 956	2 023 761
Subsidy - Cacadu District Municipality	738 654	535 884
Other Government Grants and Subsidies	6 939 355	21 861 408
Total Government Grant and Subsidies	54 457 732	155 500 544

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
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22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 100% if their income is equal to 1 (one) state pension and 50% if their income is equal to 2 (two) state pension, which is funded from the grant. This is consistent with the prior year.

23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

23.1 Other income	404 170	4 527 788
Total Other Income	404 170	4 527 788

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	15 637 916	19 046 283
Employee related costs - Contributions for UIF, pensions and medical aids	4 170 510	2 752 427
Travel, motor car, accommodation, subsistence and other allowances	1 835 281	-
Overtime payments	1 203 003	-
Performance and other bonuses	-	-
Long-service awards	377 718	-
Other employee related costs	454 708	397 789
Total Employee Related Costs	23 679 136	22 196 499

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	443 033	495 263
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	33 000	78 000
Contributions to UIF, Medical and Pension Funds	767	4 217
Total	476 800	577 480

Remuneration of the Chief Finance Officer

Annual Remuneration	512 715	422 055
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	83 349	78 000
Contributions to UIF, Medical and Pension Funds	1 497	5 867
Total	597 561	505 922

Remuneration of Individual Executive Directors

2010

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	497 796	452 019	537 821
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	102 000	60 000	72 000
Contributions to UIF, Medical and Pension Funds	1 497	61 497	1 497
Total	601 293	573 516	611 318

2009

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	244 504	380 055	428 056
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	51 500	60 000	72 000
Contributions to UIF, Medical and Pension Funds	3 771	65 852	9 755
Total	299 775	505 907	509 811

25 REMUNERATION OF COUNCILLORS

Executive Mayor	269 891	139 229
Councillors	1 439 288	1 335 665
Councillors' pension and medical aid contributions	129 827	278 894
Councillors' allowances	906 077	863 332
Total Councillors' Remuneration	2 745 083	2 617 120

In-kind Benefits

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
26 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	-	-
Total Depreciation and Amortisation	-	-
27 FINANCE COSTS		
Borrowings	737 117	713 354
Bank overdrafts	834 439	53 315
Total Finance Costs	1 571 556	766 669
28 BULK PURCHASES		
Electricity	7 537 116	4 617 420
Water	378 803	471 288
Total Bulk Purchases	7 915 918	5 088 708
29 CONTRACTED SERVICES		
Contracted services for: <i>Cash Management - Kirkwood Cash in Transit CC</i>		
30 GRANTS AND SUBSIDIES PAID		
Grant expenses - Subsidy assessment rates	(602)	191 807
Grant expenses - Financial management	1 500 000	3 948 030
Grant expenses - Subsidy water	811 625	947 940
Grant expenses - Subsidy refuse	262 240	543 173
Grant expenses - Subsidy sewerage	88 910	105 134
Expenditure charged against conditional grants	2 689 617	116 158 203
	5 351 791	121 894 287
	-	-

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	62 665	-
Admin fees	-	-
Audit fees	1 601 832	-
Bank charges	162 187	-
Cleaning	-	-
Conferences and delegations	1 602	-
Connection charges	-	-
Consulting fees	160 101	-
Consumables	100 107	-
Departmental consumption	1 403 483	-
Entertainment	216 829	-
Fuel and oil	1 065 918	-
Insurance	392 332	-
Legal expenses	1 321 508	-
Levies paid	16 430	-
Licence fees	12 437	-
Membership fees	-	-
Printing and stationery	322 455	-
Professional fees	-	-
Rental of buildings	-	-
Rental of office equipment	178 540	-
Other rentals	1 055 037	-
Security costs	101 271	-
Stocks and material	967 101	-
Subscription & publication	16 493	-
Telephone cost	973 630	-
Training	95 213	-
Travel and subsistence	403 101	-
Uniforms & overalls	119 558	-
Other	627 256	-
	11 377 088	15 597 146
32 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	-	-
Total Gain / (Loss) on Sale of Assets	-	-
33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Other non-current financial liabilities	261 345	176 842
Total Profit / (Loss) on Fair Value Adjustment	261 345	176 842

