

SUNDAYS RIVER VALLEY MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

2010/2011

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

MW Kebe	Executive Mayor
K Smith	PR Councillors
JS Delpont	PR Councillors
BAM Finnis	PR Councillors
TR Grootboom	PR Councillors
PR Blou	PR Councillors
E Jagers	PR Councillors
ZA Lose	PR Councillors
NG Hawu	PR Councillors
F Adams	PR Councillors
J Stefana	PR Councillors
I Manene	PR Councillors
Z Qusheka	PR Councillors
SH Rune	PR Councillors
G Wagenaar	PR Councillors
BC Snoek	PR Councillors
	Ward Councillors - 2
	Ward Councillors - 3
	Ward Councillors - 4
	Ward Councillors - 5
	Ward Councillors - 6
	Ward Councillors - 7
	Ward Councillors - 8

Acting 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

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued)

Registered Office: 30 Middle Street

Physical address: 30 Middle Street
Kirkwood

Postal address: PO Box 47
Kirkwood

Telephone number: 042 - 230 7700

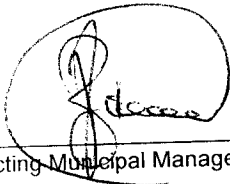
Fax number: 042 - 230 1799

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

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 45, 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 26 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.



Acting Municipal Manager : Administrator Mrs V Zitumane

31 August 2011

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-18
Notes to the Annual Financial Statements	19-38
Appendix A: Schedule of External Loans	39
Appendix B: Analysis of Property, Plant and Equipment	40-41
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	42
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	43
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	44
Appendix G: Schedule of Investments	45

Sunday's River Valley Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	236 336	252 680
Trade and other receivables from exchange transactions	2	14 560 200	2 307 478
Other receivables from non-exchange transactions	3	30 754 054	30 442 100
Inventories	4	199 692	88 638
Investments	5	528 949	1 615 321
Current portion of receivables	6	3 168	3 168
VAT receivable	13	5 028 541	8 072 502
Non-current assets			
Non-current receivables	6	56 028	59 196
Property, plant and equipment	7	303 813 851	296 848 910
Intangible assets	8	1 448 260	536 856
Investment property carried at cost	9	4 098 124	4 180 209
Total assets		360 727 204	344 407 058
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	33 495 235	21 170 917
Consumer deposits	11	210 910	209 277
VAT payable	12	4 436 529	4 114 783
Current provisions	14	2 829 773	20 945 728
Bank overdraft	1	391 025	1 121 401
Current portion of unspent conditional grants and receipts	15	1 631 770	12 234 496
Current portion of borrowings	16	2 695 517	406 151
Current portion of finance lease liability	17	1 603 797	1 267 381
Non-current liabilities			
Non-current unspent conditional grants and receipts	15	-	-
Non-current borrowings	16	7 175 094	1 695 329
Non-current finance lease liability	17	1 145 603	2 765 566
Non-current provisions	18	4 674 919	4 328 627
Total liabilities		60 290 171	70 259 656
Net assets		300 437 033	274 147 402
NET ASSETS			
Accumulated surplus / (deficit)		300 437 033	274 147 402
Total net assets		300 437 033	274 147 402

Sunday's River Valley Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue			
Property rates	19	12 411 890	8 801 215
Property rates - penalties imposed and collection charges	19	-	-
Service charges	20	34 985 575	18 463 698
Rental of facilities and equipment	21	66 416	61 613
Interest earned - external investments	22	286 863	233 431
Interest earned - outstanding receivables	23	5 144 598	3 357 602
Fines		1 572 573	3 231 104
Licenses and permits		2 650 420	1 745 996
Government grants and subsidies	24	56 074 987	50 348 834
Other income	25	2 681 687	2 225 061
Total revenue		115 875 010	88 468 553
Expenses			
Employee related costs	26	24 883 870	24 139 119
Remuneration of councilors	27	2 896 259	2 745 083
Bad debts impairment		13 029 287	17 496 500
Depreciation and amortisation expense	28	17 270 161	17 188 567
Repairs and maintenance		2 811 026	2 710 101
Finance costs	29	1 548 019	1 946 100
Bulk purchases	30	9 207 456	7 622 221
Grants and subsidies expensed	32	5 232 534	5 274 542
General expenses	33	12 360 476	12 246 452
Total expenses		89 239 088	91 368 685
Profit / (loss) on fair value adjustment	35	(346 292)	(878 627)
Surplus / (deficit) for the period		26 289 631	(3 778 759)

Sunday's River Valley Municipality
STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2011

	R	R	R
	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June 2009			
Correction of prior period error		(14 474 111)	(14 474 111)
Reclassification, Corrections of Prior Year Errors and Directive 4		3 906 400	3 906 400
		288 493 873	288 493 873
			-
Restated balance at 30 June 2009	-	277 926 161	277 926 161
Surplus / (deficit) for the period		(3 778 759)	(3 778 759)
Balance at 30 June 2010	-	274 147 402	274 147 402
Surplus / (deficit) for the period		26 289 631	26 289 631
Balance at 30 June 2011	-	300 437 033	300 437 033

Sunday's River Valley Municipality
CASH FLOW STATEMENT
as at 30 June 2011

	Note	2011 R	2010 R
CASH GENERATED BY OPERATIONS	36	14 323 054	26 058 797
Interest income		5 431 461	3 591 032
Finance costs		(1 548 019)	(1 946 100)
		18 206 497	27 703 729
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(25 064 421)	(40 068 050)
Proceeds from sale of fixed assets		-	-
Other			
Net cash flows from investing activities		(25 064 421)	(40 068 050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) borrowings and finance lease liability		6 485 584	824 862
Net cash flows from financing activities		6 485 584	824 862
Net increase / (decrease) in net cash and cash equivalents		(372 341)	(11 539 458)
Net cash and cash equivalents at beginning of period		746 599	12 286 058
Net cash and cash equivalents at end of period	37	374 259	746 599

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

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.

The municipality has been placed under administration. Section 139 (1) b of the Constitution has been invoked.

A financial recovery plan was adopted by Council in March 2010.

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 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of non-cash-generating assets - issued March 2009
- 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 25 Employee Benefits - issued November 2009
- GRAP 26 Impairment of cash-generating assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

2.2 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.

2.3 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	Years	Other	Years
Roads and Paving	10-30	Buildings	30
Electricity - Meters	20	Specialist vehicles	5-20
Electricity	10-30	Other vehicles	5-7
Water	15-20	Office equipment	3-5
Sewerage	15-20	Furniture and fittings	7-10
		Specialised plant and equipment	5-15
		Other items of plant and equipment	5-15
Community		Landfill sites	30
Buildings	30	Computer equipment	3-5
Recreational Facilities	20	Emergency Equipment	5-15
Halls / Clinics	30		
Cemeteries	30		
Libraries	30		
Heritage assets			
Buildings	0		
Paintings and artifacts	0		
Finance lease assets			
Office equipment	3-5		
Other assets	5-7		

2.4 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, licenses, 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.

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	3-5
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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.

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

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:

(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; and

(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 installments 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.

