



Sundays River Valley Municipality
Annual Financial Statements
for the year ended 30 June 2013

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Mayoral committee

Executive Mayor	Kebe MW
Speaker	Hawu NG
Councillors	Adams F Blou PR Delport JS Finnis BAM Grootboom TR Jagers HE Kula-Stefana J Lose ZA Manene J Qusheka Z Rune SH Smith K Snoek BC Wagenaar I

Grading of local authority

Two (2)

Municipal Manager

Ngoqo LMR

Chief Finance Officer

Van Greunen S (Acting)

30 Middle Street

Registered office

Kirkwood
6120

Business address

30 Middle Street
Kirkwood
6120

Postal address

PO Box 47
Kirkwood
6120

Bankers

First National Bank, Kirkwood

Auditors

Auditor-General of South Africa

Attorneys

Canter and Kie
Deon van der Merwe Attorneys
De Wet and Stryder Attorneys, Conveyancers and Notaries
Doreen Mgoduka Attorneys
Friedman Scheckter Attorneys, Conveyancers and Notaries
Pumeza Bono Incorporated

Sundays River Valley Municipality

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting officer's report

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2013 and were signed on its behalf by:

Municipal Manager
Mr LMR Ngoqo

Sundays River Valley Municipality

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Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	3	1 120 289	1 646 913
Trade Receivables from exchange transactions	4	24 781 543	17 644 558
Trade Receivables from non-exchange transactions	5	12 840 839	10 439 951
Inventories	6	158 005	158 006
Investments	7	6 195 609	576 499
VAT receivable	8	-	3 785 808
Current portion of non-current receivables from non-exchange transactions	12	3 674	3 497
		45 099 959	34 255 232
Non-Current Assets			
Investment property	9	42 174 306	42 174 306
Property, plant and equipment	10	340 730 326	320 062 876
Intangible assets	11	982 932	1 198 201
Non-current receivables from non-exchange transactions	12	48 696	52 370
		383 936 260	363 487 753
Total Assets		429 036 219	397 742 985
Liabilities			
Current Liabilities			
Other financial liabilities	13	2 609 713	2 659 338
Finance lease obligation	14	960 859	1 353 599
Payables from exchange transactions	15	22 730 504	17 288 400
VAT payable	17	1 895 242	-
Consumer deposits	16	262 178	256 970
Unspent conditional grants and receipts	18	1 612 574	987 702
Provisions	19	15 823 206	14 927 553
		45 894 276	37 473 562
Non-Current Liabilities			
Other financial liabilities	13	6 888 143	6 401 773
Finance lease obligation	14	767 737	1 575 249
Retirement benefit obligation	20	3 612 000	3 310 000
Provisions	19	507 751	507 751
		11 775 631	11 794 773
Total Liabilities		57 669 907	49 268 335
Net Assets		371 366 312	348 474 650
Accumulated surplus		371 366 312	348 474 650

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Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue	22	125 729 237	116 818 226
Other income		-	394 622
Operating expenses		(99 823 209)	(97 948 812)
Operating surplus		25 906 028	19 264 036
Investment revenue	23	288 191	1 525 077
Finance costs	24	(2 719 763)	(2 404 290)
Surplus for the year		23 474 456	18 384 823

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	344 210 116	344 210 116
Adjustments		
Correction of errors (note 39)	(14 120 289)	(14 120 289)
Balance at 01 July 2011 as restated	330 089 827	330 089 827
Changes in net assets		
Surplus for the year	18 384 823	18 384 823
Total changes	18 384 823	18 384 823
Opening balance as previously reported	344 597 932	344 597 932
Adjustments		
Correction of errors (note 39)	20 629	20 629
Change in accounting policy (note 40)	3 273 295	3 273 295
Balance at 01 July 2012 as restated	347 891 856	347 891 856
Changes in net assets		
Surplus for the year	23 474 456	23 474 456
Total changes	23 474 456	23 474 456
Balance at 30 June 2013	371 366 312	371 366 312

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Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		33 383 462	35 820 110
Grants		69 731 840	63 528 101
Interest income		288 191	1 525 077
Other receipts		2 525 239	25 903 964
		<u>105 928 732</u>	<u>126 777 252</u>
Payments			
Employee costs		(36 879 078)	(31 807 395)
Suppliers		(39 758 445)	(38 324 352)
Finance costs		(2 719 763)	(2 404 290)
		<u>(79 357 286)</u>	<u>(72 536 037)</u>
Net cash flows from operating activities	35	<u>26 571 446</u>	<u>54 241 215</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(20 667 450)	(52 547 349)
Purchase of intangible assets	11	(51 500)	(25 000)
Proceeds from sale of financial assets		(5 619 110)	314 039
Proceeds from sale of non-current receivables from non-exchange transactions		3 497	-
		<u>(26 334 563)</u>	<u>(53 148 848)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		436 745	841
Finance lease payments		(1 200 252)	179 447
		<u>(763 507)</u>	<u>180 288</u>
Net increase / (decrease) in cash and cash equivalents		(526 624)	1 272 655
Cash and cash equivalents at the beginning of the year		1 646 913	374 258
Cash and cash equivalents at the end of the year	3	<u>1 120 289</u>	<u>1 646 913</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	35 631 890	1 065 331	36 697 221	38 645 210	1 947 989	N1
Rental of facilities and equipment	68 530	48 522	117 052	114 658	(2 394)	
Interest received (trading)	2 244 332	-	2 244 332	288 191	(1 956 141)	N2
Income from agency services	1 173 080	-	1 173 080	1 577 044	403 964	N3
Licences and permits	2 651 865	(1 530 102)	1 121 763	1 327 117	205 354	N3
Other income	5 318 324	(765 056)	4 553 268	2 435 606	(2 117 662)	N4
Total revenue from exchange transactions	47 088 021	(1 181 305)	45 906 716	44 387 826	(1 518 890)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	16 022 692	-	16 022 692	13 050 933	(2 971 759)	N5
Collection charges	23 093	19 908	43 001	-	(43 001)	
Government grants & subsidies	82 485 930	951 911	83 437 841	66 671 361	(16 766 480)	N6
Transfer revenue						
Fines	1 071 838	(4 004)	1 067 834	1 907 308	839 474	
Total revenue from non-exchange transactions	99 603 553	967 815	100 571 368	81 629 602	(18 941 766)	
Total revenue	146 691 574	(213 490)	146 478 084	126 017 428	(20 460 656)	
Expenditure						
Personnel	(32 429 012)	1 209 233	(31 219 779)	(31 948 858)	(729 079)	
Remuneration of councillors	(4 529 524)	(332 888)	(4 862 412)	(4 930 220)	(67 808)	
Depreciation and amortisation	(7 500 000)	(10 000 000)	(17 500 000)	(266 770)	17 233 230	N7
Finance costs	(723 471)	(94 100)	(817 571)	(2 719 763)	(1 902 192)	N8
Debt impairment	(15 000 000)	(784 400)	(15 784 400)	(11 175 696)	4 608 704	N9
Repairs and maintenance	(7 132 305)	758 000	(6 374 305)	(4 392 733)	1 981 572	N10
Bulk purchases	(12 424 325)	-	(12 424 325)	(13 724 269)	(1 299 944)	N11
Contracted Services	(1 993 553)	45 934	(1 947 619)	(2 445 715)	(498 096)	N12
Grants and subsidies paid	(3 633 628)	(2 895 446)	(6 529 074)	(11 199 837)	(4 670 763)	N13r
General Expenses	(24 936 116)	(327 624)	(25 263 740)	(19 739 111)	5 524 629	N10
Total expenditure	(110 301 934)	(12 421 291)	(122 723 225)	(102 542 972)	20 180 253	
Surplus	36 389 640	(59 253 593)	(22 863 953)	23 474 456	46 338 409	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	36 389 640	(59 253 593)	(22 863 953)	23 474 456	46 338 409	

