

Annual Financial Statements

for

Sunday's River Valley Municipality

for the year ended 30 June: **2012**

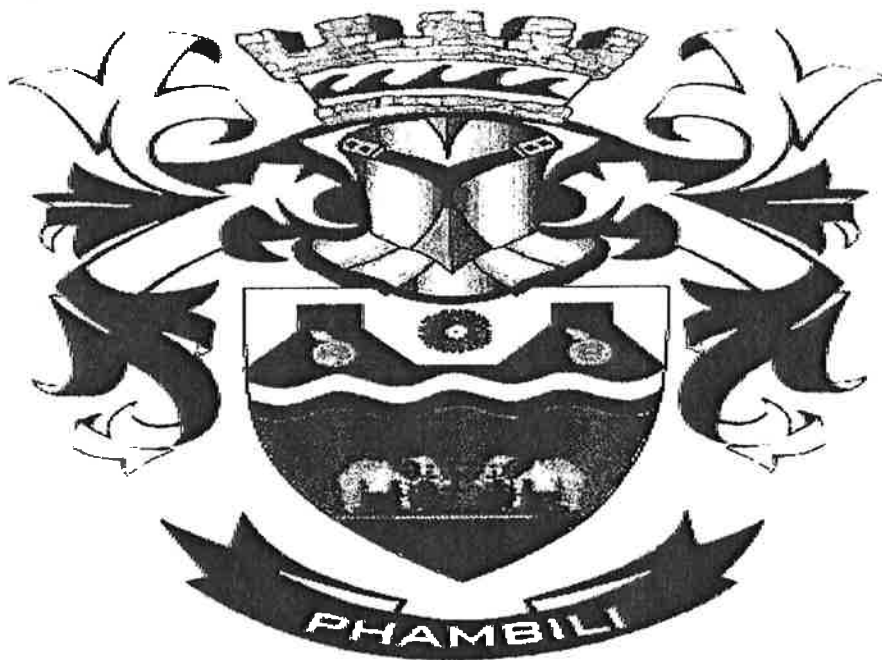
Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

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SUNDAYS RIVER VALLEY MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

M.W. Kebe	Mayor / Ward Councillor -1
N.G. Hawu	PR Councillor / Speaker
K. Smith	PR Councillor
J.S. Delport	PR Councillor
B.A.M. Finnis	PR Councillor
T.R. Grootboom	PR Councillor
P.R. Blou	PR Councillor
E. Jagers	PR Councillor
Z.A. Lose	PR Councillor
F. Adams	Ward Councillor - 2
J. Stefana	Ward Councillor - 3
I. Manene	Ward Councillor - 4
Z. Qusheka	Ward Councillor - 5
S.H. Rune	Ward Councillor - 6
I. Wagenaar	Ward Councillor - 7
B.C. Snoek	Ward Councillor - 8

Municipal Manager

Mr. L.M.R. Ngoqo

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 2012

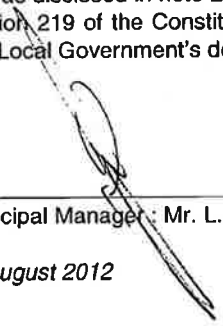
General information (continued)

Registered Office:	30 Middle Street Kirkwood 6120
Physical address:	30 Middle Street Kirkwood 6120
Postal address:	PO Box 47 Kirkwood 6120
Telephone number:	042 - 230 7700
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E-mail address:	srvm@srvm.gov.za

Sunday's River Valley Municipality
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for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 48, 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, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager : Mr. L.M.R. Ngoqo

31 August 2012

Sunday's River Valley Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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Sunday's River Valley Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	-	236 336
Trade and other receivables from exchange transactions	2	27 603 431	16 378 820
Other receivables from non-exchange transactions	3	10 783 082	31 388 601
Inventories	4	158 006	216 815
Investments	5	1 725 694	528 949
Current portion of non-current receivables	6	3 497	3 168
VAT receivable	13	3 346 717	4 981 129
VAT Payable	12	439 091	-
Non-current assets			
Non-current receivables	6	52 370	56 028
Property, plant and equipment	7	318 957 938	310 080 250
Intangible assets	8	1 198 201	1 448 261
Investment property carried at cost	9	42 174 306	42 174 306
Total assets		406 442 333	407 492 662
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	16 028 561	36 178 638
Consumer deposits	11	256 970	210 910
VAT payable	12	-	757 359
Current provisions	14	8 958 910	2 693 918
Bank overdraft	1	435 752	391 025
Current portion of unspent conditional grants and receipts	15	1 333 434	1 739 158
Current portion of borrowings	16	2 659 338	3 795 517
Current portion of finance lease liability	17	883 498	1 603 797
Non-current liabilities			
Non-current borrowings	16	5 755 920	6 075 094
Non-current finance lease liability	17	632 729	1 145 604
Non-current provisions	18	2 881 000	7 664 919
Total liabilities		39 826 113	62 255 938
Net assets		366 616 220	345 236 724
NET ASSETS			
Accumulated surplus / (deficit)		366 616 220	345 236 724
Total net assets		366 616 220	345 236 724

Sunday's River Valley Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	2011 R
Revenue			
Property rates	19	14 509 502	10 656 326
Service charges	20	35 938 723	31 955 304
Rental of facilities and equipment	21	142 342	66 415
Interest earned - external investments	22	164 865	286 863
Interest earned - outstanding receivables	23	1 388 155	5 144 596
Fines		1 582 138	1 454 328
Licenses and permits		3 046 944	2 650 420
Government grants and subsidies	24	61 131 936	59 470 407
Other income	25	3 147 619	2 602 788
Total revenue		121 052 225	114 287 447
Expenses			
Employee related costs	26	28 123 104	24 738 358
Remuneration of councillors	27	3 800 291	2 896 259
Bad debts impairment		10 892 131	12 962 790
Depreciation and amortisation expense	28	17 388 350	17 098 687
Repairs and maintenance		2 209 750	2 810 175
Finance costs	29	2 225 614	1 575 116
Bulk purchases	30	11 834 347	9 180 763
Grants and subsidies expensed	32	8 101 762	5 929 825
General expenses	33	15 234 008	12 357 414
Total expenses		99 809 358	89 549 387
Surplus / (deficit) on disposal of assets	34	394 622	-
Surplus / (deficit) on fair value adjustment	35	(373 993)	(346 292)
Actuarial surplus / (deficit)	18	116 000	(34 094)
Surplus / (deficit) for the period		21 379 496	24 357 675

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

as at 30 June 2012

	Note	Total: Reserves R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 30 June 2010 (as previously reported)		-	318 788 169	318 788 169
Restatement of accumulated surplus/(deficit)	48	-	2 090 880	2 090 880
Balance at 30 June 2010 restated		-	320 879 049	320 879 049
Surplus / (deficit) for the period (as previously reported)			26 860 039	26 860 039
Correction of prior period error	48		(2 502 365)	(2 502 365)
Balance at 30 June 2011		-	345 236 724	345 236 724
Surplus / (deficit) for the period			21 379 496	21 379 496
Balance at 30 June 2012		-	366 616 220	366 616 220

Sunday's River Valley Municipality			
CASH FLOW STATEMENT			
as at 30 June 2012			
	Note	2012 R	2011 R
CASH GENERATED BY OPERATIONS	36	29 914 157	14 286 730
Interest income		1 553 021	5 431 459
Finance costs		(2 225 614)	(1 330 194)
		<u>29 241 564</u>	<u>18 367 995</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(26 330 021)	(25 245 922)
Proceeds from disposal of fixed assets		692 666	-
Net cash flows from investing activities		<u>(25 637 355)</u>	<u>(25 245 922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) borrowings and finance lease liability		(2 688 527)	6 485 584
Net cash flows from financing activities		<u>(2 688 527)</u>	<u>6 485 584</u>
Net increase / (decrease) in net cash and cash equivalents		915 682	(372 343)
Net cash and cash equivalents at beginning of period		374 258	746 601
Net cash and cash equivalents at end of period	37	<u>1 289 940</u>	<u>374 258</u>

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

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

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

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

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

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

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008
GRAP 25 Employee Benefits - issued November 2009
GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - issued October 2009
GRAP 106 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 107 Mergers - issued November 2010

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

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

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

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		
Finance lease assets	Years		
Office equipment	3-5		
Other assets	5-7		

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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:

	Years
Computer software	3-5

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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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:

	Years
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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

11.2 MUNICIPALITY AS LESSOR

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

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

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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 permits.