Revenue at fair value 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 licenses and

Revenue at fair value 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 councilors 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 2011

	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS		
<u>Cash and cash equivalents consist of the following:</u>		
Cash on hand	340	340
Cash at bank	(155 030)	(869 061)
	(154 690)	(868 721)
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
First National Bank - Kirkwood Branch - Acc No 6202 549 0856		
Cash book balance at beginning of year	(109 924)	(282 923)
Cash book balance at end of year	(391 025)	(109 924)
Bank statement balance at beginning of year	(109 924)	(285 225)
Bank statement balance at end of year	(162 738)	(109 924)
<u>Current Account (Other Account)</u>		
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	252 340	57 009
Cash book balance at end of year	234 908	252 340
Bank statement balance at beginning of year	159 583	56 615
Bank statement balance at end of year	223 701	159 583
<u>Revolving Credit</u>		
First National Bank - Kirkwood Branch - Acc No 621 1851 5595		
Cash book balance at beginning of year	(1 011 477)	(1 003 314)
Cash book balance at end of year	1 087	(1 011 477)
Bank statement balance at beginning of year	(1 011 477)	(1 003 314)
Bank statement balance at end of year	1 087	(1 011 477)
<u>Cash on hand</u>		
	340	340
Total cash and cash equivalents	236 336	252 680
Total bank overdraft	391 025	1 121 401

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R	
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables			
as at 30 June 2011			
Service debtors			
Rates	19 015 714	(10 749 143)	
Electricity	4 283 380	(3 156 762)	
Water	22 340 772	(20 543 166)	
Sewerage	5 569 742	(4 641 594)	
Refuse	11 890 663	(10 550 847)	
Other	269 796	(124 675)	
	63 370 067	(49 766 186)	
Add: Credit Balances taken to Trade and other payables from exchange transactions	956 319	956 319	
Total	64 326 386	(49 766 186)	
		14 560 200	
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)	
	58 574 013	(56 752 027)	
Add: Credit Balances taken to Trade and other payables from exchange transactions	485 491	485 491	
Total	59 059 504	(56 752 027)	
		2 307 478	
Rates: Ageing			
Current (0 – 30 days)	177 686	(177 434)	
31 - 60 Days	313 616	3 312 377	
61 - 90 Days	245 270	262 537	
91 - 120 Days	277 069	208 907	
121 - 365 Days	18 002 073	11 806 451	
+ 365 Days			
Total	19 015 714	15 412 838	
Electricity, Water and Sewerage: Ageing			
Current (0 – 30 days)	1 539 341	(3 162 299)	
31 - 60 Days	1 494 874	1 848 673	
61 - 90 Days	2 706 876	1 153 644	
91 - 120 Days	1 302 033	900 304	
121 - 365 Days	37 041 432	40 062 096	
+ 365 Days			
Total	44 084 557	40 802 418	
Other Debtors: Ageing			
Current (0 – 30 days)	(11 205)	(13 494)	
31 - 60 Days	3 745	14 163	
61 - 90 Days	3 745	15 037	
91 - 120 Days	3 523	13 927	
121 - 365 Days	269 989	2 329 124	
+ 365 Days			
Total	269 796	2 358 757	
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2011			
Current (0 – 30 days)	960 658	553 471	191 693
31 - 60 Days	1 383 083	203 167	225 986
61 - 90 Days	2 469 920	189 846	296 125
91 - 120 Days	1 153 716	195 434	233 474
121 - 365 Days	46 233 787	1 612 991	7 466 716
+ 365 Days			
Total debtors by customer classification	52 201 163	2 754 909	8 413 994
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 2011

	2011 R	2010 R
2 Reconciliation of the doubtful debt provision		
Balance at beginning of the year	56 752 027	41 764 821
Contributions to provision	15 685 969	14 987 206
Doubtful debts written off against provision	(22 671 810)	-
Balance at end of year	49 766 186	56 752 027
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Traffic Fines	13 275 750	12 140 040
Less: Provision for doubtful debts (Traffic Fines)	(9 131 887)	(11 788 569)
Net Traffic Fines	4 143 863	351 471
Other debtors	1 818 596	1 464 636
Transfer of credit balance to trade and other payables	7 688	513 035
Transfer of credit balance from trade and other payables	24 726 978	28 112 959
Non-current unspent conditional grants and receipts	56 929	-
Total Other Debtors	30 754 054	30 442 100
4 INVENTORIES		
Inventories:	199 692	88 638
Consumable stores - at cost	183 618	70 005
Water	16 075	18 632
5 INVESTMENTS		
Call investments	528 949	1 615 321
	528 949	1 615 321
See Appendix G for a detailed list of investments.		
6 NON-CURRENT RECEIVABLES		
Afrikaanse Christelike Vroue Vereeniging	59 196	62 364
	59 196	62 364
Less : Current portion transferred to current receivables	(3 168)	(3 168)
Other non-current receivables	(3 168)	(3 168)
Total	56 028	59 196

The above loan is unsecured, bears interest at 5% per annum and is repayable in half yearly instalments of R3,123

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

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	R	R	R	R	R	R	R	R
as at 1 July 2010	59 174 943	23 106 982	205 748 625	627 295	-	5 395 297	2 795 769	296 848 910								
Cost/Revaluation	59 174 943	26 017 019	233 048 113	806 522	-	7 191 297	3 666 423	329 904 316								
Accumulated depreciation and impairment losses	-	(2 910 037)	(27 299 488)	(179 227)	-	(1 796 000)	(870 654)	(33 055 406)								
Acquisitions	-	205 914	86 847	-	-	719 146	-	1 011 908								
Capital under Construction Opening Balance	-	-	(34 451 036)	-	-	-	-	(34 451 036)								
Capital under Construction	-	-	57 323 058	-	-	-	-	57 323 058								
Depreciation	-	(1 456 014)	(13 689 926)	(89 614)	-	(1 091 877)	(591 558)	(16 918 989)								
Carrying value of disposals	-	-	-	-	-	-	-	-								
Cost/Revaluation	-	-	-	-	-	-	-	-								
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-								
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-								
Transfers	-	-	-	-	-	-	-	-								
Other movements*	-	-	-	-	-	-	-	-								
as at 30 June 2011	59 174 943	21 856 883	215 017 568	537 681	-	5 022 565	2 204 210	303 813 851								
Cost/Revaluation	59 174 943	26 222 933	256 006 982	806 522	-	7 910 443	3 666 423	353 788 246								
Accumulated depreciation and impairment losses	-	(4 366 050)	(40 989 414)	(268 841)	-	(2 887 878)	(1 462 212)	(49 974 395)								

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

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

	Land		Buildings		Infrastructure		Community		Heritage		Other Assets		Finance lease assets		Total	
	R		R		R		R		R		R		R		R	
as at 1 July 2009	59 174 943		23 912 001		182 444 942		716 908		-		6 170 033		1 200 088		273 618 915	
Cost/Revaluation	59 174 943		25 367 019		196 079 824		806 522		-		6 928 775		1 479 184		289 836 267	
Accumulated depreciation and impairment losses	-		(1 455 018)		(13 634 882)		(89 614)		-		(758 743)		(279 096)		(16 217 352)	
Acquisitions	-		650 000		2 517 253		-		-		262 521		2 187 239		5 617 013	
Capital under Construction	-		-		34 451 036		-		-		-		-		34 451 036	
Depreciation	-		(1 455 018)		(13 664 606)		(89 614)		-		(1 037 258)		(591 558)		(16 838 054)	
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	59 174 943		23 106 982		205 748 625		627 295		-		5 395 297		2 795 769		296 848 910	
Cost/Revaluation	59 174 943		26 017 019		233 048 113		806 522		-		7 191 297		3 666 423		329 904 316	
Accumulated depreciation and impairment losses	-		(2 910 037)		(27 299 488)		(179 227)		-		(1 796 000)		(870 654)		(33 055 406)	