Explanations of variances:

N1: Increase in Water consumption billing

N2: Interest on trade receivables not levied - in terms of council resolution

N3: Revenue was higher than expected due to improved billing

N4: Other income lower due to fewer sundry revenue sources

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

- N5: Correction of rates incorrectly levied to SAN Parks
- N6: Grant administered by the District Municipality
- N7: Difficulties experienced with the Infrastructure register
- N8: DWAFF loan interest not provided for
- N9: Provision for impairment was lower than expected
- N10: Cash flow constraints limited the expenditure
- N11: Due to Eskom problems an increase in usage was experienced
- N12: Additional IT support and Internal audit assistance
- N13: Prior years' unspent grants utilised during the year

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 39 Changes in accounting policy.

1.1 Going concern assumption

These 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.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, using the straight-line method over the useful life of the property, which is as follows:

Item	Useful life
Land	indefinite
Buildings	30 years

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment

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 or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	10 - 30 years
Community	20 - 30 years
Finance lease assets	3 - 7 years
Other	3 - 30 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statute, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3-5 years

Intangible assets are derecognised: on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note x Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Financial instruments

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Investments
Trade and other receivables
Cash and cash equivalents
Loans and receivables

Category

Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Trade payables and borrowings
Bank overdraft (Other financial liabilities)

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

Sundays River Valley Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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1.7 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

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

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash-generating assets

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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1.11 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating 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 a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.12 Employee benefits

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Sundays River Valley Municipality

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1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

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

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1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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1.15 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

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1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.21 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), and 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.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of Non-cash-generating Assets

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

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 39 Changes in accounting policy.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 39 Changes in accounting policy.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
 - all short-term employee benefits;
 - short-term compensated absences;
 - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and/or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and/or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 20: Related Parties

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

Sundays River Valley Municipality

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2. New standards and interpretations (continued)

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 469	(2 722)
Bank balances	1 117 820	1 649 635
	1 120 289	1 646 913

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

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3. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FIRST NATIONAL BANK - Current Account (Primary Bank Account) - 6202-549-0856	-	-	(162 738)	412 689	1 351 061	(391 025)
FIRST NATIONAL BANK - Current Account (MVR Account) - 620-2765-1935	699 192	294 793	234 837	699 192	294 793	-
FIRST NATIONAL BANK - Current Account (Traffic Fines Account) - 620-7077-5310	5 236	3 292	-	5 236	3 292	-
FIRST NATIONAL BANK - Current Account (Easy Pay Account) - 620-9844-9385	703	(112)	72	703	112	-
FIRST NATIONAL BANK - Revolving Credit Account - 621- 1851-5595	-	377	1 087	-	377	1 087
Total	705 131	298 350	73 258	1 117 820	1 649 635	(389 938)

4. Receivables from exchange transactions

Gross balances

Rates	10 841 431	10 284 408
Electricity	15 431 983	10 649 963
Water	35 957 595	31 127 344
Sewerage	10 884 612	7 929 170
Refuse	19 095 365	15 048 657
Other	1 102 069	(39 168)
	93 313 055	75 000 374

Less: Allowance for impairment

Rates	-	(8 720 954)
Electricity	(6 268 458)	(4 928 238)
Water	(34 815 560)	(23 391 827)
Sewerage	(8 323 301)	(5 223 245)
Refuse	(19 095 365)	(14 802 267)
Other	(28 828)	(289 285)
	(68 531 512)	(57 355 816)

Net balance

Rates	10 841 431	1 563 454
Electricity	9 163 525	5 721 725
Water	1 142 035	7 735 517
Sewerage	2 561 311	2 705 925
Refuse	-	246 390
Other	1 073 241	(328 453)
	24 781 543	17 644 558

Sundays River Valley Municipality

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Figures in Rand	2013	2012
4. Receivables from exchange transactions (continued)		
Included in above is receivables from exchange transactions		
Electricity	9 163 525	5 721 725
Water	1 142 035	7 848 626
Sewerage	2 561 311	2 705 925
Refuse	-	246 390
Other	1 073 241	455 131
	13 940 112	16 977 797
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	10 841 431	10 284 408
	24 781 543	27 262 205
Net balance		
Rates		
Current (0 -30 days)	700 242	619 471
31 - 60 days	566 988	619 652
61 - 90 days	411 559	440 001
91 - 120 days	9 162 642	(115 670)
	10 841 431	1 563 454
Electricity		
Current (0 -30 days)	1 367 196	1 690 704
31 - 60 days	665 513	1 330 705
61 - 90 days	317 907	629 971
91 - 120 days	370 974	604 969
121 - 365 days	6 441 935	1 465 376
	9 163 525	5 721 725
Water		
Current (0 -30 days)	1 368 083	1 938 909
31 - 60 days	1 470 771	2 128 445
61 - 90 days	1 026 300	1 070 468
91 - 120 days	1 005 804	579 191
121 - 365 days	(3 728 923)	2 018 504
	1 142 035	7 735 517
Sewerage		
Current (0 -30 days)	312 252	264 655
31 - 60 days	294 585	195 952
61 - 90 days	281 676	238 429
91 - 120 days	271 996	198 974
121 - 365 days	1 400 802	1 807 915
	2 561 311	2 705 925
Refuse		
Current (0 -30 days)	563 663	478 986
31 - 60 days	520 787	472 547
61 - 90 days	503 369	444 369
91 - 120 days	453 039	408 148
121 - 365 days	(2 040 858)	(1 557 660)
	-	246 390