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.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

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

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

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

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

12.3 GRANTS, TRANSFERS AND DONATIONS

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

13 BORROWING COSTS

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

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. 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.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries, separately for each plan. Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Sunday's River Valley Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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 2012

	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS		
<u>Cash and cash equivalents consist of the following:</u>		
Cash on hand	384	340
Cash at bank	(436 136)	(155 029)
	(435 752)	(154 689)
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	(391 025)	(109 924)
Cash book balance at end of year	(529 513)	(391 025)
Bank statement balance at beginning of year	(162 738)	(109 924)
Bank statement balance at end of year	1 351 022	(162 738)
<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	234 909	252 340
Cash book balance at end of year	93 000	234 909
Bank statement balance at beginning of year	223 701	159 583
Bank statement balance at end of year	297 973	223 701
<u>Revolving Credit</u>		
First National Bank - Kirkwood Branch - Acc No 621 1851 5595		
Cash book balance at beginning of year	1 087	(1 011 477)
Cash book balance at end of year	377	1 087
Bank statement balance at beginning of year	1 087	(1 011 477)
Bank statement balance at end of year	377	1 087
<u>Cash on hand</u>	384	340
Total cash and cash equivalents	(435 752)	236 336
Total bank overdraft	-	391 025

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R	
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables			
as at 30 June 2012			
Service debtors			
Rates	14 598 486	(8 720 954)	
Electricity	12 393 518	(4 928 238)	
Water	32 875 170	(23 391 827)	
Sewerage	7 933 534	(5 223 245)	
Refuse	15 046 514	(14 802 267)	
Other	793 887	(289 285)	
	83 641 108	(57 355 816)	
Add: Credit Balances taken to Trade and other payables from exchange transactions	1 318 139	-	
Total	84 959 248	(57 355 816)	
as at 30 June 2011			
Service debtors			
Rates	17 260 150	(6 989 631)	
Electricity	4 283 379	(3 156 762)	
Water	22 320 050	(20 543 165)	
Sewerage	5 569 741	(4 641 594)	
Refuse	11 890 663	(10 550 847)	
Other	269 797	(124 675)	
	61 593 780	(46 006 674)	
Add: Credit Balances taken to Trade and other payables from exchange transactions	791 713	-	
Total	62 385 494	(46 006 674)	
Rates: Ageing			
Current (0 – 30 days)	619 471	177 686	
31 - 60 Days	619 652	313 616	
61 - 90 Days	440 011	245 270	
91 - 120 Days	342 998	277 069	
121 - 365 Days	12 576 354	16 246 509	
+ 365 Days			
Total	14 598 486	17 260 150	
Electricity, Refuse, Water and Sewerage: Ageing			
Current (0 – 30 days)	4 373 254	1 539 341	
31 - 60 Days	4 127 649	1 494 874	
61 - 90 Days	2 383 238	2 706 876	
91 - 120 Days	1 791 281	1 302 033	
121 - 365 Days	55 573 313	37 041 430	
+ 365 Days			
Total	68 248 735	44 084 555	
Other Debtors: Ageing			
Current (0 – 30 days)	54 897	(11 205)	
31 - 60 Days	(17 150)	3 745	
61 - 90 Days	28 860	3 745	
91 - 120 Days	(11 318)	3 523	
121 - 365 Days	738 597	269 990	
+ 365 Days			
Total	793 887	269 797	
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2012			
Current (0 – 30 days)	1 441 638	2 409 143	1 225 793
31 - 60 Days	4 428 723	313 919	(12 491)
61 - 90 Days	3 196 695	(220 682)	(123 904)
91 - 120 Days	1 755 941	361 671	5 350
121 - 365 Days	57 633 510	3 556 566	7 669 236
+ 365 Days			
Total debtors by customer classification	68 456 507	6 420 617	8 763 984

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Consumers	2012 R Industrial / Commercial	2011 R 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
Reconciliation of the doubtful debt provision			
Balance at beginning of the year		46 006 674	56 752 028
Contributions to provision		11 349 142	15 685 969
Doubtful debts written off against provision		-	(26 431 323)
Balance at end of year		57 355 816	46 006 674
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Traffic Fines		3 004 680	9 089 760
Less: Provision for doubtful debts (Traffic Fines)		(2 656 001)	(8 712 735)
Net Traffic Fines		348 679	377 025
Other debtors		10 082 590	6 112 596
Transfer of credit balance to trade and other payables		6 082	7 688
Transfer of debit balance from trade and other payables		-	24 726 978
Transfer of debit balances from unspent conditional grants		345 731	164 314
Total Other Debtors		10 783 082	31 388 601
4 INVENTORIES			
Inventories:		158 006	216 815
Consumable stores - at cost		144 798	200 740
Water		13 207	16 075
5 INVESTMENTS			
Call investments		1 725 694	528 949
		1 725 694	528 949
See Appendix G for a detailed list of investments.			
6 NON-CURRENT RECEIVABLES			
Afrikaanse Christelike Vroue Vereeniging		55 867	59 196
		55 867	59 196
Less : Current portion transferred to current receivables		(3 497)	(3 168)
Other non-current receivables		(3 497)	(3 168)
Total		52 370	56 028

The above loan is unsecured, bears interest at 5.23% per annum and is repayable in half yearly instalments of R3,124

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land		Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
	R		R		R		R		R		R		R	
as at 30 June 2011	60 544 173		24 559 692		218 292 956		537 681		4 530 721		1 615 027		310 080 250	
Cost/Revaluation	61 594 775		29 178 459		255 490 938		806 522		7 286 565		4 296 741		358 654 000	
Accumulated depreciation and impairment losses	(1 050 602)		(4 618 767)		(37 197 982)		(268 841)		(2 755 844)		(2 681 714)		(48 573 750)	
Acquisitions	-		-		50 925 955		-		473 284		1 053 119		52 452 358	
Capital under Construction Opening Balance	-		-		(72 765 254)		-		-		-		(72 765 254)	
Capital under Construction	-		353 699		46 264 219		-		-		-		46 617 918	
Depreciation	(525 301)		(1 573 348)		(12 862 570)		(89 614)		(1 150 033)		(912 425)		(17 113 291)	
Carrying value of disposals	-		-		-		-		-		(314 038)		(314 038)	
Cost/Revaluation	-		-		-		-		-		(1 389 014)		(1 389 014)	
Accumulated depreciation and impairment losses	-		-		-		-		-		1 074 976		1 074 976	
Impairment loss/Reversal of impairment loss	-		-		-		-		-		-		-	
Transfers	-		-		-		-		-		-		-	
Other movements*	-		-		-		-		-		-		-	
as at 30 June 2012	60 018 871		23 340 043		229 855 303		448 068		3 853 972		1 441 682		318 957 938	
Cost/Revaluation	61 594 775		29 532 157		279 915 857		806 522		7 759 849		3 960 845		383 570 005	
Accumulated depreciation and impairment losses	(1 575 904)		(6 192 115)		(50 060 554)		(358 454)		(3 905 877)		(2 519 163)		(64 612 067)	

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 2012

7.2 Reconciliation of Carrying Value

as at 1 July 2010
Cost/Revaluation
Accumulated depreciation and impairment losses

	Land		Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
	61 069 474	25 775 699	207 715 424	627 295	4 883 093	2 773 434	302 844 419							
Cost/Revaluation	61 594 775	28 832 645	232 475 382	806 522	6 582 505	4 296 741	334 588 570							
Accumulated depreciation and impairment losses	(525 301)	(3 056 946)	(24 759 957)	(179 227)	(1 699 412)	(1 523 307)	(31 744 151)							

Acquisitions
Capital under Construction Opening Balance
Capital under Construction
Depreciation

	-	345 814	-	-	704 060	-	1 049 874							
Capital under Construction Opening Balance	-	-	(49 749 698)	-	-	-	(49 749 698)							
Capital under Construction	-	-	72 765 254	-	-	-	72 765 254							
Depreciation	(525 301)	(1 561 821)	(12 438 025)	(89 614)	(1 056 432)	(1 158 407)	(16 829 600)							

Carrying value of disposals
Cost/Revaluation
Accumulated depreciation and impairment losses

	-	-	-	-	-	-	-							
Carrying value of disposals	-	-	-	-	-	-	-							
Cost/Revaluation	-	-	-	-	-	-	-							
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-							

Impairment loss/Reversal of impairment loss
Transfers
*Other movements

	-	-	-	-	-	-	-							
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-							
Transfers	-	-	-	-	-	-	-							
*Other movements	-	-	-	-	-	-	-							

as at 30 June 2011
Cost/Revaluation
Accumulated depreciation and impairment losses

	60 544 173	24 559 692	218 292 956	537 681	4 530 721	1 615 027	310 080 250							
Cost/Revaluation	61 594 775	29 178 459	255 490 938	806 522	7 286 565	4 296 741	358 654 000							
Accumulated depreciation and impairment losses	(1 050 602)	(4 618 767)	(37 197 982)	(268 841)	(2 755 844)	(2 681 714)	(48 573 750)							

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 2012

	2012 R	2011 R
8 INTANGIBLE ASSETS		
8.1 Reconciliation of carrying value	Computer Software R	Total R
as at 1 July 2011	1 448 261	1 448 261
Cost	2 254 205	2 254 205
Accumulated amortisation and impairment losses	(805 944)	(805 944)
Acquisitions and Work in progress	25 000	25 000
Amortisation	(275 059)	(275 059)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2012	1 198 201	1 198 201
Cost	2 279 205	2 279 205
Accumulated amortisation and impairment losses	(1 081 003)	(1 081 003)
8.2 Reconciliation of carrying value	Computer Software R	Total 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 and Work in progress	1 180 492	1 180 492
Amortisation	(269 088)	(269 088)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2011	1 448 261	1 448 261
Cost	2 254 205	2 254 205
Accumulated amortisation and impairment losses	(805 944)	(805 944)

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
9 INVESTMENT PROPERTY CARRIED AT COST		
9.1 Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2011	42 174 306	42 174 306
Cost	42 174 306	42 174 306
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
as at 30 June 2012	42 174 306	42 174 306
Cost	42 174 306	42 174 306
Accumulated depreciation and impairment losses	-	-
9.2 Reconciliation of carrying value	Investment property R	Total R
as at 1 July 2010	42 174 306	42 174 306
Cost	42 174 306	42 174 306
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
as at 30 June 2011	42 174 306	42 174 306
Cost	42 174 306	42 174 306
Accumulated depreciation and impairment losses	-	-
9.3 Investment property pledged as security	None	None
The municipality considers the cost of these investments to approximate their fair value		

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	13 419 492	29 378 952
Payments received in advance	25 218	29 522
Transfer of credit balances from Other receivables from non-exchange transactions	6 082	7 688
Transfer of credit balances from Trade and other receivables from exchange transactions	1 318 139	791 713
Transfer of debit balances to Housing receivable	-	24 726 978
Other creditors	1 325 275	(17 769 527)
Discounting of creditors	(65 645)	(986 689)
Total creditors	16 028 561	36 178 638

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

11 CONSUMER DEPOSITS		
Electricity and Water	256 970	210 560
Other	-	350
Total consumer deposits	256 970	210 910

12 VAT PAYABLE		
VAT payable / provision	(439 091)	757 359

13 VAT RECEIVABLE		
VAT receivable	(3 346 717)	(4 981 129)

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

14 CURRENT PROVISIONS		
Provision for leave	2 214 227	1 799 687
Staff bonuses	759 020	597 231
Current portion of non-current provisions (Note 18)	5 477 912	297 000
Legal provision	507 751	-
Total Provisions	8 958 910	2 693 918

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.