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

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
8 INTANGIBLE ASSETS		
8.1 Reconciliation of carrying value		
	Computer Software	Total
	R	R
as at 1 July 2010	536 856	536 856
Cost	1 073 713	1 073 713
Accumulated amortisation and impairment losses	(536 856)	(536 856)
Acquisitions	1 180 491	1 180 491
Amortisation	(269 088)	(269 088)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2011	1 448 260	1 448 260
Cost	2 254 204	2 254 204
Accumulated amortisation and impairment losses	(805 944)	(805 944)
8.1 Reconciliation of carrying value		
	Computer Software	Total
	R	R
as at 1 July 2009	805 285	805 285
Cost	1 073 713	1 073 713
Accumulated amortisation and impairment losses	(268 428)	(268 428)
Acquisitions	-	-
Amortisation	(268 428)	(268 428)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2010	536 856	536 856
Cost	1 073 713	1 073 713
Accumulated amortisation and impairment losses	(536 856)	(536 856)

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
9 INVESTMENT PROPERTY CARRIED AT COST		
9.1 Reconciliation of carrying value		
as at 1 July 2010	4 180 209	4 180 209
Cost	4 344 380	4 344 380
Accumulated depreciation and impairment losses	(164 170)	(164 170)
Acquisitions	-	-
Depreciation	(82 085)	(82 085)
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
as at 30 June 2011	4 098 124	4 098 124
Cost	4 344 380	4 344 380
Accumulated depreciation and impairment losses	(246 256)	(246 256)
9.2 Reconciliation of carrying value		
as at 1 July 2009	4 262 295	4 262 295
Cost	4 344 380	4 344 380
Accumulated depreciation and impairment losses	(82 085)	(82 085)
Acquisitions	-	-
Depreciation	(82 085)	(82 085)
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
as at 30 June 2010	4 180 209	4 180 209
Cost	4 344 380	4 344 380
Accumulated depreciation and impairment losses	(164 170)	(164 170)
9.3 Investment property pledged as security	None	None

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	25 544 257	16 927 670
Payments received in advance	29 522	29 522
Transfer of credit balances from Other receivables from non-exchange transactions	7 688	513 035
Transfer of credit balances from Trade and other receivables from exchange transactions	956 319	485 491
Transfer of debit balances from Housing receivable	24 726 978	28 112 959
Other creditors	(17 769 528)	(24 897 760)
Total creditors	33 495 235	21 170 917

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

11 CONSUMER DEPOSITS		
Electricity and Water	210 560	208 140
Other	350	137
Total consumer deposits	210 910	209 277

12 VAT PAYABLE		
VAT payable / provision	4 436 529	4 114 783

13 VAT RECEIVABLE		
VAT receivable	(5 028 541)	(8 072 502)

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 PROVISIONS		
Provision for leave	2 227 564	2 491 657
Staff bonuses	602 209	434 794
Housing project payments	-	17 619 278
Former employee settlements	0	400 000
Total Provisions	2 829 773	20 945 728

Bonus

This provision is in respect of short term liability relating to bonuses payable to employees.

Provision for leave

This provision is in respect of short term liability relating to leave payable to employees.

Housing project payments

This provision in respect of housing creditors has been made. All municipality housing project were under investigation by Provincial Government. The final forensic report has not been release to the municipality. The date on which the report will be issued could not be established. The actual obligation could not be established.

Former employee settlements

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. This amount was settled during the 2011 financial year.

The movement in current provisions are reconciled as follows: -

	Bonus (staff and long service)	Provision for leave
as at 1 July 2010	434 794	2 491 657
Contributions to provision / (expenditure)	167 415	(264 093)
as at 30 June 2011	602 209	2 227 564
as at 1 July 2009	2 491 657	905 142
Contributions to provision / (expenditure)	(2 056 863)	1 586 515
as at 30 June 2010	434 794	2 491 657

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
15.1 Unspent Conditional Grants from other spheres of Government		
Department of Water Affairs Grant	114 842	1 038 106
Finance Management Grant	0	0
The IDP Grant	286 671	1 009
Local Economical Development Grant	53 000	
Municipal Infrastructure Grant	(56 929)	9 876 136
Municipal Systems Improvement Grant	-	-
Other Grants	1 177 258	1 319 245
<hr/>		
Transfer of funds with Debit balances to Other Receivables from Non-Exchange transactions	56 929	-
<hr/>		
Total Unspent Conditional Grants and Receipts	1 631 771	12 234 496
<hr/>		
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	1 631 770	12 234 496
<hr/>		
16 BORROWINGS		
Department of Water Affairs	7 904 880	-
Development Bank of South Africa	1 965 731	2 101 480
<hr/>		
	9 870 611	2 101 480
<hr/>		
<u>Less : Current portion transferred to current liabilities</u>	<u>(2 695 517)</u>	<u>(406 151)</u>
Department of Water Affairs	(2 308 733)	-
Development Bank of South Africa	(386 784)	(406 151)
<hr/>		
Total borrowings	7 175 094	1 695 329
<hr/>		

Refer to Appendix A for more detail on borrowings.

In terms of the DBSA loan agreement the DBSA loan must be secured by an investment of at least R600 000 at all times during the period. The municipality has not secured the required investment.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
17 FINANCE LEASE LIABILITY		
2011		
	Minimum lease payment	Future finance charges
Amounts payable under finance leases	R	R
Within one year	1 983 094	311 379
Within two to five years	1 145 603	67 919
	<u>3 128 697</u>	<u>379 297</u>
Less: Amount due for settlement within 12 months (current portion)		<u>(1 603 797)</u>
		<u>1 145 603</u>

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.

	Minimum lease payment	Future finance charges	Present value of minimum lease payments
	R	R	R
2010			
Amounts payable under finance leases			
Within one year	1 685 244	523 810	1 161 435
Within two to five years	3 250 810	379 297	2 871 513
	<u>4 936 055</u>	<u>903 107</u>	<u>4 032 947</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(1 267 381)</u>
			<u>2 765 566</u>

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.