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
34 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	17 509 448	4 419 899
<i>Adjustment for:-</i>		
Depreciation and amortisation	-	-
Contribution to provisions - current	(746 449)	19 372 419
Finance costs	1 571 556	766 669
Fair value adjustments	261 345	176 842
Interest earned	(3 591 032)	(5 214 469)
Other non-cash item		160 834
Operating surplus before working capital changes:	15 004 868	19 682 194
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	457 289	(30 573 632)
(Increase)/decrease in other receivables	1 984 230	-
(Increase)/decrease in non current receivables	3 016	-
(Increase)/decrease in VAT receivable	(5 705 954)	-
Increase/(decrease) in conditional grants and receipts	(3 669 978)	-
Increase/(decrease) in trade payables	1 773 827	19 781 668
Increase/(decrease) in consumer deposits	(5 990)	-
Increase/(decrease) in VAT payable	(279 216)	-
Other liability	-	287 391
Cash generated by/(utilised in) operations	9 562 090	9 177 621

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	252 680	57 349
Investments	1 615 321	12 511 631
Bank overdrafts	(2 282 372)	(282 923)
Net cash and cash equivalents (net of bank overdrafts)	(414 372)	12 286 057

36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

- Interest on suppliers
- Penalties and interest SARS
- Traffic Contracts
- Legal costs
- Condonation of unforeseen and unavoidable expenditure - Protection services

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

37.1 Contributions to organised local government

Opening balance	161 175	161 175
Council subscriptions	117 896	
Amount paid - current	-	
Amount paid - previous years	(83 877)	
Balance unpaid (included in payables)	195 194	161 175

37.2 Audit fees

Opening balance	59 680	-
Current year audit fee	1 158 639	1 905 151
Amount paid - current year	-	(1 845 471)
Amount paid - previous years	(59 680)	-
Balance unpaid (included in payables)	1 158 639	59 680

The balance unpaid represents the audit fee for the audit conducted during 2009 and is payable in full.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

37.2 VAT

VAT input receivables and VAT output payables are shown in note 18. All VAT returns up to December 2009 have been submitted. The remaining VAT returns are still outstanding.

37.4 PAYE and UIF

	2010 R	2009 R
Opening balance	-	-
Current year payroll deductions	2 662 636	2 267 784
Amount paid - current year	(1 084 033)	(2 267 784)
Amount paid - previous years		
Balance unpaid (included in payables)	1 578 603	-

The balance represents outstanding PAYE and UIF for the period December 2009 to June 2010.

37.5 Pension and Medical Aid Deductions

	2010 R	2009 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 111 351	2 976 757
Amount paid - current year	(4 839 615)	(2 976 757)
Amount paid - previous years		
Balance unpaid (included in payables)	271 736	-

The balance represents pension and medical aid contributions deducted from employees in the June 2010 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2010.

37.6 Councillor's arrear consumer accounts

The following Councillors had arrear consumer accounts outstanding for more than 90 days as at: -

as at 30 June 2010

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Cllr Siphokazi Hilda Matinise	-		
Cllr Lindelwa Joyce Kula	5 873	392	5 481
Cllr Vuyokazi Cynthia Tshaka	3 635	278	3 357
Cllr Zolile Andrew Lose	12 215	652	11 563
Cllr Nombulelo Stephanus Deport	1 854	431	1 423
Cllr Phillip John Frost	3 471	2 045	1 427
Cllr Zilukele Desmond Gumbe	603	126	477
Cllr Frans Adams	426	426	-
Cllr Anthony Dancey	5 541	291	5 250
Cllr David Charles Jonas	(189)	(189)	-
Cllr Luthando Paul Ngangca	-	-	-
Cllr Martin Vuyo Tambo	7 111	201	6 911
Cllr Hendry Jantjies	(945)	(945)	-
Total Councillor Arrear Consumer Accounts	39 596	3 708	35 888

The following Councillors had arrear non consumer accounts outstanding for more than 90 days as at: -

as at 30 June 2010

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Cllr Siphokazi Hilda Matinise	-		
Cllr Lindelwa Joyce Kula	45 515	-	45 515
Cllr Vuyokazi Cynthia Tshaka	45 515	-	45 515
Cllr Zolile Andrew Lose	252 864	-	252 864
Cllr Nombulelo Stephanus Deport	28 432	-	28 432
Cllr Phillip John Frost	-	-	-
Cllr Zilukele Desmond Gumbe	-	-	-
Cllr Frans Adams	45 687	-	45 687
Cllr Anthony Dancey	-	-	-
Cllr David Charles Jonas	45 629	-	45 629
Cllr Luthando Paul Ngangca	-	-	-
Cllr Martin Vuyo Tambo	45 515	-	45 515
Cllr Hendry Jantjies	-	-	-
Total Councillor Arrear Non Consumer Accounts	509 157	-	509 157

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

37.7

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has not paid their suppliers in terms of the MFMA. This due to the lack of funds.