Legal Provision

The legal provision relates to a settlement payable after year end to a supplier from a legal dispute. This matter was raised as a contingent liability in the previous year.

The movement in current provisions are reconciled as follows: -

	Bonus (staff and long service)	Provision for leave
as at 1 July 2011	597 231	1 799 687
Contributions to provision / (expenditure)	1 528 665	414 540
Expenditure incurred	(1 366 876)	
as at 30 June 2012	759 020	2 214 227
as at 1 July 2010	429 816	2 371 158
Contributions to provision / (expenditure)	167 415	(571 471)
as at 30 June 2011	597 231	1 799 687

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
15.1 Unspent Conditional Grants from other spheres of Government		
Department of Water Affairs Grant	-	114 842
The IDP Grant	-	286 671
Local Economical Development Grant	-	53 000
Municipal Infrastructure Grant	(10 514)	(56 929)
Other Grants with debit balances	(335 217)	(107 385)
Other Grants	1 333 434	1 284 643
	345 731	164 314
Total Unspent Conditional Grants and Receipts	1 333 434	1 739 156
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	1 333 434	1 739 158
16 BORROWINGS		
Department of Water Affairs	6 704 880	7 904 880
Development Bank of South Africa	1 710 378	1 965 731
	8 415 258	9 870 611
<u>Less : Current portion transferred to current liabilities</u>	(2 659 338)	(3 795 517)
Department of Water Affairs	(2 452 400)	(3 408 733)
Development Bank of South Africa	(206 938)	(386 784)
	5 755 920	6 075 094

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 had this in place during the current year.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
2012			
Amounts payable under finance leases			
Within one year	979 748	96 248	883 498
Within two to five years	684 888	52 159	632 729
	1 664 636	148 408	1 516 228
Less: Amount due for settlement within 12 months (current portion)			(883 498) 632 729

The average lease term is 3 years and the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset. The balances reflected are as per statements received.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
2011			
Amounts payable under finance leases			
Within one year	1 983 094	311 379	1 671 716
Within two to five years	1 145 603	67 919	1 077 684
	3 128 697	379 297	2 749 401
Less: Amount due for settlement within 12 months (current portion)			(1 603 797) 1 145 604

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
18 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	5 048 912	4 674 919
Provision for long-service awards	1 743 000	1 783 000
Provision for post-retirement medical aid	1 567 000	1 504 000
	8 358 912	7 961 919
Less short-term portion transferred to non-current provisions (Note 14)	(5 477 912)	(297 000)
Total Non-Current Provisions	2 881 000	7 664 919

18.1 Provision for rehabilitation of landfill sites

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	4 674 919	4 328 627
Contributions to provision	373 993	346 292
Balance at the end of year	5 048 912	4 674 919

18.2 Post retirement Medical Aid

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

Continuation members (e.g. retirees, widows, orphans)	5	5
---	---	---

Interest cost for the next year is estimated to be R124,000, and as there are no current members in service on this scheme, there will be no future service costs.

Key actuarial assumptions used:

i.) Rate of interest

Discount rate	7.92%	8.07%
Consumer Price Inflation	5.74%	5.38%
Medical Aid contribution inflation	7.24%	7.16%
Net effective discount rate	0.63%	0.85%

ii) Mortality Rates

Based on the PA (90) ultimate mortality tables, rated down for 1 year

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Opening balance - present value of the obligation	1 504 000	1 459 891
Interest Cost	117 000	117 481
Benefits Paid	(131 000)	(126 696)
Actuarial loss	77 000	53 324
Present value of the obligation at year-end	1 567 000	1 504 000

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	-1% Inflation	Valuation Assumption	+1% Inflation
Effect on obligation	1 447 000	1 567 000	1 702 000
Effect on interest cost for the ensuing year	115 000	124 000	135 000

The effect of a 20% movement in the assumed mortality rates is as follows:

	-20%	Valuation Assumption	+20%
Effect on obligation	1 759 000	1 567 000	1 419 000
Effect on interest cost for the ensuing year	139 000	124 000	112 000

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
18.2 Provision for Long Service Leave Awards		
The Long Services Leave Awards Plan is a defined benefit plan. At year-end the number of employees active on the plan was 163.		
The Future service cost for the ensuing year is estimated to be R208,000, whereas the interest cost for the next year is estimated to be R140,000.		
Key actuarial assumptions used:		
<i>i.) Rate of interest</i>		
Discount rate	7.92%	7.61%
Consumer Price Inflation	5.74%	5.38%
Medical Aid contribution Inflation	6.74%	6.23%
Net effective discount rate	1.11%	1.30%

ii) Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables.

iii) Normal Retirement Age
Normal retirement age was given as 65 years.

iv) Promotional Salary Increase rates
These varied between 5% for employees aged 20-24 years, down to 0% for employees older than 45.

v) Withdrawal decrements
For males the assumed withdrawal from service rates ranged from 24% for employees aged 20-24 years down to 0% for males aged 55 and over. For female employees, the range was from 16% for employees aged 20-24 years, down to 0% from females 55 and over.

Reconciliation of present value of fund obligation:		
Opening balance - present value of the obligation	1 783 000	1 638 464
Current Service Cost	192 000	191 879
Interest Cost	127 000	127 441
Benefits Paid	(166 000)	(155 554)
Actuarial gain	(193 000)	(19 230)
Present value of the obligation at year-end	1 743 000	1 783 000

The effect of a 1% movement in the assumed salary inflation rate is as follows:

	-1% Inflation	Valuation Assumption	+1% Inflation
Effect on obligation	1 636 000	1 743 000	1 861 000
Effect on interest cost for the ensuing year	131 000	140 000	150 000
Effect on service cost for the ensuing year	194 000	208 000	244 000

The effect of a 20% movement in the assumed withdrawal rates is as follows:

	-20%	Valuation Assumption	+20%
Effect on obligation	1 814 000	1 743 000	1 679 000
Effect on interest cost for the ensuing year	146 000	140 000	134 000
Effect on service cost for the ensuing year	223 000	208 000	196 000

19 PROPERTY RATES

Actual		
Residential	1 933 406	1 764 974
Commercial	1 096 140	993 659
Agricultural	7 086 464	4 674 645
State	4 393 492	3 223 048
Total property rates	14 509 502	10 656 326
Property rates - penalties imposed and collection charges	-	-
Total	14 509 502	10 656 326

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
Valuations		
Agricultural	2 263 477 512	-
Residential	396 546 353	2 998 511 419
Commercial	118 001 908	71 885 782
Public Service Infrastructure	5 191 060	-
State	341 166 787	40 160 300
Exempt	125 474 523	113 515 351
Total Property Valuations	3 269 858 143	3 224 072 852
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 a ad-hoc basis to take into account changes in individual property values due to alterations.		
20 SERVICE CHARGES		
Sale of electricity	14 601 560	12 752 202
Sale of water	13 226 539	14 018 805
Refuse removal	5 415 328	3 529 737
Sewerage and sanitation charges	2 695 297	1 654 560
	35 938 723	31 955 304
21 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	142 342	66 415
Total rentals	142 342	66 415
See note 51 for details of all operating leases		
22 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	164 865	286 863
Total interest	164 865	286 863
23 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Consumers	1 385 237	5 141 517
Long Term Debtors	2 919	3 079
Total interest	1 388 155	5 144 596
The municipality experienced a delay in billing consumers for services rendered after a new financial management system was implemented. Interest on outstanding accounts could thus not be levied for the periods July 2011 - April 2012. It is estimated that the loss in interest amounts to R6 million. This was condoned by Council.		
24 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	31 991 000	25 709 689
MIG Grant	17 200 087	11 655 339
MSIG	741 780	1 078 159
Finance Management Grant	1 354 221	1 334 600
Subsidy - Health	-	1 090 842
Subsidy - Cacadu District Municipality	913 151	1 018 805
Grant - Water Affairs	8 126 178	15 144 331
Other Government Grants and Subsidies	805 520	2 438 642
Total Government Grant and Subsidies	61 131 936	59 470 407
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 pensions, which is funded from the grant. This is consistent with the prior year.		
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
25.1 Other income	3 147 619	2 602 788
Total Other Income	3 147 619	2 602 788

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
26 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	17 447 078	15 710 791
Employee related costs - Annual Bonuses	994 703	1 111 748
Employee related costs - Contributions for UIF, pensions and medical aids	4 055 857	4 030 483
Travel, motor car, accommodation, subsistence and other allowances	618 879	1 376 528
Overtime payments	1 660 500	1 180 228
Performance and other bonuses	75 213	-
Long-service awards	192 000	256 096
Other employee related costs	3 078 875	1 072 484
Total Employee Related Costs	28 123 104	24 738 358

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

Remuneration of the Municipal Manager

Annual Remuneration	335 833	-
Performance- and other bonuses	16 625	-
Travel, motor car, accommodation, subsistence and other allowances	65 231	-
Contributions to UIF, Medical and Pension Funds	3 610	-
Total	421 299	-

The Municipality was under administration the whole of 2011 and until December 2011, during which period the Administrator was paid by the Department of Local Government. The current Municipal Manager commenced service on 1 March 2012.