18 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	4 674 919	4 328 627
Provision for long-service awards	-	-
Total Non-Current Provisions	<u>4 674 919</u>	<u>4 328 627</u>

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	4 328 627	3 450 000
Contributions to provision	346 292	878 627
Balance at the end of year	<u>4 674 919</u>	<u>4 328 627</u>

19 PROPERTY RATES

Actual		
Residential	1 764 974	1 579 693
Commercial	993 659	914 758
Farms	4 674 645	3 223 596
State	4 978 612	3 083 168
Total property rates	<u>12 411 890</u>	<u>8 801 215</u>
Property rates - penalties imposed and collection charges	-	-
Total	<u>12 411 890</u>	<u>8 801 215</u>

Valuations

Residential	2 998 511 419	2 865 519 211
Commercial	71 885 782	65 108 482
State	40 160 300	30 125 900
Exempt	113 515 351	64 655 357
Total Property Valuations	<u>3 224 072 852</u>	<u>3 025 408 950</u>

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.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
20 SERVICE CHARGES		
Sale of electricity	12 752 202	9 744 337
Sale of water	17 049 077	3 980 846
Refuse removal	3 529 737	3 254 289
Sewerage and sanitation charges	1 654 559	1 484 226
Total Service Charges	34 985 575	18 463 698
21 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	66 416	61 013
Rental of equipment	-	600
Total rentals	66 416	61 613
See note 48 for details of all operating lease		
22 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	286 863	233 431
Total interest	286 863	233 431
23 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Consumers	5 141 519	3 354 370
Long Term Debtors	3 079	3 232
Total interest	5 144 598	3 357 602
24 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	25 709 689	20 232 384
MIG Grant	11 511 805	18 827 789
MSIG	1 078 159	1 264 389
Finance Management Grant	1 334 600	1 500 000
Subsidy - Health	1 090 842	2 365 956
Subsidy - Cacadu District Municipality	1 018 805	738 654
Other Government Grants and Subsidies	14 331 088	5 419 661
Total Government Grant and Subsidies	56 074 987	50 348 834
24.1 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.		
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
25.1 Other income	2 681 687	2 225 061
Total Other Income	2 681 687	2 225 061
26 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	16 886 757	16 097 899
Employee related costs - Contributions for UIF, pensions and medical aids	4 030 489	4 170 510
Travel, motor car, accommodation, subsistence and other allowances	1 376 529	1 835 281
Overtime payments	1 180 227	1 203 003
Performance and other bonuses	-	-
Long-service awards	-	377 718
Other employee related costs	1 409 869	454 708
Total Employee Related Costs	24 883 870	24 139 119
There were no advances to employees / Loans to employees are set out in note 3.		
Remuneration of the Municipal Manager		
Annual Remuneration	-	443 033
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	33 000
Contributions to UIF, Medical and Pension Funds	-	767
Total	-	476 800

The Municipality is under administration and the acting Municipal Manager was paid by the Department of Local Government

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
Remuneration of the Chief Finance Officer		
Annual Remuneration	497 146	512 715
Performance- and other bonuses	-	
Travel, motor car, accommodation, subsistence and other allowances	96 802	83 349
Contributions to UIF, Medical and Pension Funds	1 546	1 497
Total	595 494	597 561

	Technical Services R	Corporate Services R	Community Services R
2011			
Annual Remuneration	-	443 986.2	518 038
Performance- and other bonuses	-	-	
Travel, motor car, accommodation, subsistence and other allowances	-	64 219	72 000
Contributions to UIF, Medical and Pension Funds	-	61 546	1 546
Total	-	569 751	591 584

The Technical Services position was vacant during the year

	Technical Services R	Corporate Services R	Community Services R
2010			
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

27 REMUNERATION OF COUNCILLORS

Executive Mayor	316 497	269 891
Councillors	1 521 862	1 439 288
Councillors' pension and medical aid contributions	116 821	129 827
Councillors' allowances	941 079	906 077
Total Councillors' Remuneration	2 896 259	2 745 083

28 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	16 918 989	16 838 054
Intangible assets	269 088	268 428
Investment property carried at cost	82 085	82 085
Total Depreciation and Amortisation	17 270 161	17 188 567

29 FINANCE COSTS

Borrowings	714 389	737 117
Bank overdrafts	833 630	1 208 983
Total Finance Costs	1 548 019	1 946 100

30 BULK PURCHASES

Electricity	8 828 829	7 243 418
Water	378 627	378 803
Total Bulk Purchases	9 207 456	7 622 221

31 CONTRACTED SERVICES

Contracted services for:
Cash Management - Kirkwood Cash in Transit CC

32 GRANTS AND SUBSIDIES PAID

Grant expenses - Subsidy assessment rates	477	(602)
Grant expenses - Financial management	839 763	1 500 000
Grant expenses - Subsidy water	1 483 973	811 625
Grant expenses - Subsidy refuse	1 218 337	262 240
Grant expenses - Subsidy sewerage	286 812	88 910
Expenditure charged against conditional grants	1 403 173	2 612 369
	5 232 534	5 274 542

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
33 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	221 222	62 665
Admin fees	-	
Audit fees	1 990 327	1 601 832
Bank charges	210 652	162 187
Cleaning	4 953	
Conferences and delegations	70 866	1 602
Connection charges	-	
Consulting fees	524 681	160 101
Consumables	339 173	30 101
Departmental consumption	1 480 960	1 403 483
Entertainment	69 610	216 829
Fuel and oil	1 019 544	1 065 918
Insurance	535 162	392 332
Legal expenses	472 749	1 721 508
Levies paid	130 325	50 449
License fees	52 927	12 437
Membership fees	-	
Printing and stationery	687 143	280 975
Professional fees	14 202	
Rental of buildings	-	
Rental of office equipment	658 994	178 540
Commission paid	82 666	1 601 866
Security costs	116 640	101 271
Stocks and material	747 561	967 101
Subscription & publication	90 714	16 493
Telephone cost	867 161	973 630
Training	282 915	95 213
Travel and subsistence	869 415	403 101
Uniforms & overalls	109 335	119 558
Other	710 577	627 256
	12 360 476	12 246 452
34 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	-	
Total Gain / (Loss) on Sale of Assets	-	-
35 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Other non-current financial liabilities	346 292	878 627
Total Profit / (Loss) on Fair Value Adjustment	346 292	878 627
36 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	26 289 631	(3 778 759)
<u>Adjustment for:-</u>		
Depreciation and amortisation	17 270 161	17 188 567
Contribution to provisions - current	(18 115 956)	17 702 645
Finance costs	1 548 019	1 946 100
Fair value adjustments	346 292	878 627
Interest earned	(5 431 461)	(3 591 032)
Other non-cash item	-	7 807 221
Operating surplus before working capital changes:	21 906 686	38 153 368
(Increase)/decrease in inventories	(111 055)	(70 005)
(Increase)/decrease in trade receivables	(12 252 722)	(173 843)
(Increase)/decrease in other receivables	(311 954)	(7 840 216)
(Increase)/decrease in non current receivables	3 168	3 016
(Increase)/decrease in VAT receivable	3 043 960	(6 375 994)
Increase/(decrease) in conditional grants and receipts	(10 602 726)	(7 373 335)
Increase/(decrease) in trade payables	12 324 318	9 929 619
Increase/(decrease) in consumer deposits	1 633	(5 990)
Increase/(decrease) in VAT payable	321 746	(187 823)
Other asset	-	
Other liability	-	
Cash generated by/(utilised in) operations	14 323 054	26 058 797

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
37 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	236 336	252 680
Investments	528 949	1 615 321
Bank overdrafts	(391 025)	(1 121 401)
Net cash and cash equivalents (net of bank overdrafts)	374 259	746 600

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Bad debts provision	29 287	10 476 186
Bulk purchases	453 601	1 160 225
Depreciation	10 645 161	-
Employee related costs	-	980 197
Finance costs	842 626	998 051
Grants and subsidies paid	-	668 056
Remuneration of councillors	-	266 062
Unauthorised expenditure awaiting authorisation	11 970 675	14 548 777

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	1 597 762	-
Fruitless and wasteful expenditure current year	1 196 644	1 597 762
Condoned or written off by Council	(1 395 871)	-
To be recovered – contingent asset (see note 40)	-	-
Fruitless and wasteful expenditure awaiting condonement	1 398 535	1 597 762

The following is a list of Fruitless and wasteful expenditure incurred during the year:

Penalties and interest SARS	605 060	23 942
Legal and employee costs - SC Sohana	-	100 000
Employee costs - NK Singato	-	750 000
Legal and employee costs - HE Nagel	-	371 596
Employee costs - LSK Roji	591 584	66 768
Excess Finance costs on leases - Alcani 708 CC	-	174 275
Fleet Management - Vuku Asset Management	-	111 181
	1 196 644	1 597 762

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government

Opening balance	195 194	161 175
Council subscriptions	130 325	117 896
Amount paid - current	-	-
Amount paid - previous years	(85 960)	(83 877)
Balance unpaid (included in payables)	239 559	195 194

39.2 Audit fees

Opening balance	1 158 639	59 680
Current year audit fee	2 270 286	1 158 639
Amount paid - current year	(898 625)	-
Amount paid - previous years	(1 158 639)	(59 680)
Balance unpaid (included in payables)	1 371 660	1 158 639

The balance unpaid represents the audit fee for the audit conducted during 2010 and is payable in full.