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Receivables from exchange transactions (continued)		
Other		
Current (0 -30 days)	(193 500)	54 897
31 - 60 days	134 577	17 150
61 - 90 days	21 627	28 860
91 - 120 days	80 903	(11 318)
121 - 365 days	1 029 634	(418 042)
	1 073 241	(328 453)
Summary of receivables by customer classification		
Consumers		
Current (0 -30 days)	2 503 951	1 441 638
31 - 60 days	2 716 813	4 428 723
61 - 90 days	2 048 778	3 196 695
91 - 120 days	2 078 929	1 755 941
121 - 365 days	70 705 002	57 633 510
	80 053 473	68 456 507
Industrial/ commercial		
Current (0 -30 days)	1 453 813	2 409 143
31 - 60 days	767 913	313 919
61 - 90 days	391 809	(220 682)
91 - 120 days	482 864	361 671
121 - 365 days	5 959 770	3 556 566
	9 056 169	6 420 617
Total		
Current (0 -30 days)	4 117 936	5 076 574
31 - 60 days	3 653 221	4 730 151
61 - 90 days	2 562 439	2 852 109
91 - 120 days	2 505 839	2 122 962
121 - 365 days	80 473 661	60 218 578
	93 313 096	75 000 374
Less: Allowance for impairment	(68 531 553)	(57 355 816)
	24 781 543	17 644 558
Reconciliation of allowance for impairment		
Balance at beginning of the year	(57 355 815)	(46 006 674)
Contributions to allowance	(11 175 697)	(11 349 142)
	(68 531 512)	(57 355 816)
Credit quality of receivables from exchange transactions		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from exchange transactions impaired		
As of 30 June 2013, receivables from exchange transactions of R 68 531 512 (2012: R 57 355 816) were impaired and provided for.		

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Figures in Rand	2013	2012
5. Trade Receivables from non-exchange transactions		
Traffic fines	1 829 229	348 679
Other debtor	10 602 293	10 085 190
Transfer of credit balance to trade and other payables	409 317	6 082
	12 840 839	10 439 951
6. Inventories		
Consumable stores	144 798	144 799
Water	13 207	13 207
	158 005	158 006
7. Investments		
At amortised cost		
Call investments	6 195 609	576 499
See Appendix A for a detailed list of investments.		
Current assets		
At fair value	6 195 609	576 499
8. VAT receivable		
VAT	-	3 785 808

VAT is payable on the cash basis.

9. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Undeveloped land	42 174 306	-	42 174 306	42 174 306	-	42 174 306

Reconciliation of investment property - 2013

	Opening balance	Total
Undeveloped land	42 174 306	42 174 306

Reconciliation of investment property - 2012

	Opening balance	Total
Undeveloped land	42 174 306	42 174 306

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

10. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	59 595 494	-	59 595 494	59 595 494	-	59 595 494
Buildings	29 557 657	(6 192 115)	23 365 542	29 532 157	(6 192 115)	23 340 042
Infrastructure	300 097 895	(50 060 554)	250 037 341	279 915 857	(50 060 554)	229 855 303
Community	806 522	(358 454)	448 068	806 522	(358 454)	448 068
Office equipment	8 001 884	(3 905 877)	4 096 007	7 759 849	(3 905 877)	3 853 972
Finance lease assets	5 706 936	(2 519 062)	3 187 874	5 489 160	(2 519 163)	2 969 997
Total	403 766 388	(63 036 062)	340 730 326	383 099 039	(63 036 163)	320 062 876

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Total
Land	59 595 494	-	59 595 494
Buildings	23 340 042	25 500	23 365 542
Office equipment	3 853 972	242 035	4 096 007
Infrastructure	229 855 303	20 182 038	250 037 341
Community	448 068	-	448 068
Finance lease assets	2 969 997	217 877	3 187 874
	320 062 876	20 667 450	340 730 326

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Capital under construction - opening balance	Capital under construction	Disposals	Depreciation	Total
Land	60 544 173	(423 377)	-	-	-	(525 302)	59 595 494
Buildings	24 559 692	-	-	353 699	-	(1 573 349)	23 340 042
Infrastructure	218 292 956	50 925 955	(72 765 254)	46 264 219	-	(12 862 573)	229 855 303
Community	537 681	-	-	-	-	(89 613)	448 068
Office equipment	4 530 721	473 284	-	-	-	(1 150 033)	3 853 972
Finance lease assets	1 615 027	2 581 434	-	-	(314 039)	(912 425)	2 969 997
	310 080 250	53 557 296	(72 765 254)	46 617 918	(314 039)	(17 113 295)	320 062 876

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

11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 256 992	(274 060)	982 932	2 279 204	(1 081 003)	1 198 201

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2013 2012

11. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1 198 201	51 500	(266 769)	982 932

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	1 448 261	25 000	(275 060)	1 198 201

12. Non-current receivables from non-exchange transactions

Afrikaanse Christelike Vroue Vereeniging	52 370	55 867
Less: Current portion transferred to current receivables	(3 674)	(3 497)
	48 696	52 370

The above loan is unsecured, bears interest at 5.23% per annum and is repayable in half yearly instalments. The final payment is due on 30 June 2024.

13. Other financial liabilities

At amortised cost

Department of Water Affairs	5 545 747	4 906 753
Department of Water Affairs - Current portion	2 452 400	2 452 400
Development Bank of South Africa	1 342 396	1 495 020
Development Bank of South Africa - Current portion	157 313	206 938
	9 497 856	9 061 111

Total other financial liabilities

9 497 856 **9 061 111**

Non-current liabilities

At amortised cost	6 888 143	6 401 773
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Current liabilities

At amortised cost	2 609 713	2 659 338
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Refer to Appendix A for more detail on borrowings.