38 CAPITAL COMMITMENTS

38.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure:

Moses Mabida Bulk Sewerage supply line and conversion to VIP toilets
Emsengeni Conversion VIP to flush toilets

2010	2009
R	R

8 133 028	-
3 507 324	
4 625 704	

- Approved but not yet contracted for

Infrastructure

Enon/Bersheba: Upgrade of Waste water treatment plant
Enon/Bersheba: Upgrading of waste water treatment works (Phase 1)
Bersheba: Sewerage pumpstation

5 920 446	-
3 278 000	
1 917 446	
725 000	

Total

14 053 474	-
-------------------	---

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

-	-
14 053 474	-
-	-
-	-
14 053 474	-

39 CONTINGENT LIABILITY

The Municipality is being sued by a Xabisa Bulders (Case No 2954/2008) for short payment in respect of housing subsidy Enon/Bersheba. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of R797 828. No settlement amount has been determined.

The Municipality has been issued with a interdict by Ho-Hup Construction SA (Pty) Ltd (Case No 1356/10) in respect of Housing contracts issued to other tenders. Council is contesting the claim based on legal advice. The contingent liability includes estimated legal costs of R30 000. No settlement amount has been determined.

The Municipality has been issued with a interdict by Ho-Hup Construction SA (Pty) Ltd (Case No 3266/09) in respect of Housing contracts issued to other tenders. Council is contesting the claim based on legal advice. The contingent liability includes estimated legal costs of R30 000. No settlement amount has been determined.

The Municipality is being sued by the former Municipal Manager. The municipality undertook to find the Municipal Manager alternate employment. The municipality has not been able to meet its commitments. The contingent liability amounts to R400 000.

40 CONTINGENT ASSET

The municipality became aware that it might hold shares in a company. The companies name is Rapicorp 46 (Pty) Ltd.

41 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010	2009
R	R

Secondment of DBSA staff to the municipality

Intervention team from the Department of Local Government and Traditional Affairs.

42 EVENTS AFTER THE REPORTING DATE

The municipality has been issues with a summons from LRC Civils for unpaid invoices relating to Housing Projects. A Creditors has been raised as at 30 June 2010.

43 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Provision for doubtful debts
- Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provisions

44 RISK MANAGEMENT

44.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an on going basis.

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

First National Bank	1 615 321	12 511 631
Trade and other receivables	1 821 987	2 279 276

These balances represent the maximum exposure to credit risk.
The municipality is exposed to a guarantees for the overdraft facilities.

44.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease
- Development Bank of South Africa loan
- First National Bank overdraft

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010 R	2009 R
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45 RESTATEMENT OF COMPARATIVE INFORMATION

The following corrections were made to the carrying value of the below:

	Debit / (Credit)
Statement of Financial Position:	
Property, plant and equipment	485 520
Non-current finance lease liability	(485 520)
	-

The following prior year adjustments were made:

Statement of Financial Position:	
Investments	(2 425)
Trade and other payables from exchange transactions	(172 944)
Other receivables from non-exchange transactions	(26 796)
Non-current unspent conditional grants and receipts	(5 343 514)
Taken against Accumulated surplus / (deficit)	(5 545 678)

46 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

Sunday's River Valley Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2010

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
DBSA - Swimming Pool	12058	31 Dec 2012	26 699	-	(410)	26 289	-	-
DBSA - Traffic Department	100321	31 Mar 2027	1 459 184	-	97 209	1 556 393	-	-
DBSA - Backhoe	100321	31 Mar 2027	486 395	-	32 403	518 798	-	-
Finance Leases	Various		2 333 974	2 528 935	(829 962)	4 032 947	-	-
Revolving Credit	Various		1 003 314	8 163	-	1 011 477	-	-
TOTAL EXTERNAL LOANS			5 309 565	2 537 098	(700 759)	7 145 904	-	-