39.3 VAT

VAT input receivables and VAT output payables are shown in note 18. All VAT returns up to May 2011 have been submitted. The remaining VAT returns are still outstanding.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
39.4 PAYE and UIF		
Opening balance	2 250 501	331 980
Current year payroll deductions	2 895 549	2 772 011
Penalties and Interest	605 060	230 543
Amount paid - current year	-	(1 084 033)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	5 751 111	2 250 501

The balance represents outstanding PAYE and UIF for the period December 2009 to June 2011.

39.5 Pension and Medical Aid Deductions		
Opening balance	271 736	-
Current year payroll deductions and Council Contributions	5 711 339	5 111 351
Amount paid - current year	(5 277 289)	(4 839 615)
Amount paid - previous years	(271 736)	-
Balance unpaid (included in payables)	434 050	271 736

The balance represents pension and medical aid contributions deducted from employees in the June 2011 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2011.

39.6 Councilor's arrear consumer accounts

The following Councilors had arrear consumer accounts outstanding for more than 90 days as at:-	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2011			
Cllr NG Hawu	1 388	1 388	-
Cllr JS Delpont	1 854	452	1 402
Cllr BAM Finnis	16 175	231	15 944
Cllr F Adams	1 306	664	642
Cllr JS Delpont	9 838	-	9 838
Cllr I Manene	5 730	200	5 530
Cllr G Wagenaar	9 300	281	9 020
Cllr ZA Lose	940	46	894
Cllr MW Kebe	14 787	254	14 533
Cllr BC Snoek	7 167	183	6 984
Cllr K Smith	728	728	-
Cllr Z Qusheka	6 710	151	6 558
Cllr PR Blou	4 235	206	4 029
Total Councilor Arrear Consumer Accounts	80 157	4 784	75 374

39.7

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.

The municipality did not comply with Section 11(4) of the MFMA.

40 CAPITAL COMMITMENTS

40.1 Commitments in respect of capital expenditure

PROJECT

Approved and contracted for:

Moses Mabida Waterborne sewerage	142 366	3 507 324
Emsengeni conversion of VIP toilets to waterborne	288 969	2 870 441
Enon/ Bersheba : Upgrade of Bulk Water Supply	975 498	
Enon Bersheba Upgrade of Waste Water Treatment Works	5 326 292	
Addo upgrade of water supply	7 808 767	

Approved but not yet contracted for:

Enon & Bersheba Upgrading of Water Supply		3 278 000
Enon & Bersheba upgrading of WWTW		3 672 585
Bersheba pump station and outfall	725 000	725 000
Addo Wastewater Treatment works	944 100	
Upgrading of Gravel Roads	3 102 809	

Total	19 313 800	14 053 350
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Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	19 313 800	14 053 350
- Own resources	-	-
- District Council Grants	-	-
	19 313 800	14 053 350

41 CONTINGENT LIABILITY

The Municipality has been issued with an 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 an 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 a G.P Van Rhyn, Minaar & Kie for damages in respect of the construction of 50 units. Council is contesting the claim based on legal advice. The contingent liability is estimated to be R2 801 754. No settlement amount has been determined.

The Municipality is being sued by a Silas and Van Loggerenberg for loss of profits in respect of an incorrectly laid sewerage pipe through a private property. Council is contesting the claim based on legal advice. The contingent liability is estimated to be R557 019. No settlement amount has been determined.

The Environment Conservation Act (Act 73 of 1989) states that "any person who fails to comply with a condition of a permit permission, authorization or direction issued or granted under the said provisions shall be guilty of an offence and liable on conviction to a fine not exceeding R5 million or to imprisonment for a period not exceeding five years". The minimum requirements are not being met.

42 CONTINGENT ASSET

None

43 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description
Secondment of DBSA staff to the municipality

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

44 RELATED PARTIES

Related party transactions

The following transactions were concluded with related parties:

Councillors

<u>Details</u>	<u>Business interest</u>	<u>Transactions amount</u>
Zolile Andrew Lose	Mayibuye Ndlovu Development Trust (S21 company)	-

The municipality is currently considering entering into a SLA with Mayibuye Ndlovu Dev Trust as a facilitating agent for local economic development. The contract has not been signed yet and still needs to be approved by Council

The following councillors have not made the appropriate disclosures of business interests in the Declaration of Interest Register:

Councillors

<u>Details</u>	<u>Business interest</u>	<u>In Register of Interest</u>
Philip John Frost	Soundpros 1015	No
Anthony Dancy	River Queen Trading 73	No
Henry Jantjies	E and B Agriculture	No
Henry Jantjies	Ebron Building Construction	No

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
45 EVENTS AFTER THE REPORTING DATE		
The overdraft facility was repaid in full		

46 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

	<u>Nature</u>	<u>Carrying amount</u>
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	Fair rate of return is used when calculating the provision.	4 674 919
Provision for doubtful debts	The provision is subject to estimates used and historical trends.	49 766 186

The following areas involved judgments, 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:

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	Provisions bases on assessments done by professional consultants	see above
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47 RISK MANAGEMENT

47.1 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	528 949	1 615 321
Trade and other receivables	14 560 200	2 307 478

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

47.2 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.

47.3 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

48 RECLASSIFICATION, CORRECTION OF PRIOR YEAR ERRORS AND DIRECTIVE 4 AMENDMENTS

	<u>Previously Reported</u>	<u>Restated Value</u>	<u>Adjustment</u>
48.1 The following restatements were made to the carrying value of the below:			
Statement of Financial Position:			
Other receivables from non-exchange transactions	16 814 756	30 442 100	13 627 344
Inventories	-	88 638	88 638
VAT receivable	10 561 651	8 072 502	(2 489 149)
Property, plant and equipment	43 986 437	296 848 910	252 862 473
Trade and other payables from exchange transactions	(19 746 522)	(21 170 917)	(1 424 395)
Current provisions	(20 515 913)	(20 945 728)	(429 816)
Current portion of unspent conditional grants and receipts	(15 523 371)	(12 234 496)	3 288 875
	15 577 038	281 101 008	265 523 970

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Statement of Financial Performance:	2011	2010
	R	R
	<u>Previously Reported</u>	<u>Restated Value</u>
		<u>Adjustment</u>
Fines	(1 794 204)	(3 231 104)
Employee related costs	23 679 136	24 139 119
Bad debts impairment	16 101 200	17 496 500
Depreciation and amortisation expense	-	17 188 567
Repairs and maintenance	2 730 101	2 710 101
Finance costs	1 715 557	1 946 100
General expenses	11 811 107	12 246 452
	54 242 898	72 495 735
		18 252 837