In terms of the DBSA loan agreement the DBSA loan must be secured by a minimum investment of R 600 000 at all times during the period. The municipality complied with these terms during the current year.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
14. Finance lease obligation		
Minimum lease payments due		
- within one year	1 066 990	1 598 307
- in second to fifth year inclusive	960 859	1 353 599
	<u>2 027 849</u>	<u>2 951 906</u>
less: future finance charges	(299 253)	(23 060)
Present value of minimum lease payments	<u>1 728 596</u>	<u>2 928 846</u>
Present value of minimum lease payments due		
- within one year	798 780	883 500
- in second to fifth year inclusive	929 816	632 729
	<u>1 728 596</u>	<u>1 516 229</u>
Non-current liabilities	767 737	1 575 249
Current liabilities	960 859	1 353 599
	<u>1 728 596</u>	<u>2 928 848</u>

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Payables from exchange transactions

Trade payables	18 866 549	13 425 578
Payments received in advanced	25 218	25 218
Other payables	1 060 822	864 462
Accrued leave pay	1 994 147	2 214 175
Accrued bonus - 13 th cheque	783 768	758 967
	<u>22 730 504</u>	<u>17 288 400</u>

16. Consumer deposits

Electricity	168 461	164 425
Water	93 717	92 545
	<u>262 178</u>	<u>256 970</u>

17. VAT payable

VAT payable	<u>1 895 242</u>	-
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Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP incentive grant	2 153	-
Emergency relief grant	41 816	-
Financial management grant	230 277	-
Integrated development plan	53 300	-
K113 funding	(83 548)	(335 217)
Municipal infrastructure grant	14 281	(10 515)
Municipal systems Improvement Grant	20 860	-
Other grants	1 333 435	1 333 434
	1 612 574	987 702

Movement during the year

Balance at the beginning of the year	987 702	1 739 156
Additions during the year	29 626 794	29 080 946
Income recognition during the year and amounts transferred to receivables	(29 001 922)	(29 832 400)
	1 612 574	987 702

19. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Closure costs - Illegal landfill site	14 927 553	895 653	15 823 206
Legal proceedings	507 751	-	507 751
	15 435 304	895 653	16 330 957

Reconciliation of provisions - 2012

	Opening Balance	Contributions to provisions / (expenditure)	Total
Closure costs - Illegal landfill site	14 031 900	895 653	14 927 553
Legal proceedings	-	507 751	507 751
	14 031 900	1 403 404	15 435 304

Non-current liabilities	507 751	507 751
Current liabilities	15 823 206	14 927 553
	16 330 957	15 435 304

None of the landfill sites for the municipality are licenced, therefore in terms of the Environmental protection act they need to be closed down immediately and rehabilitated.

Legal provision

The legal provisions 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.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
20. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Post retirement medical aid plan		
Post retirement plan	1 567 000	1 504 000
Actuarial (gains) / losses	38 000	77 000
Interest	124 000	117 000
Benefits paid	(159 000)	(131 000)
	1 570 000	1 567 000
Long service awards		
Defined benefit obligation	1 743 000	1 783 000
Current services cost	208 000	192 000
Interest paid	140 000	127 000
Benefits paid	(180 428)	(166 000)
Actuarial (gains) / losses	131 428	(193 000)
	2 042 000	1 743 000
Non-current liabilities	(3 612 000)	(3 310 000)
	(3 612 000)	(3 310 000)

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

Current service cost	208 000	192 000
Interest cost	264 000	244 000
Actuarial (gains) losses	169 428	(116 000)
Benefits paid	(339 428)	(297 000)
	302 000	23 000

Key assumptions used

Post retirement medical aid assumptions used at the reporting date:

Discount rates used	7.89 %	7.92 %
Consumer price inflation	6.14 %	5.74 %
Medical aid inflation	7.14 %	7.24 %
Net effective discount rate	0.70 %	0.63 %

Discount rate:

The discount rate was set at the yield of the R186 South African government bond as at the valuation date. The actual yield on the R186 bond was sourced from the RMB Global Markets website on the 28th of June 2013.

Medical aid inflation rate:

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R186) and current index-linked bond.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumptions were made about additional mortality or health care cost due to AIDS.

Sundays River Valley Municipality

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Figures in Rand 2013 2012

20. Employee benefit obligations (continued)

Sensitivity analysis

The effect of a 2% movement in the assumed mortality rates as followed::

	2 % point increase	-2 % point decrease
Effect on the obligation	1 436 000	1 743 000
Effect on the interest	107 000	131 000

Long service awards assumptions

Discount rate used	7.40%	7.92%
Consumer price inflation	5.66%	5.74%
Medical aid inflation	6.66%	6.74%
Net effective discount rate	0.69%	1.11%

Discount rate:

The discount rate was set at the yield of the R208 South African government bond as at the valuation date.

Normal salary inflation rate:

We have derived the underlying future reate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and the current index-linked bond yields (R197). The actual yield on the R208 and the R197 bonds was sourced from the RMB Global Markets website.

Promotional salary increase rate:

The promotioanl salary increase rate varied from 5% for employees aged 20-24 years, down to 0% for employees older than 45 years.

Average retirement age:

The average age for all the employees was assumed to be 63 years. This assumption implicitly allows for early and ill-health retirements.

Withdrawal decrements

The assumed withdrawal rates for males ranged from 16% for employees aged 20-24 years down to 0% for males aged 55 and over. For female employees the assumed withdrawal rate ranged from 24% for employees aged 20-24 years, down to 0% for female employees 55 years and older.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the mosst commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumptions was made about additional mortality or health care cost due to AIDS.

21. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Investments	6 195 609	-	6 195 609
Trade and other receivables from exchange transactions	-	24 781 543	24 781 543
Other receivables from non-exchange transactions	-	12 840 839	12 840 839
Cash and cash equivalents	-	1 120 289	1 120 289
	6 195 609	38 742 671	44 938 280

Financial liabilities

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
	At amortised cost	Total
Consumer deposits	262 178	262 178
Trade and other payables from exchange transactions	22 730 504	22 730 504
	22 992 682	22 992 682

2012

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	1 646 913	1 646 913
Trade and other receivables from exchange transactions	-	17 644 588	17 644 588
Other receivables from non-exchange transactions	-	10 439 951	10 439 951
Investments	576 499	-	576 499
	576 499	29 731 452	30 307 951

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17 288 400	17 288 400
Consumer deposits	256 970	256 970
	17 545 370	17 545 370

22. Revenue

Rendering of services	38 645 210	35 711 953
Rental of facilities and equipment	114 658	142 342
Income from agency services	1 577 044	1 508 717
Licences and permits	1 327 117	1 327 495
Interest received - investment	288 191	1 525 077
Property rates	13 050 933	12 266 026
Government grants & subsidies	66 671 361	61 131 936
Public contributions and donations	2 435 606	3 147 619
Fines	1 907 308	1 582 138
	126 017 428	118 343 303

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	38 645 210	35 711 953
Rental of facilities and equipment	114 658	142 342
Income from agency services	1 577 044	1 508 717
Licences and permits	1 327 117	1 327 495
Interest received - investment	288 191	1 525 077
	41 952 220	40 215 584