Remuneration of the Chief Finance Officer

Annual Remuneration	513 885	497 146
Performance- and other bonuses	29 294	-
Travel, motor car, accommodation, subsistence and other allowances	93 389	96 802
Contributions to UIF, Medical and Pension Funds	7 321	1 546
Total	643 889	595 494

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Community Services R
2012			
Annual Remuneration	-	471 885	519 885
Termination of contract settlement	-	-	250 119
Performance- and other bonuses	-	29 294	-
Travel, motor car, accommodation, subsistence and other allowances	-	70 690	66 000
Contributions to UIF, Medical and Pension Funds	-	68 168	7 529
Total	-	640 037	843 533

The Technical Services position was vacant during the year

	Technical Services R	Corporate Services R	Community Services R
2011			
Annual Remuneration	-	443 986	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

27 REMUNERATION OF COUNCILLORS

Mayor	599 065	316 497
Speaker	381 666	-
Executive Committee Members	765 274	-
Councillors	1 640 025	1 580 963
Councillors' pension and medical aid contributions	34 871	148 368
Councillors' allowances	379 390	850 411
Total Councillors' Remuneration	3 800 291	2 896 259

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
28 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	17 113 291	16 829 599
Intangible assets	275 059	269 088
Total Depreciation and Amortisation	17 388 350	17 098 687
29 FINANCE COSTS		
Borrowings	359 691	714 389
Bank overdrafts and Creditors	944 879	1 153 473
Discounting on Creditors	921 044	(292 746)
Total Finance Costs	2 225 614	1 575 116
30 BULK PURCHASES		
Electricity	11 253 275	8 802 136
Water	581 072	378 627
Total Bulk Purchases	11 834 347	9 180 763
31 CONTRACTED SERVICES		
Contracted services for: <i>Cash Management - Kirkwood Cash in Transit CC</i>		
32 GRANTS AND SUBSIDIES PAID		
Grant expenses - Subsidy assessment rates	103 511	477
Grant expenses - Financial management	1 356 832	839 763
Grant expenses - Integrated Development Plan	50 000	155 782
Grant expenses - Subsidy water	1 794 729	1 483 973
Grant expenses - Subsidy electricity	3 798	-
Grant expenses - Subsidy refuse	1 954 315	1 086 234
Grant expenses - Subsidy sewerage	919 619	286 812
Expenditure charged against conditional grants	1 918 958	2 076 785
	8 101 762	5 929 825
33 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	339 441	221 223
Audit fees	2 018 710	1 990 327
Bank charges	229 662	210 651
Cleaning	1 277	4 953
Conferences and delegations	36 434	70 866
Consulting fees	577 387	524 681
Consumables	51 068	339 173
Departmental consumption	1 331 898	1 481 104
Entertainment	89 539	69 610
Fuel and oil	1 379 668	1 019 544
Insurance	561 117	526 991
Legal expenses	477 637	472 749
Levies paid	267 198	130 325
License fees	25 530	52 927
Printing and stationery	600 311	687 144
Professional fees	30 103	14 202
Rental of office equipment	1 206 084	658 993
Commission paid	103 389	82 666
Security costs	109 041	116 640
Stocks and material	1 454 217	747 562
Subscription & publication	25 807	90 714
Telephone cost	1 113 974	867 164
Training	513 145	287 680
Travel and subsistence	920 625	869 613
Uniforms & overalls	50 781	109 335
Contracted services	460 855	-
Other	1 259 110	710 577
	15 234 008	12 357 414

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
34 SURPLUS / (DEFICIT) ON DISPOSAL OF ASSETS		
Property, plant and equipment	394 622	-
Total Surplus / (Deficit) on Disposal of Assets	<u>394 622</u>	<u>-</u>
35 SURPLUS / (DEFICIT) ON FAIR VALUE ADJUSTMENT		
Other non-current financial liabilities	(373 993)	(346 292)
Total Surplus / (Deficit) on Fair Value Adjustment	<u>(373 993)</u>	<u>(346 292)</u>
36 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	21 379 496	26 860 039
<i>Adjustment for:-</i>		
Depreciation and amortisation	17 388 350	17 098 687
(Surplus) / deficit on disposal of assets	(394 622)	-
Contribution to provisions - non-current	23 000	-
Contribution to provisions - current	1 216 080	(18 423 334)
Finance costs	2 225 614	1 330 194
Fair value adjustments	373 993	346 292
Actuarial valuations	(116 000)	-
Interest earned	(1 553 021)	(5 431 459)
Operating surplus before working capital changes:	<u>40 542 890</u>	<u>21 780 420</u>
(Increase)/decrease in inventories	58 809	(126 588)
(Increase)/decrease in trade receivables	(11 224 611)	(12 838 079)
(Increase)/decrease in other receivables	20 605 519	3 458 416
(Increase)/decrease in non current receivables	3 329	3 168
(Increase)/decrease in VAT receivable	1 634 412	3 532 071
Increase/(decrease) in conditional grants and receipts	(405 724)	(12 917 833)
Increase/(decrease) in trade payables	(20 150 077)	11 866 968
Increase/(decrease) in consumer deposits	46 060	1 633
Increase/(decrease) in VAT payable	(1 196 450)	(473 444)
Cash generated by/(utilised in) operations	<u>29 914 157</u>	<u>14 286 730</u>
37 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	(435 752)	236 336
Investments	1 725 694	528 949
Bank overdrafts	-	(391 025)
Net cash and cash equivalents (net of bank overdrafts)	<u>1 289 942</u>	<u>374 260</u>

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
38.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Bad debts provision	(3 107 869)	(306 869)
Bulk purchases	1 053 212	426 908
Depreciation	2 388 350	10 473 687
Employee related costs	(538 095)	(633 470)
Finance costs	1 573 711	624 802
Grants and subsidies paid	4 258 810	320 566
Remuneration of councillors	(25 736)	(26 131)
General expenses	(5 613 536)	(2 460 207)
Repairs and maintenance	(2 628 712)	(890 636)
Unauthorised expenditure awaiting authorisation	<u>(2 639 865)</u>	<u>7 528 649</u>
Unauthorised expenditure awaiting authorisation B/F	14 548 777	14 548 777
Less: Condoned by Administrator	-	(7 528 649)
Unauthorised expenditure awaiting authorisation	<u><u>11 908 912</u></u>	<u><u>14 548 777</u></u>
38.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	111 181	1 597 762
Fruitless and wasteful expenditure current year	1 824 669	1 242 144
Condoned or written off by Council / Administrator	(1 597 338)	(2 728 725)
To be recovered – contingent asset (see note 42)	(39 368)	-
Fruitless and wasteful expenditure awaiting condonement	<u><u>299 144</u></u>	<u><u>111 181</u></u>
The following is a list of Fruitless and wasteful expenditure incurred during the year:		
Penalties and interest SARS	392 352	605 060
Interest on creditors account	305 459	13 148
Interest on DBSA Loan relating to long outstanding amounts	12 669	32 352
Petrol card misappropriation	39 368	-
Claycor contract for airconditioners due to insufficient notice given	187 963	-
Employee costs - L.S.K. Roji	886 857	591 584
	<u><u>1 824 669</u></u>	<u><u>1 242 144</u></u>
38.3 Irregular expenditure		
Award granted to providers with no tax clearance certificates:	126 000	1 251 746
Award granted to a provider not on the list of accredited providers	-	2 000
Award granted which was not subject to the tender process	1 443 291	2 761 401
Award granted to a incorrect provider in terms of preference points calculation	420 778	1 517 248
Award granted to employee who did not declare interest	-	25 090
Award granted to provider with a close family member is service of auditee	27 215	-
Award granted to provider who did not provide a declaration that they are not in the service of the state	2 779 525	-
Award granted to provider who is in the service of the state	97 458	-
Award granted that was not advertised on the CIDB website	5 851 349	-
Award granted not advertised on the SRVM website	475 129	-
Lease payments without a signed lease contract	14 300	-
Award granted without supporting bid adjudication minutes	369 432	-
Award granted without 3 quotes	22 186	17 639
	<u><u>11 626 663</u></u>	<u><u>5 575 124</u></u>

38.4 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he/she records the reasons for any deviations and report them to the next meeting of Council and includes a note to the annual financial statements.

During the financial year under review goods/services totalling R1,911,025 (note 52) were procured and the process followed in procuring those goods/services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. Refer to note 52 for details of these deviations.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
39.1 Contributions to organised local government		
Opening balance	239 559	195 194
Council subscriptions	266 198	130 325
Amount paid - current	(101 405)	-
Amount paid - previous years	(239 559)	(85 960)
Balance unpaid (included in payables)	164 794	239 559
39.2 Audit fees		
Opening balance	1 371 660	1 158 639
Current year audit fee	2 453 184	2 270 286
Amount paid - current year	-	(898 625)
Amount paid - previous years	(1 228 079)	(1 158 639)
Balance unpaid (included in payables)	2 596 766	1 371 660

The balance outstanding represents the audit fees for the audits conducted during 2011 and 2012 and is repayable in full.

39.3 VAT

VAT input receivables and VAT output payables are shown in note 12 & 13. All VAT returns up to April 2012 have been submitted.