48.2 The following account balances were reclassified to Trade and Other Payables

None

Debit / (Credit)

48.3 The following prior year adjustments were made:

Statement of Financial Position:

Accumulated surplus

/ (deficit)

VAT Receivable

VAT Receivable

(2 489 149)

Current portion of unspent conditional grants and receipts

Tyatyambo restate Creditors

Fitilon restate Creditors

Newington restate Creditors

Matemba restate Trade Creditors

URSA CIVILS CORRECT Creditors

Upahla roofing corr Creditors

FITILON PMNT Creditors

Restatement MIG Cond Grants

PATERSON BULK RESTAT Cond Grants

MIG

835 276

Paterson Bucket

2 422 492

Paterson Bulk

83

3 257 851

Property, plant and equipment

Restatement of Property, Plant and Equipment - 1 July 2009 (See note 48.4)

278 686 494

Correction of prior years at cost 2010 (See note 48.5)

(43 986 437)

Restatement of prior years additions (See note 48.5)

5 617 014

Work in Progress 2010 (See note 48.5)

34 451 036

Accumulated Depreciation - 2010

(17 188 567)

Depreciation - 2010

17 188 567

274 768 107

Trade and other payables from exchange transactions

Correction of trade payables for payables incorrectly raised

(831 705)

Housing Creditors

13 762 408

Correction of other creditors - PAYE and salary control

(592 690)

Commission paid

546 829

Printing and Stationary

(41 479)

Repairs and Maintenance

(20 000)

Penalties and Interest SARS

230 543

VAT

Payroll Taxes

30 167

13 084 073

Other receivables from non-exchange transactions

ACVV

6 247

Clearing Accounts - Cemetery

38 600

CMIP project

(141 672)

Eskom Deposit

145 140

Directors PAYE

(229 387)

Clearing Accounts - Ward Orientation

6 501

Clearing Accounts - Water

6 703

Clearing Accounts - Kebe

(263)

(168 131)

Inventory

Inventory - 1 July 2009

18 632

Inventory - Movement 2010

70 005

Consumables

(70 005)

18 632

Other receivables from non-exchange transactions

Traffic Fine Debtors - 2009

6 656 248

Provision for doubtful debts (Traffic Fines) - 2009

(6 633 757)

Traffic Fine Debtors - 2010

1 436 900

Provision for doubtful debts (Traffic Fines) - 2010

(1 395 300)

Traffic Fine Income

(1 436 900)

Provision for doubtful debts (Traffic Income)

1 395 300

22 490

Provisions

Provisions for Bonuses

(429 816)

Employee related costs

429 816

Taken against Accumulated surplus / (deficit)

288 493 873

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

48.4 Restated asset balances per Directive 4

The following classes of Property, Plant and Equipment were restated as at 1 July 2009 to meet the requirements as set out in Directive 4.

	2011 R	2010 R
	<u>At Cost 1 July 2009</u>	<u>Accumulated Depreciation 1 July 2009</u>
		<u>Restated Carrying amount adjustment 1 July 2009</u>
Land		
Land	59 174 943	59 174 943
Landfill Sites	-	-
Buildings	25 367 019	(1 455 018)
Infrastructure		
Roads	68 202 214	(4 142 455)
Sewerage Mains & Purification	45 897 199	(1 476 701)
Electricity	14 419 772	(775 794)
Water Mains & Purification	63 548 559	(6 345 129)
Solid Waste	4 012 081	(894 802)
Community Assets		
Cemeteries	806 522	(89 614)
Heritage Assets		
Historical Buildings	-	-
Paintings & Artifacts	-	-
Other Assets		
Furniture & Fittings	2 406 876	(299 290)
Motor vehicles	2 739 829	(204 763)
Machinery and Equipment	753 569	(68 636)
Computer Equipment	1 028 501	(186 053)
Finance Lease Assets		
Office Equipment and Motor Vehicles	1 479 184	(279 096)
Intangible Assets	1 073 713	(268 428)
Investment Property	4 344 380	(82 085)
Taken against Accumulated surplus / (deficit)	295 254 359	(16 567 866)

48.5 Correction of Error in prior years Property, Plant and Equipment's additions

	<u>At Cost per 2010 AFS</u>	<u>Fair stated additions and Work in Progress</u>	<u>Carrying amount adjustment</u>
Land			
Land		-	-
Landfill Sites		-	-
Buildings	2 150 000	650 000	(1 500 000)
Infrastructure			
Roads		-	-
Sewerage Mains & Purification	20 776 156	23 203 861	2 427 705
Electricity		-	-
Water Mains & Purification	14 943 757	13 764 428	(1 179 329)
Solid Waste		-	-
Community Assets			
Cemeteries		-	-
Heritage Assets			
Historical Buildings		-	-
Paintings & Artifacts		-	-

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
<u>At Cost per 2010 AFS</u>	<u>Fair stated additions and Work in Progress</u>	<u>Carrying amount adjustment</u>
Other Assets		
Furniture & Fittings	105 496	(82 422)
Motor vehicles	2 187 239	(2 187 239)
Machinery and Equipment	2 760 479	(2 718 613)
Computer Equipment	508 008	(310 426)
Other Assets	555 302	(555 302)
Finance Lease Assets		
Office Equipment and Motor Vehicles	2 187 239	2 187 239
Taken against Accumulated surplus / (deficit)	43 986 437	(3 918 387)

49 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)

50 OPERATING LEASES

At the reporting date the entity has the following operating leases:

<u>Lessee Name, address and property description</u>	<u>Lease Period</u>	<u>Rental Payable</u>
Sundays River Women's Inst. PO Box 203, Addo, 6105 Prt of Farm Commando Kraal Valentine Hall and Surrounding Area	1 September 1975 to 31 August 2074 Date of Renewal - 1 June 2074	R 1 per Annum Escalation - No
MTN Private Bag X30, Benmore, 2010 Erf 372, Kirkwood	1 April 2004 to 28 February 2014 Date of Renewal - 1 December 2013	R 969 per Month Escalation - CPI (Max 10%)
Department of Roads Private Bag X6014, Port Elizabeth, 6000 Erf 930, Kirkwood (WDC Camp)	1 April 2005 to indefinite Date of Renewal - Indefinite	R 1 710 per Quarter Escalation - 10%
Bruinjies JL 40B Mark Street, Kirkwood 40B Mark Street, Kirkwood	10 February 2006 to termination of employment Date of Renewal - Month to Month	6% of Basic Salary Escalation - 10%
Department of Public Works Private Bag X3913, Port Elizabeth, 6000 Nomathamsanqa rent office, 2296 Main Road, Addo	01 November 2006 to 31 October 2011 Date of Renewal - 1 August 2011	R 1 140 per month Escalation - 8%
Nompondo FF 44A Mark Street, Kirkwood 44A Mark Street, Kirkwood	1 November 2007 to termination of employment Date of Renewal - Month to Month	6% of Basic Salary Escalation - 10%
Mayana TP 20 Kirkwood Street, Paterson 20 Kirkwood Street, Paterson	1 June 2004 to termination of employment Date of Renewal - Month to Month	6% of Basic Salary Escalation - 10%
Sentech Private Bag X06, Honeydew, 2040 Erf 372, Kirkwood	1 February 2008 to 31 January 2018 Date of Renewal - 1 December 2017	R 10 per Annum Escalation - No
Cacadu District Municipality PO Box 313, Port Elizabeth, 6000 115 Griffith Street, Paterson	1 January 2003 to 31 December 2014 Date of Renewal - 1 November 2014	R 1 per Month Escalation - No
Department of Public Works Private Bag X3913, North End, Port Elizabeth, 6056 9 Dwellings for SAPS, Moses Mabida, Kirkwood	1 November 2008 to 31 March 2009 Council Resolution - 17 June 2009 and approved tariffs for 2010/11 approved on 30 May 2010 Date of Renewal - Contract expired	Per resolution - R425 per dwelling or R3 825 for 9 dwellings Escalation - TBA