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
22. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13 050 933	12 266 026
Transfer revenue		
Government grants & subsidies	66 671 361	61 131 936
Public contributions and donations	2 435 606	3 147 619
Fines	1 907 308	1 582 138
	84 065 208	78 127 719
23. Investment revenue		
Interest revenue		
Bank	285 441	164 865
Consumers	-	1 357 293
Long term debtors	2 750	2 919
	288 191	1 525 077
<p>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.</p>		
24. Finance costs		
Trade and other payables	210 261	439 638
Bank overdraft and creditors	182 802	944 799
Borrowings	2 326 700	1 019 853
	2 719 763	2 404 290
25. Property rates		
Rates received		
Residential	(163 656)	(310 070)
Commercial	1 206 131	1 096 140
Agricultural	5 883 128	7 086 464
State	6 125 330	4 393 492
	13 050 933	12 266 026
Valuations		
Agricultural	2 425 774 112	2 283 477 512
Residential	396 905 651	396 546 353
Commercial	118 927 008	118 001 908
Public service infrastructure	6 018 530	5 191 060
State	338 211 387	341 166 787
Exempt	129 688 533	125 474 523
	3 415 525 221	3 269 858 143

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Sundays River Valley Municipality

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Figures in Rand	2013	2012
26. Government grants and subsidies		
Equitable share	36 314 214	31 990 999
Municipal systems improvement grant	779 140	741 780
Finance management grant	1 269 724	1 354 221
MIG grant	24 064 711	17 200 087
Emergency disaster relief funds	190 684	-
Expanded public works programme	997 847	-
Integrated development plan	271 136	332 756
Grant - Water Affairs	-	8 126 178
Other government grants and subsidies	1 963 229	1 385 915
Cacadu District Municipality - Special programmes	119 850	-
Subsidy: Department of Local Government and Traditional Affairs	700 826	-
	66 671 361	61 131 936

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 was consistent with the prior year.

Municipal systems improvement grant

Balance unspent at beginning of year	-	(48 220)
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(401 947)	(741 780)
Conditions met - transferred to capital expenses	(377 193)	-
	20 860	-

Conditions still to be met - remain liabilities (see note 18).

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and ward committee operations.

Financial management grant

Balance unspent at beginning of year	-	(145 779)
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 769 724)	(1 354 221)
	230 276	-

Conditions still to be met - remain liabilities (see note 18).

The Financial Management Grant is allocated by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme.

Municipal infrastructure grant

Balance unspent at beginning of year	10 515	(7 122 428)
Current-year receipts	23 659 000	24 312 000
Conditions met - transferred to revenue	(23 634 204)	(17 200 087)
	14 281	10 515

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 18).		
The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households ,micro enterprises and social institutions servicing poor communities.		
Emergency disaster relief funds		
Current-year receipts	232 500	-
Conditions met - transferred to revenue	(190 684)	-
	41 816	-
Conditions still to be met - remain liabilities (see note 18).		
The grant is allocated solely for the purpose of responding to the immediate needs of the disaster that has occurred and with the aim to alleviate its immediate consequences.		
EPWP incentive programme		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(997 847)	-
	2 153	-
Conditions still to be met - remain liabilities (see note 18).		
The grant is allocated to incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.		
Grant water affairs		
Current-year receipts	-	8 126 178
Conditions met - transferred to revenue	-	(8 126 178)
	-	-
Subsidy: Department of Local Government and Traditional Affairs		
Current-year receipts	700 826	-
Conditions met - transferred to revenue	(700 826)	-
	-	-
Other government grants and subsidies		
Balance unspent at beginning of year	1 333 434	1 284 325
Current-year receipts	1 963 229	854 629
Conditions met - transferred to revenue	(1 963 229)	(805 520)
	1 333 434	1 333 434
Conditions still to be met - remain liabilities (see note 18).		
Provide explanations of conditions still to be met and other relevant information.		
Cacadu District Municipality - Special programmes		
Current-year receipts	119 850	-
Conditions met - transferred to revenue	(119 850)	-

Sundays River Valley Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
26. Government grants and subsidies (continued)		
	-	-
27. Other income, public contributions and donations		
Other income	2 435 606	3 147 619
28. General expenses		
Advertising	234 905	339 441
Auditors remuneration	2 304 955	2 018 710
Bank charges	260 706	229 662
Cleaning	1 680	1 277
Commission paid	194 464	103 389
Conferences and delegations	74 935	36 434
Consulting fees	271 248	577 387
Consumables	32 314	51 068
Contracted services	2 445 715	460 855
Departmental consumption	4 303 665	1 331 898
Entertainment	119 199	89 539
Fuel and oil	1 674 898	1 379 668
Insurance	675 970	561 117
Legal expenses	1 294 817	477 637
Levies paid	450 000	267 198
License fees	13 442	25 530
Other expenses	732 976	1 820 614
Printing and stationery	706 446	600 311
Professional fees	68 330	30 103
Rental of office equipment	1 067 601	1 290 878
Security costs	119 395	109 041
Stock and material	1 765 664	1 454 217
Subscriptions and publication	26 960	25 807
Telephone cost	1 269 404	1 113 974
Training	349 875	513 145
Travel and subsistence	289 000	4 401
Travel - local	1 189 813	916 225
Uniforms and overalls	246 449	50 781
	22 184 826	15 880 307

Sundays River Valley Municipality

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Figures in Rand	2013	2012
29. Employee related costs		
Employee related costs - Salaries and wages	21 997 346	17 447 078
Employee related costs - Annual bonus	1 451 140	994 703
Employee related costs - Contributions for UIF, pensions and medical aids	4 618 794	4 055 857
Travel, motor car, accommodation, subsistence and other allowances	644 490	618 878
Overtime payments	1 353 971	1 660 500
Actuarial (gain) / loss on post retirement benefits	169 428	(116 000)
Performance and other bonuses	-	75 213
Long-service awards	208 000	192 000
Other employee related costs	1 505 689	3 078 875
	31 948 858	28 007 104

Remuneration of L.M.R. Ngoqo - Municipal Manager

Annual remuneration	856 508	-
Performance- and other bonuses	4 592	-
Contributions to UIF, medical and pension funds	11 643	-
Travel, accomodation, subsistence and other allowances	211 633	-
	1 084 376	-

Remuneration of S. Van Greunen - Chief Finance Officer (Acting)

Annual remuneration	105 457	-
Contributions to UIF, medical and pension funds	19 566	-
	125 023	-

Remuneration as reflected in 2013 is for a period of 3 months due to the acting position as Chief Financial Officer.

Remuneration of H.E. Nagel - Chief Finance Officer

Annual Remuneration	410 900	513 885
Termination of settlement contract	69 510	-
Performance- and other bonuses	12 695	29 294
Contributions to UIF, Medical and Pension Funds	1 359	7 321
Travel, accomodation, subsistence and other allowances	58 500	93 381
	552 964	643 881

Remuneration as reflected in 2013 is for a period of 9 months as a result of her resignation.