Sunday's River Valley Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	-				-	-				-			-
Landfill Sites	-				-	-				-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	2 150 000			2 150 000	-				-			2 150 000
Infrastructure													
Roads	-				-	-				-			-
Sewerage Mains & Purification	10 389 508	12 137 770			22 527 278	-				-			22 527 278
Electricity Mains	-	-			-	-				-			-
Water Mains & Purification	6 169 373	8 871 947			15 041 320	-				-			15 041 320
	16 558 881	21 009 718	-	-	37 568 599	-	-	-	-	-	-	-	37 568 599
Community Assets													
Recreation Grounds	-				-	-				-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets													
Office Equipment	588 081	316 298			904 379	-				-			904 379
Furniture & Fittings	49 925	55 571			105 496	-				-			105 496
Emergency Equipment	-	1 856 100			1 856 100	-				-			1 856 100
Motor vehicles	-	2 187 239			2 187 239	-				-			2 187 239
Computer Equipment	307 884	200 124			508 008	-				-			508 008
Other Assets	75 302	480 000			555 302	-				-			555 302
	1 021 192	5 095 332	-	-	6 116 524	-	-	-	-	-	-	-	6 116 524
Finance Lease Assets													
Office Equipment	-				-	-				-			-
Other Assets	-				-	-				-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	17 580 073	28 255 050	-	-	45 835 123	-	-	-	-	-	-	-	45 835 123

Sunday's River Valley Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land					-					-			-
Landfill Sites					-					-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings					-					-			-
Infrastructure													
Roads					-					-			-
Sewerage Mains & Purification		10 389 508		400 000	10 389 508					-			10 389 508
Electricity Mains					-					-			-
Water Mains & Purification		6 169 373			6 169 373					-			6 169 373
	-	16 558 881	-	400 000	16 558 881	-	-	-	-	-	-	-	16 558 881
Community Assets													
Recreation Grounds					-					-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets													
Office Equipment		588 081			588 081					-			588 081
Furniture & Fittings		49 925		(412 829)	49 925					-			49 925
Emergency Equipment					-					-			-
Motor vehicles					-					-			-
Computer Equipment		307 884			307 884					-			307 884
Other Assets		75 302		12 829	75 302					-			75 302
	-	1 021 192	-	(400 000)	1 021 192	-	-	-	-	-	-	-	1 021 192
Finance Lease Assets													
Office Equipment					-					-			-
Other Assets					-					-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	17 580 073	-	-	17 580 073	-	-	-	-	-	-	-	17 580 073

Sunday's River Valley Municipality
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June 2010

	2010	2010	2010	2010	
	Actual Income	Budget	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
Revenue					
Property rates	8 801 215	7 634 284	1 166 931	15%	A property rates valuation was undertaken
Property rates - penalties imposed and collection charges	-	16 893	(16 893)	-100%	No charges during the current year
Service charges	18 463 698	18 846 665	(382 967)	-2%	
Rental of facilities and equipment	61 613	67 210	(5 597)	-8%	
					Investment balance decreased from R12.5m to
Interest earned - external investments	233 431	883 470	(650 040)	-74%	R1.6m
Interest earned - outstanding receivables	3 357 602	3 113 418	244 184	8%	Increase in gross debtors
Fines	1 794 204	825 059	969 145	117%	More fines issued than anticipated
					The budgeted amount included payments to be made to department of transport iro motor registration. Control account was created to
Licences and permits	1 745 996	5 280 930	(3 534 934)	-67%	monitor motor registrations
					The difference as result of grants being recognised only when compliance to grant conditions vs budget which represents actual amounts to be received
Government grants and subsidies	54 457 732	49 458 070	4 999 662	10%	
					The budget includes amounts received on behalf of dept of transport wrt motor registration. These amounts have been receipted in a control account
Other income	404 170	4 161 362	(3 757 192)	-90%	for motor registration
Total revenue	89 319 660	90 287 362	(967 702)	-1%	
Expenses					
Employee related costs	23 679 136	22 698 940	980 197	4%	
Remuneration of councillors	2 745 083	2 479 021	266 062	11%	Increase was great than anticipated
					Due to payment trends of debtors municipality had
Bad debts provision	16 101 200	5 625 015	10 476 186	186%	to increase provision for bad debt
Depreciation and amortisation expense	-	3 600 000	(3 600 000)	-100%	Application of directive 4
					The municipality was placed under administration and expenditure were limited due to cash flow
Repairs and maintenance	2 807 094	3 759 564	(952 470)	-25%	problems
					A new lease contract for traffic vehicles was
Finance costs	1 571 556	717 506	854 050	119%	entered into.