Sunday's River Valley Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2010		Received during the period		Redeemed / written off during the period		Balance at 30 June 2011		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R	R	R		
LONG-TERM LOANS												
DBSA - Swimming Pool	12058	31 Dec 2012	26 289	-	-	(6 076)	20 213	-	-	-	-	-
DBSA - Traffic Department	100321	31 Mar 2027	1 556 393	-	-	(97 254)	1 459 139	-	-	-	-	-
DBSA - Backhoe	100321	31 Mar 2027	518 798	-	-	(32 418)	486 380	-	-	-	-	-
Department of Water Affairs Finance Leases	Various		4 032 947	7 904 880	-	(1 283 547)	7 904 880	2 749 400	-	-	-	-
TOTAL EXTERNAL LOANS			6 134 427	7 904 880		(1 419 296)	12 620 011					

Sunday's River Valley Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation			Accumulated Depreciation					Carrying Value R					
	Opening Balance R	Additions R	Disposals R	Under Construction Opening Balance R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R		Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R	Other movements R
Land	59 174 943	-	-	-	-	59 174 943	-	-	-	-	-	-	-	59 174 943
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	26 017 019	205 914	-	-	-	26 222 933	(2 910 037)	(1 456 014)	-	-	(4 366 050)	-	-	21 856 883
Infrastructure	68 202 214	-	-	-	-	68 202 214	(8 284 909)	(4 142 455)	-	-	(12 427 364)	-	-	55 774 850
Roads	69 101 060	-	-	(20 686 608)	28 454 311	76 868 764	(2 982 771)	(1 527 047)	-	-	(4 509 817)	-	-	72 368 946
Sewerage Mains & Purification	14 419 772	-	-	(13 764 428)	28 868 747	14 419 772	(1 551 589)	(775 794)	-	-	(2 327 383)	-	-	12 092 388
Electricity	77 312 987	86 847	-	-	-	92 504 153	(12 690 615)	(6 349 828)	-	-	(19 040 443)	-	-	73 463 710
Water Mains & Purification	4 012 081	-	-	-	-	4 012 081	(1 789 604)	(894 802)	-	-	(2 684 406)	-	-	1 327 674
Solid Waste	233 048 113	86 847	-	(34 451 036)	57 323 058	256 006 982	(27 259 488)	(13 688 926)	-	-	(40 989 414)	-	-	215 017 568
Community Assets	806 522	-	-	-	-	806 522	(179 227)	(89 614)	-	-	(268 841)	-	-	537 681
Cemeteries	806 522	-	-	-	-	806 522	(179 227)	(89 614)	-	-	(268 841)	-	-	537 681
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 429 950	56 299	-	-	-	2 486 249	(663 272)	(358 747)	-	-	(1 012 020)	-	-	1 474 230
Furniture & Fittings	2 739 829	93 000	-	-	-	2 832 829	(551 038)	(351 810)	-	-	(902 848)	-	-	1 929 981
Motor vehicles	795 435	418 184	-	-	-	1 213 619	(165 498)	(124 938)	-	-	(290 435)	-	-	923 184
Machinery and Equipment	1 226 083	151 663	-	-	-	1 377 745	(426 192)	(256 382)	-	-	(682 574)	-	-	695 171
Computer Equipment	7 191 297	719 146	-	-	-	7 910 443	(1 796 000)	(1 091 877)	-	-	(2 887 878)	-	-	5 022 565
Finance Lease Assets	3 666 423	-	-	-	-	3 666 423	(870 654)	(591 558)	-	-	(1 462 212)	-	-	2 204 210
Office Equipment and Motor Vehicles	3 666 423	-	-	-	-	3 666 423	(870 654)	(591 558)	-	-	(1 462 212)	-	-	2 204 210
Total	329 904 316	1 011 908	-	(34 451 036)	57 323 058	353 788 246	(33 055 406)	(16 918 988)	-	-	(49 974 396)	-	-	303 813 851

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

	Cost / Revaluation				Accumulated Depreciation					Other movements	Carrying Value		
	Opening Balance	Additions	Disposals	Under Construction Opening Balance	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	R	R	R
Land													
Land	59 174 943					59 174 943							59 174 943
Landfill Sites													
	59 174 943					59 174 943							59 174 943
Buildings													
	25 367 019	650 000				26 017 019	(1 455 018)	(1 455 018)		(2 910 037)			23 108 982
Infrastructure													
Roads	68 202 214					68 202 214	(4 142 455)	(4 142 455)		(8 284 909)			59 917 304
Sewerage Mains & Purification	45 897 199	2 517 253		20 686 608		69 101 060	(1 476 701)	(1 506 069)		(2 982 771)			68 118 289
Electricity	14 419 772			14 419 772		14 419 772	(775 794)	(775 794)		(1 551 589)			12 868 183
Water Mains & Purification	63 548 559			13 764 428		77 312 987	(6 345 129)	(6 345 485)		(12 690 615)			64 622 372
Solid Waste	4 012 081					4 012 081	(894 802)	(894 802)		(1 789 604)			2 222 476
	196 079 824	2 517 253		34 451 036	233 048 113	(13 634 882)	(13 664 606)			(27 299 488)			205 748 625
Community Assets													
Cemeteries	806 522					806 522	(89 614)	(89 614)		(179 227)			627 295
	806 522					806 522	(89 614)	(89 614)		(179 227)			627 295
Other Assets													
Furniture & Fittings	2 406 876	23 074				2 429 950	(299 290)	(353 982)		(653 272)			1 776 678
Motor vehicles	2 739 829					2 739 829	(204 763)	(346 275)		(551 038)			2 188 791
Machinery and Equipment	753 569	41 866				795 435	(68 636)	(96 862)		(165 498)			629 937
Computer Equipment	1 028 501	197 582				1 226 083	(186 053)	(240 139)		(426 192)			799 891
	6 928 775	262 521				7 191 297	(758 743)	(1 037 258)		(1 796 000)			5 395 297
Finance Lease Assets													
Office Equipment and Motor Vehicles	1 479 184	2 187 239				3 666 423	(279 096)	(581 558)		(870 654)			2 795 769
	1 479 184	2 187 239				3 666 423	(279 096)	(581 558)		(870 654)			2 795 769
Total	289 836 267	5 617 013		34 451 036	323 904 316	(16 217 352)	(16 838 054)			(33 055 406)			286 843 910

Sunday's River Valley Municipality
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June 2011