Remuneration of P. Mbulawa - Director Technical Services

The position was only filled on 1 July.

Remuneration of T. Machelesi - Director Corporate Services

Annual Remuneration	541 667	-
Travel, accomodation, subsistence and other allowances	18 282	-
Contributions to UIF, Medical and Pension Funds	6 965	-
	566 914	-

The remuneration is for a period of 10 months. Mr T. Machelesi was appointed 1 September 2012.

Remuneration of S.L. Somngesi - Director Corporate Services

Annual Remuneration	86 226	471 885
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Figures in Rand	2013	2012
29. Employee related costs (continued)		
Termination of settlement contract	118 710	-
Performance- and other bonuses	2 832	29 294
Contributions to UIF, Medical and Pension Funds	7 592	68 168
Travel, accomodation, subsistance and other allowances	10 000	70 690
	225 360	640 037

The remuneration was for a period of 2 months. S.L. Somngesi was folowed up by T. Machelesi.

Remuneration of K. Makgoka - Director Community Services

Annual Remuneration	461 268	519 885
Termination benefits	-	250 119
Performance- and other bonuses	1 639	-
Contributions to UIF, Medical and Pension Funds	6 389	7 529
Travel, accomodation, subsistance and other allowances	9 633	66 000
	478 929	843 533

30. Remuneration of councillors

Executive Mayor	636 870	599 065
Speaker	524 075	381 666
Executive Committee Members	1 671 720	765 274
Councillors	1 889 225	1 640 025
Councillors' pension contribution	32 405	34 871
Councillors' allowances	175 924	379 390
	4 930 219	3 800 291

Name of councillor	Annual remuneration	Travel, accomodation, subsistance and other allowances	Contribution to UIF, medical and pension funds	Total
Adams, F	176 611	20 723	3 216	200 550
Blou, PR	441 528	39 501	6 011	487 040
Delpont, JS	441 528	37 303	5 079	483 910
Finnis, BAM	176 611	21 277	3 216	201 104
Grootboom, TR	176 611	22 343	3 108	202 062
Hawu, NG	470 963	47 099	6 013	524 075
Jagers, HE	176 611	21 864	3 108	201 583
Kebe, MW	588 704	40 644	7 522	636 870
Kula - SJ	198 019	65 062	3 730	266 811
Lose, ZA	441 528	52 269	5 869	499 666
Manene, J	176 611	20 723	3 216	200 550
Qusheka, Z	176 611	20 723	3 240	200 574
Rune, SH	176 611	22 343	3 216	202 170
Smith, K	176 611	35 978	3 248	215 837
Snoek, BC	176 611	20 723	3 108	200 442
Wagenaar, I	176 611	27 150	3 216	206 977
	4 348 380	515 725	66 116	4 930 221

31. Depreciation and amortisation

Property, plant and equipment	266 770	17 388 350
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Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
32. Rental of facilities and equipment		
Rental of facilities	114 658	142 342
33. Contracted services		
Contracted services for: <i>Cash Management - Kirkwood Cash in Transit CC</i>		
34. Bulk purchases		
Electricity	12 996 951	11 253 408
Water	727 318	580 939
	13 724 269	11 834 347
Distribution losses		
Electricity (%)	18%	15%
35. Cash generated from operations		
Surplus	23 474 456	18 384 823
Adjustments for:		
Depreciation and amortisation	266 770	17 388 350
Loss on sale of assets and liabilities	-	(394 622)
Debt impairment	11 175 696	10 892 131
Movements in retirement benefit assets and liabilities	302 000	7 490 814
Movements in provisions	895 653	895 653
Other	(582 795)	(15 146 898)
Changes in working capital:		
Inventories	1	58 809
Other receivables from non-exchange transactions	(2 400 888)	20 948 650
Trade receivables from exchange and non exchange	(18 312 681)	(12 157 869)
Payables from exchange transactions	5 442 104	6 148 833
VAT	5 681 050	437 936
Unspent conditional grants and receipts	624 872	(751 455)
Consumer deposits	5 208	46 060
	26 571 446	54 241 215
36. Commitments		
Authorised capital expenditure		
Approved but not yet contracted for		
• Parks and playgrounds	-	2 500 000
• Upgrade of sports fields	2 472 775	12 461 663
• Wastewater treatment works	12 430 431	20 315 100
• Upgrading of roads	1 214 751	19 700 000
• Financial services	388 000	-
• Debt collection services	5 906 751	-
• Valuation roll services	1 126 640	-
	23 539 348	54 976 763

This committed expenditure relates to plant and equipment and will be financed by government grants.

Operating leases - as lessee (expense)

Sundays River Valley Municipality

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37. Contingencies

Contingent assets

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. This amounted to R232 969.

38. Prior period errors

1. Landfill provision - it was found that the landfill sites were unlicensed and the provision were thus derecognised and a liability was raised. This had an impact on provisions, payables and accumulated surplus.

2. Consumer receivables - errors was found in the prior year's consumer receivable accounts. The consumer receivable accounts were restated as well as the statement of financial performance. These corrections had an impact on consumer receivables, receivables from non-exchange transactions, income and accumulated surplus. There was also corrections performed on the consumer receivables to correct the difference between the age analysis and the general ledger.

3. Cash and cash equivalents - Incorrect allocations were identified and the prior year financial statements were restated. These accounts includes cash and bank, financial assets, receivables and payables. Stale cheques were also reversed and the prior period figures were thus also restated.

The correction of the errors / change in accounting policies resulted in adjustments as follows:

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
38. Prior period errors (continued)		
Statement of financial position		
Financial assets	-	(1 149 195)
Trade and other receivables	-	(9 958 873)
Other receivables	-	(343 131)
Cash and cash equivalents	-	2 082 665
Property, plant and equipment	-	1 104 938
Finance lease obligation	-	(1 412 621)
Trade and other payables	-	(16 187 391)
Provisions	-	8 022 159
Other financial liabilities	-	(645 853)
Accumulated surplus	-	14 868 275
Unspent conditional grants	-	345 731
	-	(3 273 296)

Statement of financial performance

Interest received	-	27 943
Service charges	-	226 770
Property rates	-	2 243 476
Income from agency fees	-	210 732
Finance cost	-	178 676
Employee costs	-	(116 000)
Repairs and maintenance	-	(165 230)
General expenditure	-	646 299
Fair value adjustments	-	20 629
	-	3 273 295