39.4 PAYE and UIF

Opening balance	5 751 111	2 250 501
Current year payroll deductions	3 545 185	2 895 549
Penalties and Interest	-	605 060
Amount paid - current year	(3 008 721)	-
Amount paid - previous years	(4 210 884)	-
Balance unpaid (included in payables)	2 076 691	5 751 111

39.5 Pension and Medical Aid Deductions

Opening balance	434 050	271 736
Current year payroll deductions and Council Contributions	6 169 715	5 711 339
Amount paid - current year	(5 611 004)	(5 277 289)
Amount paid - previous years	(434 050)	(271 736)
Balance unpaid (included in payables)	558 711	434 050

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

39.6 Councillor's arrear consumer accounts

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2012			
Cllr. B.A.M. Finnis	7 862	(2 188)	10 051
Cllr. F. Adams	7 825	1 784	6 041
Cllr. J.S. Delpont	4 726	718	4 008
Cllr. I. Manene	3 952	(557)	4 509
Cllr. Z.A. Lose	2 280	(81)	2 361
Cllr. M.W. Kebe	11 975	(900)	12 875
Cllr. B.C. Snoek	13 727	6 433	7 294
Cllr. K. Smith	4 959	(1 803)	6 762
Cllr. Z. Qusheka	4 786	(201)	4 987
Cllr. P.R. Blou	4 416	548	3 868
Total Councillor Arrear Consumer Accounts	66 507	3 753	62 754

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
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 being 30 days. This due to the lack of funds. The municipality did not comply with Section 11(4) of the MFMA.		
39.8 Material losses		
Unaccounted electricity losses for the 2011/2012 financial year was 4% (2010/2011: 17%)		
40 CAPITAL COMMITMENTS		
40.1 Commitments in respect of capital expenditure		
<i>PROJECT</i>		
<u>Approved and contracted for:</u>		
Moses Mabida Waterborne sewerage	-	142 366
Emsengeni conversion of VIP toilets to waterborne	-	288 969
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
<u>Approved but not yet contracted for:</u>		
Parks and Playgrounds	2 500 000	-
Upgrade of Sports fields	12 461 663	-
Bersheba pump station and outfall	-	725 000
Addo Wastewater Treatment works	20 315 100	944 100
Upgrading of Gravel Roads	19 700 000	3 102 809
Total	54 976 763	19 313 800
This expenditure will be financed from:		
- Government Grants	54 976 763	19 313 800
	54 976 763	19 313 800

41 CONTINGENT LIABILITY

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 currently met.

42 CONTINGENT ASSET

The contingent asset relates to petrol card misappropriation by an employee during the year. The outcome of the disciplinary hearing was that the full amount will be recovered from the employees' salary during the coming financial year.

43 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Secondment of DBSA staff to the municipality

Assistance from National Treasury under the Municipal Finance Improvement Programme.

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
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:		
<ul style="list-style-type: none"> - Call deposits - Finance lease - Development Bank of South Africa loan - First National Bank overdraft 		
48 RECLASSIFICATION AND CORRECTION OF PRIOR YEAR ERRORS		
The following restatements were made to the carrying value of the below:		
	<u>Previously Reported</u>	<u>Restated Value</u> <u>Adjustment</u>
Statement of Financial Position:		
Current assets		
Inventories	380 581	216 815 (163 766)
Other Receivables from Non-Exchange Transactions	26 983 684	31 388 601 4 404 916
Traffic Fines	13 157 505	9 089 760 (4 067 745)
Provision for Bad Debt - Traffic Fines	(12 891 399)	(8 712 735) 4 178 664
Other Debtors	1 818 598	6 112 595 4 293 997
VAT Receivable	4 540 430	4 981 128 440 698
Trade and other receivables from exchange transactions	18 155 105	16 378 820 (1 776 286)
Cacadu receivables	-	(1 113 142) (1 113 142)
Rates receivables	-	(642 422) (642 422)
Water receivables	-	(20 722) (20 722)
Current liabilities		
Current Provisions	(2 522 393)	(2 693 918) (171 525)
Leave Pay	(1 920 185)	(1 799 687) 120 498.02
Bonus provision	(602 208)	(597 231) 4 977
Current portion of non-current provisions	-	(297 000) (297 000)
VAT payable	(4 436 529)	(757 359) 3 679 170
Trade and Other Payables from Exchange Transactions	(32 343 932)	(36 178 638) (3 834 695)
Trade Creditors	(25 544 257)	(29 378 952) (3 834 695)
Non-current liabilities		
Non-current provisions	(4 674 919)	(7 664 919) (2 990 000)
Provision for landfill sites	(4 674 919)	(4 674 919) -
Provision for long service leave awards	-	(1 783 000) (1 783 000)
Provision for post-employment medical aid	-	(1 504 000) (1 504 000)
Transfer to current portion	-	297 000 297 000
		(411 488)
Statement of Financial Performance:		
Revenue		
Property rates	12 411 890	10 656 326 (1 755 564)
Service charges	31 976 026	31 955 304 (20 722)
Expenses		
General Expenses	(12 341 881)	(12 357 413) (15 533)
Stocks and Material	(732 029)	(747 562) (15 533)
Bad debts	(12 693 131)	(12 962 790) (269 659)
Employee related costs	(24 576 487)	(24 738 358) (161 871)
Other employee related costs (leave)	(1 102 492)	(1 354 734) (252 242)
Other employee related costs (defined benefit payments)	(282 250)	-
Current service cost (non-current provisions)	-	(191 879) (191 879)
Finance cost	(1 330 194)	(1 575 116) (244 922)
Interest on non-current provisions	-	(244 922) (244 922)
Actuarial gains/losses on non-current provisions	-	(34 094) (34 094)
		(2 502 365)
Reconciliation of Surplus / (Deficit) for the prior year		
Previously Reported		26 860 039
Restatements as detailed above		(2 502 365)
Restated Surplus for the year ended 30 June 2010		24 357 674
Summary of Movement		
Statement of Financial Performance		(2 502 365)
Statement of Financial Position		411 488
		(2 090 880)

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

2011
R

Inventories

Chemicals were incorrectly valued, at incorrect cost prices. This affected both inventories and general expenses.

Other receivables from non-exchange transactions

This adjustment to traffic income/debtors and the related bad debt provision was necessary due to a casting error in the calculation sheet in the prior years, affecting 2009, 2010 and 2011. This affected Other Receivables from Non-Exchange Transactions, as well as traffic income and bad debts in the income statement for 2011. A debtor was also raised for an overpayment in prior years to a supplier.

An adjustment was also made to Trade Creditors - creditors were identified that the municipality were not aware of previously. Simultaneously, the municipality had a claim for these debts from Housing, and hence a corresponding debtor was raised.

An adjustment was necessary to account for a debtor to be raised in 2010, where an over payment was made to a creditor. This affected Other Debtors and Accumulated Surplus.

VAT receivable

This balance was affected due to the adjustment between Trade Creditors and Other debtors. Refer to notes above.

Trade and other receivables from exchange transactions

Rates income was reduced, due to exempt properties charged in 2011, as well as inaccurate calculations and charges on Cacadu properties. Water charges was reduced, due to an over charge in 2011. The corresponding trade debtor was also adjusted.

Current Provisions

This adjustment was due to inaccurate leave records from Human Resources. The adjustment affected the Leave Provision as well as the related employee related costs in 2011.

Trade and other payables from exchange transactions

Refer to Other Receivables from Non-Exchange Transactions above, for adjustment between Trade Creditors and Other Debtors.

Non-current provisions

Provisions related to long service leave awards and post employment medical aid were not accounted for in the past. These provisions were accounted for in the current year in terms of IAS19 Employee Benefits. These plans are defined benefit plans. This adjustment affected non-current provisions, current provisions, interest cost, service cost and actuarial gains/losses.

VAT payable

This adjustment relates to the VAT effect on impairment of debtors not considered previously

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
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49 COMPARISON WITH THE BUDGET

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

50 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

	Classification		
Financial Assets			
Cash and cash equivalents	Loans and receivables	435 752	236 336
Trade and other receivables from exchange transactions	Loans and receivables	27 603 431	16 378 820
Other receivables from non-exchange transactions	Loans and receivables	10 783 082	31 388 601
Investments	Loans and receivables	1 725 694	528 949
Current portion of non-current receivables	Loans and receivables	3 497	3 168
Non-current receivables	Loans and receivables	52 370	56 028
Financial Liabilities			
Trade and other payables from exchange transactions	Amortised cost	16 028 561	36 178 638
Consumer deposits	Amortised cost	256 970	210 910
Bank overdraft	Amortised cost	#REF!	391 025
Current portion of unspent conditional grants and receipts	Amortised cost	1 333 434	1 739 158
Current portion of borrowings	Amortised cost	2 659 338	3 795 517
Current portion of finance lease liability	Amortised cost	883 498	1 603 797
Non-current unspent conditional grants and receipts	Amortised cost	-	-
Non-current borrowings	Amortised cost	5 755 920	6 075 094
Non-current finance lease liability	Amortised cost	632 729	1 145 604

51 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	1 September 1975 to 31 August 2074	R 1 per Annum Escalation - No
Portion of Farm Commando Kraal Valentine Hall and Surrounding Area	Date of Renewal - 1 June 2074	R1 per Annum
MTN Private Bag X30, Benmore, 2010 Erf 372, Kirkwood	1 April 2004 to 28 February 2014 Date of Renewal - 31 January 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%
Bruinljes 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%
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 2010 to 31 December 2014 Date of Renewal - 1 November 2014	R 1 per Annum Escalation - No

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

<u>Lessee Name, address and property description</u>	<u>Lease Period</u>	<u>Rental Payable</u>
Cacadu District Municipality PO Box 313, Port Elizabeth, 6000 Erf 720 Nomathamsanqa	1 July 2010 to 30 June 2014 Date of Renewal - 31 May 2014	R 1 per Annum Escalation - No
Department of Public Works Private Bag X3913, North End, Port Elizabeth. 6056	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
9 Dwellings for SAPS, Moses Mabida, Kirkwood		
Sisters of Mercy Site 241 Alwyntjies, Addo	1 December 2010 - 30 November 2014 Date of renewal - 31 October 2013	R10 per month Escalation - No
Vuka Phile Agriculture & Service Co-Opt PO Box 331, Kirkwood Erf 521/16, Kirkwood	1 March 2011 - 28 February 2016 Date of renewal 31 January 2016	R433.20 per month Escalation - 10%