Bulk purchases	7 915 918	6 461 995	1 453 923	22%	Increase in Eskom tariffs under provided for and increase usage from consumers
Contracted services	-	341 620	(341 620)	-100%	Included under general expenditure
Grants and subsidies paid	5 351 791	4 606 486	745 305	16%	Recognition of expenditure as conditions have been met vs budget amount which includes only expenditure on amounts gazetted to be receive
General expenses	11 377 088	15 768 245	(4 391 157)	-28%	The municipality was placed under administration and expenditure were limited due to cash flow problems
Total expenses	71 548 867	66 058 392	5 490 475	8%	
Profit / (loss) on fair value adjustment	(261 345)	-	(261 345)	100%	Increase in Land fill provision.
Capital Expenditure	-	24 220 300	(24 220 300)	-100%	donated assets received from DSRAC, CDM and Dept of Health
Surplus / (deficit) for the period	17 509 448	8 670	17 500 778	201858%	

Sunday's River Valley Municipality
APPENDIX E (2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
for the year ended 30 June 2010

	2010	2010	2010	2010	
	Actual / Under Construction	Budget	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
Land					
Land	-		-	0%	
Landfill Sites	-		-	0%	
Buildings	2 150 000	860 000	1 290 000	150%	Donated building for fire received
Infrastructure					
Sewerage Mains & Purification	12 137 770	12 636 900	(499 130)	-4%	DWAF funds for Regional Bulk Water services not paid to municipality but implementing agent -
Water Mains & Purification	8 871 947	0	8 871 947	100%	Amatola Water
Reservoirs – Water	-	10 000 000	(10 000 000)	-100%	Recognition of grant expenditure - grant received prior year
Community Assets					
Libraries	170 201	116 600	53 601	46%	Assets received from DSRAC
Recreation Grounds	-		-	0%	
Community halls	-	20 000	(20 000)	-100%	municipality placed under administration - no funds to buy capital items
Clinics	38 646	116 800	(78 154)	-67%	municipality placed under administration - no funds to buy capital items - items received were received from Dept of Health
Other Assets					
Office Equipment	316 298	176 000	140 298	80%	includes correction of asset value of R301230
Furniture & Fittings	55 571		55 571	100%	No funds available
Bins and Containers	-		-	#DIV/0!	
Emergency Equipment	1 856 100		1 856 100	#DIV/0!	Donated assets from Cacadu DM
Motor vehicles	2 187 239		2 187 239	100%	new leased vehicles
Computer Equipment	200 124		200 124	100%	Unforeseen computer breakdowns - computers needed to be replaced
Other Assets	480 000	294 000	186 000	63%	Donated assets from Cacadu DM
Total	28 463 897	24 220 300	4 243 597	18%	

Sunday's River Valley Municipality
APPENDIX F
DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF SECTION 123 of the MFMA
for the year ended 30 June 2010

Name of Grant	Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Funds Spent	Reason for Delay	Did municipality comply with the grants conditions
		July to September	October to December	January to March	April to June		July to September	October to December	January to March	April to June			
Municipal Infrastructure Grant	National Treasury		1 278 000	6 010 497	3 600 000	10 888 497	188 184	4 530 411	5 158 272	3 135 212	13 012 079	None	YES
Finance Management Grant	National Treasury	1 500 000				1 500 000	375 000	375 000	375 000	375 000	1 500 000	None	YES
Municipal Systems Improvement Grant	DPLG&TA	1 300 000				1 300 000	325 000	325 000	325 000	325 000	1 300 000	None	YES
Health Subsidy	Dept of Health		1 057 868	740 508	528 934	2 327 310	397 323	418 644	410 165	668 921	1 895 052	None	YES
Environmental Health Subsidy	Cacadu DM	171 518		378 467	188 669	738 654	156 272	196 171	269 205	171 984	793 632	None	YES