	2011	2011	2011	2011	2011	
	Actual Income	Budget	Variance	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	R	%	
Revenue						
Property rates	12 411 890	13 034 586	(622 696)		-5%	
Service charges	34 985 575	29 282 337	5 703 238		19%	Increase in consumption
Rental of facilities and equipment	66 416	58 653	7 763		13%	More rentals than anticipated during last 6 months of year
Interest earned - external investments	286 863	191 119	95 744		50%	More investments over longer period than anticipated.
Interest earned - outstanding receivables	5 144 598	3 849 446	1 295 152		34%	Due to long outstanding debtors
Fines	1 572 573	410 878	1 161 695		283%	Budget based on cash collections. Increase in traffic debtors
Licenses and permits	2 650 420	2 292 974	357 446		16%	Income from Drivers License Centre
Government grants and subsidies	56 074 987	45 602 379	10 472 608		23%	including indirect grant for Paterson Bulk water which was not included in budget
Other income	2 681 687	1 105 612	1 576 075		143%	VAT income from grants spent more than anticipated
Total revenue	115 875 010	95 827 984	20 047 026		21%	
Expenses						
Employee related costs	24 883 870	25 209 957	(326 087)		-1%	
Remuneration of councilors	2 896 259	2 922 390	(26 132)		-1%	
Bad debts provision	13 029 287	13 000 000	29 287		0%	
Depreciation and amortisation expense	17 270 161	6 625 000	10 645 161		161%	Implementation of Grap 17 & inclusion of infrastructure assets never accounted for before
Repairs and maintenance	2 811 026	3 700 811	(889 785)		-24%	More infrastructure had to be replaced (capital) instead of maintained
Finance costs	1 548 019	705 392	842 626		119%	Including penalties & interest from SARS not budgeted for
Bulk purchases	9 207 456	8 753 855	453 601		5%	
Grants and subsidies paid	5 232 534	5 609 259	(376 725)		-7%	
General expenses	12 360 476	14 802 088	(2 441 611)		-16%	Cashflow constraints
Total expenses	89 239 088	81 328 752	7 910 335		10%	
Profit / (loss) on fair value adjustment	(346 292)		(346 292)		100%	
Surplus / (deficit) for the period	26 289 631	14 499 232	11 790 399		81%	

Sunday's River Valley Municipality
 APPENDIX E (2)
 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
 for the year ended 30 June 2011

	2011	2011	2011	2011	2011	
	Actual / Under Construction	Budget	Variance	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	R	%	
Buildings	205 914	40 000	165 914	0%		Additions approved in business plan of MSIG
Infrastructure						
Sewerage Mains & Purification	7 767 704	10 775 000	(3 007 296)	-28%		Capital Expenditure excludes VAT, Budget included VAT
Water Mains & Purification	15 191 166	3 278 000	11 913 166	363%		Including Paterson Bulk water project (indirect grant not budgeted for)
Other Assets						
Furniture & Fittings	56 299	30 200	26 099	86%		Additions approved in business plan of MSIG
Machinery and Equipment	418 184	364 803	53 381	15%		donated assets not included in budget
Computer Equipment	151 663	10 000	141 663	1417%		Additions approved in business plan of MSIG
Total	23 883 930	14 498 003	9 385 927	65%		

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 2011

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	7 900 000	2 400 000	888 000		11 188 000	2 716 540	2 130 550	2 384 571	5 805 896	13 037 557	None	YES
Finance Management Grant	National Treasury	1 500 000				1 500 000	174 336	1 118 198	34 902	172 564	1 500 000	None	YES
Municipal Systems Improvement Grant	DPLG&TA	1 200 000				1 200 000	90 282	240 229	215 428	654 061	1 200 000	None	YES
Health Subsidy	Dept of Health		1 090 842			1 090 842	565 290	616 621	-	-	1 181 911	None	YES
Environmental Health Subsidy	Cacadu DM		603 737	207 534	207 534	1 018 805	169 949	237 109	176 794	247 010	830 862	None	YES

Sunday's River Valley Municipality
 APPENDIX G
 SCHEDULE OF INVESTMENTS
 for the year ended 30 June 2011

Investment Name	Investment Nr.	Invest Item	Opening Balance	Investment Made	Investment Withdraw	Interest Received	Closing Balance
Addo Nolithando	62134438284	01 20 01 02 7239 002	1 057	-	68	11	1 000
Bergsig Raw Houses	62153803020	01 20 01 02 6249 002	1 117	-	128	11	1 000
Capacity Building for Ward Committees	62084989694	01 10 01 02 6232 002	15 279	13 331	22 383	591	6 819
DBSA Security	62088609395	01 10 01 02 6233 002	1 319	-	52	52	1 319
Drought relief fund	62097244257	01 10 01 02 6237 002	132 106	-	134 277	3 171	1 000
ELECTRICITY ACCOUNT	62027590589	01 10 01 02 6202 002	83 319	2 309 445	2 397 612	5 907	1 060
Environmental Health	62254580361	01 10 01 02 6214 002	1 638	603 737	606 279	1 903	1 000
FMG	62149457708	01 10 01 02 6250 002	1 001	1 500 000	1 515 778	15 778	1 000
IDP	62051951088	01 10 01 02 6210 002	1 009	708 758	444 753	7 462	272 476
Integrated Zoning Scheme	62161489086	01 10 01 02 6252 002	1 002	-	-	10	1 012
KK113	62133015322	01 10 01 02 6248 002	1 000	108 543	108 701	158	1 000
KWD Cemetery Investigation	62041425669	01 10 01 02 6217 002	1 000	-	43	43	1 000
Led	62314004839	01 10 01 02 6279 002	-	53 000	-	-	53 000
MIG Emsengeni	62081228621	01 50 01 02 6231 002	738 740	12 408 000	13 322 382	176 642	1 000
Municipal Systems Improvement Grant	62072234041	01 10 01 02 6224 002	3 487	1 400 000	1 431 448	28 963	1 002
O&M	62223416175	01 60 01 02 6271 002	68 543	-	68 607	1 064	1 000
Paterson Micro Enterprises Craft Centre	62054191631	01 10 01 02 6216 002	1 000	-	43	43	1 000
Planning of Moses Mabida	62047939783	01 10 01 02 6213 002	1 001	-	43	43	1 001
Rec of Encroachment: Moses Mabida	62071406542	01 10 01 02 6222 002	1 154	-	-	49	1 203
Rec of Encroachment: Nomathamsanqa	62071406633	01 10 01 02 6223 002	1 204	-	-	51	1 255
Rec of Encroachment: Paterson	62071406401	01 10 01 02 6221 002	1 176	-	-	50	1 226
Revenue collection	62314004411	01 10 01 02 6258 002	-	200 000	88 414	-	111 586
Revision & Integration of Zoning Scheme	62088609634	01 10 01 02 6234 002	1 000	-	42	42	1 000
Spatial Development Framework	62047939832	01 10 01 02 6212 002	1 001	-	35	35	1 001
SRVM Town Planning	62178942580	01 10 01 02 6261 002	1 007	-	10	10	1 007
Water Service Policy	62178064102	01 60 01 02 6262 002	472 878	-	481 758	9 880	1 000
Water Services Authorities	62129725141	01 60 01 02 6246 002	3 120	37 202	132	132	40 322
WSDP	62223416117	01 60 01 02 6270 002	79 163	-	58 732	1 229	21 660
			1 615 321	19 342 016	20 681 718	253 331	528 949