Sunday's River Valley Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

52 DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT POLICY

Below is a list of the deviations reported in note 38.4:

Reason for Deviation	Date Approved by MM	Supplier Name	Amount	Department
Municipal SCM regulations, section 36 (1) (a) (i) emergency & (v) impractical or impossible	2011/07/11	ACJ Electrical	27 235	Technical Services
Municipal SCM regulations, section 36 (1) (a) (i) emergency	2011/08/03	PE Pumps	22 823	Technical Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2011/12/13	Ukozi Consulting and Cleaning Services	77 000	Corporate Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2011/12/14	A2A Associates Incorporated	51 380	Finance
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/01	Arch Actuarial Consulting	28 073	Finance
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/06	A2A Associates Incorporated	64 980	Finance
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/06	Cithibhunga Construction	4 100	Community Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/08	Zetablox CC	4 501	Corporate Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/08	Bush Guest House	10 920	Technical Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/20	Service Electrical	290 088	Public Works
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/20	Spontaneous Management Consulting	25 080	Corporate Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/02/20	Fani's auto centre	6 020	Technical Services
Municipal SCM regulations, section 36 (1) (a) (i) emergency	2012/04/24	Burwana cold mix	26 668	Technical Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/04/24	Aquila plant hire	5 130	Technical Services
Municipal SCM regulations, section 36 (1) (a) (i) emergency	2012/04/24	Bay IT Solutions	430 000	Corporate Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/04/20	Bravoplex 516 cc	<i>Commission basis</i>	IDP
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/04/30	Lithaba Basadi	30 643	Corporate Services
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/05/30	Mazars	119 700	Finance
Municipal SCM regulations, section 36 (1) (a) (v) impractical or impossible	2012/05/30	Master Crete	29 703	Technical Services
Municipal SCM regulations, section 36 (1) (a) (i) emergency	2012/05/22	Crash Motors	6 950	Community Services
Municipal SCM regulations, section 36 (1) (a) (ii) sole supplier	2012/04/11	Water Technology	228 243.96	Technical Services
Municipal SCM regulations, section 36 (1) (a) (ii) sole supplier	2011/07/12	Water Technology	210 894.30	Technical Services
Municipal SCM regulations, section 36 (1) (a) (ii) sole supplier	2011/11/25	Water Technology	210 894.30	Technical Services
			<u>1 911 025</u>	

Sunday's River Valley Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
DBSA - Swimming Pool	12058	31 Dec 2012	20 213	-	(11 793)	8 420	-	-
DBSA - Traffic Department	100321	31 Mar 2027	1 459 138	-	(182 670)	1 276 468	-	-
DBSA - Backhoe	100321	31 Mar 2027	486 380	-	(60 890)	425 489	-	-
Department of Water Affairs			7 904 880	-	(1 200 000)	6 704 880	-	-
Finance Leases	Various		2 749 400	1 053 119	(2 286 290)	1 516 229	1 200 114	148 407
TOTAL EXTERNAL LOANS			12 620 011	1 053 119	(3 741 644)	9 931 486	1 200 114	148 407

Sunday's River Valley Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R		
	Opening Balance R	Additions R	Disposals R	Under Construction Opening Balance R	Under Construction Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of Impairment loss R		Closing Balance R	Transfers R
Land													
Land	59 595 494					59 595 494							
Landfill Sites	1 999 281					1 999 281	(1 050 602)	(525 301)			(1 575 904)		
	61 594 775					61 594 775	(1 050 602)	(525 301)			(1 575 904)		
Buildings													
	29 178 459				353 699	29 532 158	(4 618 767)	(1 573 348)			(6 192 115)		
Infrastructure													
Roads	68 262 064				861 398	69 123 462	(12 433 551)	(4 144 517)			(16 578 069)		
Sewerage Mains & Purification	92 310 960	39 659 909		(43 896 508)	11 537 363	99 011 124	(4 509 739)	(1 895 198)			(6 404 936)		
Electricity	14 419 772					14 419 772	(2 327 384)	(775 795)			(3 103 179)		
Water Mains & Purification	80 498 142	11 066 646		(28 868 747)	33 665 458	96 561 499	(17 927 306)	(6 047 060)			(23 974 366)		
Solid Waste													
	255 490 938	50 925 955		(72 765 254)	46 264 219	279 915 858	(37 197 982)	(12 862 570)			(50 060 532)		
Community Assets													
Cemeteries	806 522					806 522	(268 841)	(89 614)			(358 454)		
	806 522					806 522	(268 841)	(89 614)			(358 454)		
Other Assets													
Furniture & Fittings	1 903 953	250 821				2 154 774	(759 988)	(304 193)			(1 064 181)		
Motor Vehicles	2 771 194					2 771 194	(991 314)	(390 628)			(1 381 942)		
Machinery and Equipment	1 239 233	5 774				1 239 007	(321 966)	(165 950)			(487 918)		
Computer Equipment	1 378 186	216 689				1 594 875	(682 575)	(289 261)			(971 836)		
	7 296 565	473 284				7 769 849	(2 755 844)	(1 150 033)			(3 905 877)		
Finance Lease Assets													
Office Equipment and Motor Vehicles	4 296 741	1 053 119	(1 389 014)			3 960 846	(2 681 714)	(912 425)	1 074 976		(2 519 163)		
	4 296 741	1 053 119	(1 389 014)			3 960 846	(2 681 714)	(912 425)	1 074 976		(2 519 163)		
Total	358 654 000	52 452 358	(1 389 014)	(72 765 254)	46 617 918	383 570 007	(48 573 750)	(17 113 291)	1 074 976		(64 612 065)		
													318 957 938

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 Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of Impairment loss R		Closing Balance R	Transfers R
Land													
Land	59 595 494					59 595 494							59 595 494
Landfill Sites	1 999 281					1 999 281	(625 301)	(525 301)			(1 050 602)		948 679
	61 594 775					61 594 775	(525 301)	(525 301)			(1 050 602)		60 544 173
Buildings		345 814					(3 056 946)	(1 561 821)			(4 618 757)		24 559 692
Infrastructure													
Roads	68 262 064					68 262 064	(9 289 034)	(4 144 517)			(12 433 551)		55 828 513
Sewerage Mains & Purification	84 398 722				43 696 508	92 310 960	(2 862 718)	(1 527 021)			(4 509 739)		87 801 221
Electricity	14 419 772					14 419 772	(1 551 598)	(775 795)			(2 327 384)		12 092 388
Water Mains & Purification	65 393 824				28 868 747	80 498 142	(11 936 616)	(5 990 692)			(17 927 308)		62 570 834
Solid Waste													
	232 475 382			(48 749 698)	72 765 254	255 480 938	(24 759 857)	(12 438 025)			(37 197 982)		218 282 955
Community Assets													
Cemeteries	806 522					806 522	(179 227)	(89 614)			(268 841)		537 681
	806 522					806 522	(179 227)	(89 614)			(268 841)		537 681
Other Assets													
Furniture & Fixings	1 847 654	56 299				1 903 953	(485 251)	(274 737)			(759 988)		1 143 965
Motor vehicles	2 678 194	93 000				2 771 194	(608 436)	(382 878)			(891 314)		1 779 880
Machinery and Equipment	830 134	403 099				1 233 233	(179 533)	(142 435)			(321 968)		911 265
Computer Equipment	1 226 523	151 663				1 378 186	(426 192)	(256 383)			(682 575)		695 611
	6 582 505	704 060				7 286 565	(1 699 412)	(1 066 432)			(2 755 844)		4 530 721
Finance Lease Assets													
Office Equipment and Motor Vehicles	4 296 741					4 296 741	(1 523 307)	(1 156 407)			(2 681 714)		1 615 027
	4 296 741					4 296 741	(1 523 307)	(1 156 407)			(2 681 714)		1 615 027
Total	334 588 570	1 049 874		(48 749 698)	72 765 254	358 654 000	(31 744 151)	(16 829 600)			(48 573 750)		310 060 250

Sunday's River Valley Municipality
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June 2012

	2012		2012		2012		
	Actual Income		Budget		Variance		Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	R	R	%	
Revenue							
Property rates	14 509 502	14 700 000	(190 498)			-1%	Adjustment to municipal properties
Service charges	35 938 723	37 280 958	(1 342 235)			-4%	
Rental of facilities and equipment	142 342	62 732	79 610			127%	More rental contracts
Interest earned - external investments	164 865	199 892	(35 027)			-18%	Fluctuation in investment balances
Interest earned - outstanding receivables	1 388 155	1 859 992	(471 837)			-25%	Decision by council not to charge interest because of billing problems
Fines	1 582 138	1 010 780	571 358			57%	More fines written
Licenses and permits	3 046 944	1 107 379	1 939 565				License testing ground fully operational and producing more income than anticipated
Government grants and subsidies	61 131 936	71 187 151	(10 055 215)			175%	Less revenue recognised on RBIG funds than anticipated
Other income	3 147 619	5 668 125	(2 520 506)			-14%	Less anticipated
Total revenue	121 052 225	133 077 009	(12 024 784)			-9%	
Expenses							
Employee related costs	28 123 104	28 661 199	(538 095)			-2%	
Remuneration of councillors	3 800 291	3 826 027	(25 736)			-1%	
Bad debts provision	10 892 131	14 000 000	(3 107 869)			-22%	
Depreciation and amortisation expense	17 388 350	15 000 000	2 388 350				Depreciation more than anticipated due to infrastructure
Repairs and maintenance	2 209 750	4 898 462	(2 628 712)			16%	Infrastructure maintenance needed capital replacements and not just maintenance
Finance costs	2 225 614	651 903	1 573 711			241%	new leases
Bulk purchases	11 834 347	10 781 135	1 053 212			10%	
Grants and subsidies paid	8 101 762	3 842 952	4 258 810			111%	More indigent registration than anticipated
General expenses	15 234 008	20 847 544	(5 613 536)			-27%	Cashflow constraints
Total expenses	99 809 358	102 449 222	(2 639 865)			-3%	
Gain / (loss) on sale of assets	394 622	-	394 622			100%	
Actuarial gains/(losses)	116 000	-	-				
Profit / (loss) on fair value adjustment	(373 993)	-	(373 993)			-100%	
Surplus / (deficit) for the period	21 379 496	30 627 787	(9 364 290)				