Statement of Financial Performance for the year ended 30 June 2013

	Balance as previously reported	Change in accounting policies	Prior period error	Restated balance
Revenue				
Interest income - trading	164 865	-	(27 943)	136 922
Service charges	35 938 723	-	(226 770)	35 711 953
Property rates	14 509 502	-	(2 243 476)	12 266 026
Income from agency fees	3 046 944	-	(210 732)	2 836 212
Total revenue	53 660 034	-	(2 708 921)	50 951 113
	53 660 034	-	(2 708 921)	50 951 113
Expenditure				
Finance cost	(2 225 614)	-	(178 676)	(2 404 290)
Repairs and maintenance	(2 209 750)	-	165 230	(2 044 520)
General expenditure	(15 234 008)	-	(646 299)	(15 880 307)
Employee related cost	(28 123 104)	-	116 000	(28 007 104)
Total expenditure	(47 792 476)	-	(543 745)	(48 336 221)
	(47 792 476)	-	(543 745)	(48 336 221)
Fair value adjustment	(373 993)	373 993	-	-
Profit or loss on write off of assets	394 622	(394 622)	-	-
Surplus / (deficit) for the year	20 629	(20 629)	-	-
	20 629	(20 629)	-	-

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand			2013	2012
38. Prior period errors (continued)				
Statement of Financial Position as at 30 June 2013				
	Balance as previously reported	Change in accounting policies	Prior period error	Restated balance
Assets				
Current Assets				
Investments	1 725 694	-	(1 149 195)	576 499
Trade and other receivables	27 603 431	-	(9 958 873)	17 644 558
Cash and cash equivalents	(435 752)	-	2 082 665	1 646 913
Other receivables	10 783 082	-	(343 131)	10 439 951
Total current assets	39 676 455	-	(9 368 534)	30 307 921
	39 676 455	-	(9 368 534)	30 307 921
Non-current Assets				
Property, plant and equipment	318 957 938	-	1 104 938	320 062 876
Total non-current assets	318 957 938	-	1 104 938	320 062 876
	318 957 938	-	1 104 938	320 062 876
Liabilities				
Current Liabilities				
Finance leases	883 498	-	470 101	1 353 599
Payables from exchange transactions	16 028 561	65 645	16 121 746	32 215 952
Provisions	8 958 910	-	(8 958 910)	-
Unspent conditional grants	1 333 434	-	(345 731)	987 703
Total current liabilities	27 204 403	65 645	7 287 206	34 557 254
	27 204 403	65 645	7 287 206	34 557 254
Non-current Liabilities				
Other financial liabilities	5 755 920	-	645 853	6 401 773
Provisions	(429 000)	-	936 751	507 751
Finance leases	632 729	-	942 520	1 575 249
Total non-current liabilities	5 959 649	-	2 525 124	8 484 773
	5 959 649	-	2 525 124	8 484 773
Net Assets				
Accumulated surplus - Opening balance	345 236 724	-	(14 120 289)	331 116 435
Surplus / (deficit)	21 379 496	-	(4 021 281)	17 358 215
Total net assets	366 616 220	-	(18 141 570)	348 474 650
	366 616 220	-	(18 141 570)	348 474 650

39. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. All changes resulting from the application of these Standards of GRAP were accounted for retrospectively.

Sundays River Valley Municipality

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39. Changes in accounting policy (continued)

- Implementation of GRAP 104: The municipality previously discounted and this was reversed. Please refer to note 38 for details on the impact of the changes in accounting policies.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2012 is disclosed in note 38 Prior period errors.

40. Risk management

Liquidity risk

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

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

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

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

Financial instrument	2013	2012
Cash and cash equivalents	1 120 289	1 646 913
Trade and other receivables	34 843 705	38 442 381

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

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

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

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

There were no material events subsequent to 30 June 2013.

Sundays River Valley Municipality

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43. Unauthorised expenditure		
Bad debts provision	-	(3 107 869)
Bulk purchases	1 299 944	1 053 212
Depreciation	-	2 388 350
Employee related costs	729 079	(538 095)
Finance costs	1 902 192	1 573 711
Grants and subsidies paid	4 670 763	4 258 810
Remuneration of councillors	67 808	(25 736)
General expenses	-	(5 613 536)
Repairs and maintenance	-	(2 628 712)
Prior year unauthorised expenditure awaiting authorisation brought forward	11 908 912	14 548 777
Unauthorised expenditure awaiting authorisation	20 578 698	11 908 912

44. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	299 144	111 181
Fruitless and wasteful expenditure current year	325 341	1 824 669
Condoned or written off by Council/Administrator	-	(1 597 338)
To be recovered - contingent asset (see note xx)	(292 969)	(39 368)
	331 516	299 144

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

Penalties and interest - SARS	100 209	392 353
Interest on creditors account	191 124	305 459
Interest on DBSA loan relating to long outstanding amounts	-	12 669
Petrol card misappropriation	-	39 368
Claycor contract for airconditioners due to insufficient notice given	-	187 963
Employee costs - L.S.K. Roji	-	886 857
Interest on Eskom accounts	34 008	-
	325 341	1 824 669

45. Irregular expenditure

Opening balance	11 626 663	-
Award granted to providers with no tax clearance certificates	-	126 000
Petrol card misappropriation	232 969	-
Award granted which was not subject to the tender process	-	1 443 291
Award granted to an incorrect provider in terms of preference points calculation	-	420 778
Award granted to provider with a close family member in 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 service of the state	-	97 458
Award granted that was not 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 three quotes	-	22 186
	11 859 632	11 626 663

46. In-kind donations and assistance

The Municipality received the following in-kind donations and assistance:

Description

Sundays River Valley Municipality

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46. In-kind donations and assistance (continued)

Secondment of DBSA staff to the municipality.

Assistance from National Treasury under the Municipal Finance Improvement Programme.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	164 793	239 559
Current year subscriptions	450 000	266 198
Amount paid - current year	(300 000)	(101 405)
Amount paid - previous years	(164 793)	(239 559)
	150 000	164 793

Audit fees

Opening balance	2 596 765	1 371 660
Current year audit fee	2 866 245	2 453 184
Amount paid - previous years	(1 894 295)	(1 228 079)
	3 568 715	2 596 765

The balance outstanding represents the audit fees for the audits conducted during 2011, 2012 and 2013 and is repayable in full.

PAYE and UIF

Opening balance	2 076 691	5 751 111
Current year payroll deduction	4 888 366	3 545 185
Penalties and interest	17 287	-
Amount paid - current year	(3 759 440)	(3 008 721)
Amount paid - previous years	(2 400 501)	(4 210 884)
	822 403	2 076 691

Pension and medical aid deductions

Opening balance	558 711	434 050
Current year payroll deductions and Council Contributions	7 075 308	6 169 715
Amount paid - current year	(6 440 653)	(5 611 004)
Amount paid - previous years	(558 711)	(434 050)
	634 655	558 711

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

VAT

VAT receivable	-	3 785 808
VAT payable	1 895 242	-
	1 895 242	3 785 808

VAT output payables and VAT input receivables are shown in notes 8 & 17.