Sunday's River Valley Municipality
APPENDIX E (2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
for the year ended 30 June 2012

	2012	2012	2012	2012	2012	
	Actual / Under Construction	Budget	Variance	Variance	Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	R	%	
Buildings	353 699	-	353 699		100%	New library being build by district not budgeted for
Infrastructure						
Roads	861 398	969 679	(108 281)		-11%	Grant expenditure was budgeted for incl of VAT, but expense is recorded excluding VAT
Sewerage Mains & Purification	7 500 164	9 030 829	(1 530 665)		-17%	Grant expenditure was budgeted for incl of VAT, but expense is recorded excluding VAT
Water Mains & Purification	16 063 358	25 528 292	(9 464 934)		-37%	Grant expenditure was budgeted for incl of VAT, but expense is recorded excluding VAT. Slow expenditure of indirect grant (RBIG), managed by implementing agent and reporting directly to other government sphere
Other Assets						
Furniture & Fittings	250 821	322 610	(71 789)		-22%	More furniture needed than anticipated
Security	-	85 000	(85 000)		-100%	Security of all offices needs to be catered for - to be revisited in next financial year
Machinery and Equipment	5 774	-	5 774		100%	no need
Computer Equipment	216 689	155 940	60 749		39%	Less computers needed than anticipated
Finance Lease Assets						
Office Equipment and Motor Vehicles	1 053 119	2 830 000	(1 776 881)		-63%	
Water Meters	-	500 000	(500 000)		-100%	
Tools	-	70 000	(70 000)		-100%	
Total	26 305 021	39 492 350	(13 187 329)		-33%	

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 2012

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	450 000	8 500 000	10 554 000	-	19 504 000	5 692 520	4 584 115	2 735 223	6 492 142	19 504 000	None	YES
Finance Management Grant	National Treasury	1 500 000	-	-	-	1 500 000	630 920	202 780	215 107	451 193	1 500 000	None	YES
Municipal Systems Improvement Grant	DPLG&TA	790 000	-	-	-	790 000	-	367 863	68 400	353 737	790 000	None	YES
LED	DPLG&TA	67 187	-	-	-	67 187	27 298	39 332	37 966	15 591	120 187	None	YES
Environmental Health Subsidy	Cacadu DM	-	456 576	228 288	228 288	913 152	260 442	320 557	222 745	248 321	1 052 065	None	YES

Sunday's River Valley Municipality
APPENDIX G
SCHEDULE OF INVESTMENTS
for the year ended 30 June 2012

Investment Name	Investment Nr.	Invest Item	Opening Balance	Investment Made	Investment Withdrawn	Interest Received	Closing Balance
Addo Nolithando	62134438284	950/6239/01	1 000	-	-	10	1 010
Bergsig Raw Houses	62153803020	950/6249/01	1 000	64 047	-	10	65 057
Capacity Building for Ward Committees	62084969694	950/6232/01	6 819	-	(5 950)	131	1 000
DBSA Security	62088609395	950/6233/01	1 319	600 000	(362)	44	601 001
Drought relief fund	62097244257	950/6237/01	1 000	-	(79)	79	1 000
Electricity Account	62027590589	950/6202/01	1 060	6 256 244	(6 267 625)	12 329	2 008
Environmental Health	62254580361	950/6214/01	1 000	684 863	(684 725)	85	1 223
FMG	62149457708	950/6250/01	1 000	1 950 000	(1 953 014)	3 024	1 010
IDP	62051951088	950/6210/01	272 476	280 755	(275 082)	3 612	281 761
Integrated Zoning Scheme	62161489086	950/6252/01	1 012	294 879	-	10	295 901
KK113	62133015322	950/6248/01	1 000	-	(39)	39	1 000
KWD Cemetery Investigation	62041425669	950/6217/01	1 000	-	(39)	39	1 000
LED	62314004839	950/6279/01	53 000	1 301	(52 118)	217	2 400
MIG Emsengeni	62081228621	950/6231/01	1 000	20 379 397	(20 489 895)	110 498	1 000
Municipal Systems Improvement Grant	62072234041	950/6224/01	1 002	-	(181)	181	1 002
O&M	62223416175	950/6271/01	1 000	-	(10)	10	1 000
Paterson Micro Enterprises Craft Centre	62054191631	950/6216/01	1 000	-	(39)	39	1 000
Planning of Moses Mabida	62047939783	950/6213/01	1 001	-	(39)	39	1 001
Rec of Encroachment: Moses Mabida	62071406542	950/6222/01	1 203	76 716	-	48	77 967
Rec of Encroachment: Nomathamsanqa	62071406633	950/6223/01	1 255	100 039	-	50	101 344
Rec of Encroachment: Paterson	62071406401	950/6221/01	1 226	87 436	-	49	88 711
Revenue Enhancement	62314004411	950/6258/01	111 586	-	(111 287)	702	1 000
Revision & Integration of Zoning Scheme	62088609634	950/6234/01	1 000	190 269	(39)	39	191 269
Spatial Development Framework	62047939832	950/6212/01	1 001	-	(35)	35	1 001
SRVM Town Planning	62178942580	950/6261/01	1 007	-	(10)	10	1 007
Water Service Policy	62178064102	950/6262/01	1 000	-	(350)	350	1 000
Water Services Authorities	62129725141	950/6246/01	40 322	-	(39 833)	533	1 022
WSDP	62223416117	950/6270/01	21 660	-	(20 736)	76	1 000
			528 949	30 965 945	(29 901 489)	132 289	1 725 694

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Sundays River Valley
Municipality
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Ons verw. / Our ref:
Isalathiso sethu: 5/15/1/1

U verw. / Your ref:
Isalathiso sakho:

30 November 2012

THE AUDITOR-GENERAL
PORT ELIZABETH BRANCH
WALMER PARK
PORT ELIZABETH
6001

REPRESENTATION LETTER

1. This representation letter is provided for the purposes of your audit of the financial statements and the performance information of the Sundays River Valley Municipality for the year ended 30 June 2012 for the purpose of expressing an opinion as to whether the financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), Generally Accepted Accounting Practice (GAAP), the Municipal Finance Management Act (MFMA), Division of Revenue Act (DORA) and various other applicable enabling legislation and that they fairly present the financial position, the results of its operations and cash flows of the Sundays River Valley Municipality in accordance with the International Standards on Auditing.
2. We confirm, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves, the following representations with regard to your duties as auditors of the [name of entity] for the year ended 30 June 2012.

Financial statements

3. We have fulfilled our responsibility as set out in the terms of engagement dated 31 March 2012, for the preparation and presentation of the financial statements in accordance with with the Standards of Generally Recognised Accounting Practice (GRAP), Generally Accepted Accounting Practice (GAAP), the Municipal Finance Management Act (MFMA), Division of Revenue Act (DORA) and various other applicable enabling legislation, in particular that the financial statements are fairly presented in accordance therewith. In this connection we further confirm the following:
 - The selection and application of accounting policies are in compliance with the applicable financial reporting framework/basis of accounting.
 - The accounting policies as defined in the financial statements have been applied consistently with the previous year, except as disclosed.
 - The financial statements are free of material misstatements, including omissions.

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- There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- All plans or intentions that may materially alter the carrying value or classification of assets and liabilities in the financial statements have been accounted for or disclosed in accordance with the applicable financial reporting framework/basis of accounting.
- There are no off-balance sheet assets or liabilities, including financial derivatives, except as disclosed in the financial statements.
- Key assumptions made by us concerning the future and other key sources of estimation uncertainty at year-end have been adequately disclosed and are reasonable.
- Judgements made in the process of applying the accounting policies have been adequately disclosed and are reasonable.
- All events subsequent to year-end for which the applicable financial reporting framework/basis of accounting requires adjustment or disclosure have been adjusted or disclosed.

Assets

- Where current assets are not expected to realise at least the value at which they are recorded in the financial statements, adequate provision has been made for all uncollectable or doubtful amounts.
- The carrying amount of non-current assets valued other than at fair value has been reviewed to determine whether it is in excess of the assets' recoverable amount. Where an asset's estimated recoverable amount is lower than its carrying amount, it has been impaired for any diminution in value.
- Property, plant and equipment:
 - acquired during the year has been included in capital expenditure and is stated at cost or fair value, if acquired at no cost, and represents actual additions
 - does not include current expenditure, e.g. repairs and maintenance
 - is depreciated at rates that are appropriate for the particular type of asset, and the useful life and residual value of the asset are taken into consideration
 - that has been disposed of, destroyed, misappropriated or abandoned has been excluded from the financial statements and the asset register
 - is properly safeguarded against damage and theft
 - is properly maintained to prolong its useful life.
- The Municipality has satisfactory title to, or control over, all assets disclosed in the financial statements and, where appropriate, all liens or encumbrances on these assets have been disclosed in accordance with the applicable financial reporting framework/basis of accounting.

Liabilities

- All liabilities, both actual and contingent, have been recorded and, where appropriate, disclosed in accordance with the applicable financial reporting framework/basis of accounting.
- All material liabilities or contingencies arising from applicable legislative obligations and non-compliance (e.g. environmental matters, penalties, etc.) have been adequately disclosed in the financial statements.

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- Adequate provision has been made for all known losses at the date of this letter.
- The nature of any guarantee given by, or on behalf of, the Municipality is fully disclosed in the financial statements.
- All aspects of contractual agreements that could have a material effect on the financial statements have been complied with, and instances of non-compliance have been disclosed in accordance with the applicable financial reporting framework/basis of accounting.

Other

- The identity of related parties, related party transactions and related amounts receivable or payable (including fees, commissions, purchases and sales, loans, transfers, leasing arrangements and guarantees) have been properly recorded and disclosed in the financial statements in accordance with the applicable financial reporting framework/basis of accounting.
- Except as disclosed in the financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. All key management personnel have declared their interests in writing.
- All transfer/grant payments and/or revenue have been properly and completely accounted for and have been recorded in the proper period.
- All donor funding or donations received have been properly and completely accounted for in the financial statements.
- The budget was prepared in accordance with the applicable regulations and instructions and is in line with set criteria and objectives.
- All unauthorised, fruitless and wasteful, and irregular expenditure as well as material losses have been disclosed as required.

Uncorrected misstatements in the financial statements

- The effects of those uncorrected financial statement misstatements and disclosure omissions aggregated by the auditor during the audit and detailed in the annexure hereto are immaterial, individually and in aggregate, to the financial statements taken as a whole, both quantitatively and due to the nature, cause or circumstance of the misstatement, for the reasons as stated.

Internal control

4. We acknowledge and understand our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements and performance information that is free from material misstatement, whether due to fraud or error, and believe that the internal control we have maintained is adequate for that purpose.
5. There have been no irregularities involving management or employees that had a significant impact on internal control or could have a material effect on the financial statements that have not been disclosed to you.

Legislative, regulatory and contractual requirements

6. We acknowledge and understand our responsibility for putting in place appropriate systems and mechanisms to ensure that all applicable aspects of legislative, regulatory and contractual requirements which impact on the activities and functions of the the Municipality have been complied with, including the following:

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- Related party transactions
 - Supply chain management requirements
7. All actions during the financial year took place according to and within our powers. In addition, we have disclosed to you all actual or potential instances of non-compliance with any legislative, regulatory or contractual requirements which we have considered for inclusion in the financial statements, as a liability, contingency or commitment.
 8. No claims or notices of litigation have been or are expected to be received, other than that which has been disclosed to you.
 9. The Municipality has not been represented by solicitors for the year ended 30 June 2011, other than that which has been disclosed to you.
 10. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
 11. All known, actual or possible non-compliance with laws and regulations that may have a material effect on the purpose, operations or financial management of the the Municipality has been disclosed to you.
 12. All council/SCOPA/ oversight resolutions as well as all ministerial directives and cabinet resolutions that became applicable during the year have been complied with.
 13. The Municipality has not contravened the MFMA in terms of:
 - conducting commercial activities
 - providing municipal services
 - making loans to councillors, officials, directors or members of the public
 - participating in a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attendance at such meeting by a councillor.

Completeness of information and transactions

14. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters
 - additional information that you have requested from us for the purpose of the audit
 - unrestricted access to persons within the the Municipality from whom you determined it necessary to obtain evidence.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. All revenue earned prior to 30 June 2011 has been taken into account and, except as disclosed in the financial statements, the results for the year were not materially affected by:
 - transactions not usually undertaken by the the Municipality
 - circumstances of an exceptional or non-recurrent nature
 - charges or credits relating to prior years

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- any change in the basis of accounting or application of accounting policies
 - transactions or agreements with related parties (such as subsidiaries, associates, joint ventures, those charged with governance, management) which were not in the ordinary course of business or which contravened any applicable legislation.
17. All bank accounts, i.e. current, deposit and investment accounts, have been disclosed and their balances appropriately disclosed as cash and cash equivalents.
18. The annual report and financial statements contain all information and disclosures as required by the PFMA, MFMA, DoRA and any other applicable legislation.

Controls to prevent and detect fraud

19. We acknowledge our responsibility for the design and implementation of programmes and controls to prevent and detect fraud.
20. We have disclosed to you all the information in relation to fraud, suspected fraud or allegations of fraud which we are aware of or which has been communicated by employees, former employees, regulators and others, and which affects the entity and involves:
- management
 - those charged with governance
 - employees who have significant roles in internal control
 - others
- where fraud could have a material effect on the financial statements.

21. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

General

22. All minutes of meetings of executive management, the accounting authority, the council, audit committees and any other subcommittees of those charged with governance held to date have been made available to you for inspection, including summaries of recent meetings for which minutes have not yet been prepared or approved.
23. Personnel expenditure represents payments in respect of services that have been rendered to the Municipality by employees.
24. We acknowledge our responsibility to conduct a risk assessment to identify risks and develop a risk strategy that should be communicated to all employees.
25. No new information systems were introduced during the year which could adversely impact on the completeness and accuracy of the information systems and underlying data.

Performance information

26. We acknowledge our responsibility to report performance information that fairly reflects the achievement of the Municipality against the predetermined objectives.

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27. Performance objectives, indicators and targets, as disclosed in the annual report, were determined on a basis consistent with the prior year and were formally approved prior to the beginning of this financial period.
28. There is a performance measurement system in place that provides reliable performance information and enables us to effectively monitor our performance during the year as well as to report against the predetermined objectives in the annual report.

Going concern


29. We confirm that, to the best of our knowledge and belief, the Municipality has adequate resources to continue operations at their current level for the foreseeable future. For this reason we continue to adopt the going concern assumption in preparing the financial statements for the year ended 30 June 2011. We reached this conclusion after making enquiries and taking into account circumstances which we consider likely to affect the Sundays River Valley Municipality during the period for one year from 30 November 2012, and circumstances which we know will occur after that date which could affect the validity of the going concern assumption.

Subsequent events


30. All events subsequent to the date of the financial statements for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

These representations are made at your request and to supplement information obtained by you from the records of the Sundays River Valley Municipality and to confirm information given to you orally or in writing during the audit.

Yours faithfully



L.M.R. NGOQO
Accounting officer



H.E. NAGEL
Chief financial officer (CFO)

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Uncorrected misstatements

These misstatements for the year ended 30 June 2012 detailed below have not been corrected for the reasons as indicated.

We believe that the effects of those uncorrected financial statement misstatements, including omissions of disclosures are immaterial, both individually and in aggregate, to the financial statements taken as a whole, and consequently we decided not to amend the financial statements submitted on for audit 30 June 2012 in respect of these misstatements.

No.	Name of the account balance/class of transactions/details of the omitted disclosure note and the contra entry	Amount of the misstatement (DR)	Amount of the misstatement (CR)	Reason for not correcting the misstatement
		R	R	
1.	General Expenditure	42 926		Misstatement is immaterial
	Fixed Assets		42 926	
2.	General Expenditure	1 314		Misstatement is immaterial
	Fixed Assets: Infrastructure		1 314	
3.	General Expenditure	6 574		Misstatement is immaterial
	Trade payables		6 574	
4.	VAT	982		Misstatement is immaterial
	Bank and cash		79	
	Bulk purchases: electricity		903	
5.	Trade payables	3 794		Misstatement is immaterial
	VAT		355	
	Grant expenditure		3 439	
6	Salary control account	18 772		Misstatement is immaterial
	Employee costs		18 772	
7	Grant revenue	10 369		Misstatement is immaterial
	Grant expenditure		10 369	
8	Employee costs	2 752		Misstatement is immaterial
	Salary control account		2 752	
9	General expenditure	12 089		Misstatement is immaterial
	Trade payables		12 089	
10	Finance expense	7 848		Misstatement is immaterial
	Trade payables		7848	
11	Trade payables	336		Misstatement is immaterial
	Bank and cash		336	
12	Unspent portion of conditional grants	183 514		Misstatement is immaterial
	Grant expenditure		183 514	

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13	Trade receivables	300		Misstatement is immaterial
	Revenue: fines		300	
14	VAT	28 257		Misstatement is immaterial
	Revenue (Unknown deposits)		28 257	
15	Bank and cash	799 869		Misstatement is immaterial
	Trade receivables		799 869	
16	Trade receivables	28 952		Misstatement is immaterial
	Bank and cash		28 952	
17	General expenditure	305 548		Misstatement is immaterial
	Repairs and maintenance		305 548	
18	Employee costs	3 201		Misstatement is immaterial
	Provision for bonuses		3 201	
19	General expenditure	27 632		Misstatement is immaterial
	Trade payables		27 632	
20	Trade receivables	55 850		Misstatement is immaterial
	Grant expenditure: water subsidy		55 850	
21	Trade receivables	205 412		Misstatement is immaterial
	Revenue: service charges		205 412	
22	Trade receivables	94		Misstatement is immaterial
	Revenue: Prepaid electricity		94	
23	Trade receivables	639 744		Misstatement is immaterial
	Revenue: Property rates		639 744	
24	General expenditure	2 420		Misstatement is immaterial
	Fixed assets		2 420	
25	Trade payables	273 116		Misstatement is immaterial
	General expenditure		273 116	
26	Revenue: Property rates	264 293		Misstatement is immaterial
	Trade receivables		264 293	
27	Trade receivables	548 754		Misstatement is immaterial
	Revenue: Property rates		548 754	
28	Limitation: salary control account		57 512	Misstatement is immaterial
29	Limitation: Provision for bonuses		75 213	Misstatement is immaterial
29	Employee costs		14 061	Misstatement is immaterial
30	Limitation: Provision for leave pay		1 611 978	Qualified balance
31	Limitation: VAT receivable		3 785 808	Qualified balance

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	TOTAL AGGREGATE UNCORRECTED MISSTATEMENTS NOT QUALIFIED ON	Financial Performance: R1 862 736 Financial Position: R1 780 696	As documented above
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