All VAT returns up to April 2012 have been submitted.

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47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. B.A.M. Finnis	(210)	-	(210)
Cllr. F. Adams	2 947	11 570	14 517
Cllr. J.S. Delport	1 043	782	1 825
Cllr. I. Manene	551	2 354	2 905
Cllr. Z.A. Lose	(637)	-	(637)
Cllr. M.W. Kebe	845	2 372	3 217
Cllr. K. Smit	1 661	-	1 661
Cllr. Z. Qusheka	3 492	2 721	6 213
Cllr. P.R. Blou	1 504	3 943	5 447
Cllr. S.H. Rune	861	368	1 229
Cllr. Frost	977	1 710	2 687
	13 034	25 820	38 854

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. B.A.M. Finnis	(2 188)	10 051	7 863
Cllr. F. Adams	1 784	6 041	7 825
Cllr. J.S. Delport	718	4 008	4 726
Cllr. I. Manene	(557)	4 509	3 952
Cllr. Z.A. Lose	(81)	2 361	2 280
Cllr. M.W. Kebe	(900)	12 875	11 975
Cllr. B.C. Snoek	6 433	7 294	13 727
Cllr. K. Smith	(1 803)	6 762	4 959
Cllr. Z. Qusheka	(201)	4 987	4 786
Cllr. P.R. Blou	546	3 868	4 414
	3 751	62 756	66 507

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. The reason being a lack of funds. The municipality did not comply with section 11(4) of the MFMA.

Material losses

Unaccounted electricity losses for the 2012/2013 financial year was 18% (2011/2012: 15%)

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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48. 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 records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Deviations to the supply chain management process due to:

Emergency	1 642 499	513 676
Sole supplier	995 857	-
Special works of art or historical objects	49 742	-
Impractical	1 502 142	1 397 349
	4 190 240	1 911 025

49. Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows) 5 048 912

Nature: Fair rate of return is used when calculating this provision.

Provision for doubtful debts 57 355 616

Nature: This provision is subject to estimates used and historical trends.

62 404 528

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

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows) see above

Nature: Provisions based on assessments done by professional consultants.

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
50. Operating leases		
<u>Lessee name, address and property description</u>	<u>Lease period</u>	<u>Rent 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	R 1 per annum
MTN Private Bag X30, Benmore, 2010	1 April 2004 to 28 February 2014	R 969 per month Escalation - CPI (Max 10%)
Erf 372, Kirkwood	Date of renewal - 31 January 2013	
Department of Roads Private Bag X6014, Port Elizabeth, 6000	1 April 2005 to indefinite	R 1 710 per quarter Escalation -10%
Erf 930, Kirkwood (WDC Camp)	Date of renewal - indefinite	
Bruintjies JL 40B Mark Street, Kirkwood	10 February 2006 to termination of employment	6% of basic salary Escalation -10%
40B Mark Street, Kirkwood	Date of renewal - month to month	
Department of Public Works Private Bag X3913, Port Elizabeth, 6000	1 November 2006 to 31 October 2011	R 1 140 per month Escalation -8%
Nomathamsanqa rent office, 2296 Main Road, Addo	Date of renewal - 1 August 2011	
Sentech Private Bag X06, Honeydew, 2040	1 February 2008 to 31 January 2018	R 10 per annum Escalation - No
Erf 372, Kirkwood	Date of renewal - 1 December 2017	
Cacadu District Municipality PO Box 313, Port Elizabeth, 6000	1 January 2010 to 31 December 2014	R 1 per annum Escalation - No
115 Griffith Street, Paterson	Date of renewal - 1 Novemner 2014	
Cacadu District Municipality PO Box 313, Port Elizabeth, 6000	1 July 2010 to 30 June 2014	R 1 per annum Escalation - No
Erf 720 Nomathamsanqu	Date of renewal - 31 May 2014	
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 2010/2011 approved on 30 May 2010	Per resolution R 425 per dwelling or R 3 825 for 9 dwellings
9 Dwellings for SAPS, Moses Mabida, Kirkwood	Date of renewal - Contract expired	Escalation - TBA
Sisters of Mercy	1 December 2010 - 30 November 2014	R 10 per month
Site 241, Alwyntjies, Addo	Date of renewal - 31 October 2013	Escalation - No

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
50. Operating leases (continued)		
Vuka Phile Agriculture & Service Co-opt PO Box 331, Kirkwood	1 March 2011 to 28 February 2016	R 433.20 per month
Erf 521/16, Kirkwood	Date of renewal - 31 January 2016	Escalation -10%

Sundays River Valley Municipality

Annual Financial Statements for the year ended 30 June 2013

Detailed Income statement

Figures in Rand	Note(s)	2013	2012
Revenue			
Rendering of services		38 645 210	35 711 953
Rental of facilities and equipment	25	114 658	142 342
Income from agency services		1 577 044	1 508 717
Licences and permits		1 327 117	1 327 495
Interest received		288 191	1 525 077
Gains on disposal of assets		-	394 622
Property rates	25	13 050 933	12 266 026
Government grants and subsidies	26	66 671 361	61 131 936
Public contributions and donations	27	2 435 606	3 147 619
Fines		1 907 308	1 582 138
Total revenue		126 017 428	118 737 925
Expenditure			
Personnel	29	(31 948 858)	(28 007 104)
Remuneration of councillors	30	(4 930 220)	(3 800 291)
Depreciation and amortisation	31	(266 770)	(17 388 350)
Finance costs	24	(2 719 763)	(2 404 290)
Debt impairment		(11 175 696)	(10 892 131)
Repairs and maintenance		(4 392 733)	(2 044 520)
Bulk purchases	34	(13 724 269)	(11 834 347)
Grants and subsidies paid		(11 199 837)	(8 101 762)
General expenses	28	(22 184 826)	(15 880 307)
Total expenditure		(102 542 972)	(100 353 102)
Operating surplus		23 474 456	18 384 823
Surplus for the year		23 474 456	18 384 823

Sundays River Valley Municipality

Appendix A

June 2013

Schedule of Investments as at 30 June 2013

	Investment number	Investment item	Balance at 30 June 2012	Investment made	Investment withdrawn	Interest received	Balances at 30 June 2013
Call investments							
Addo Noluthando Call Account	62027590589	950/6239/01	1 010	-	-	10	1 020
Bergsig raw houses Inv. Call Account	92153803020	950/6249/01	1 010	64 046	-	778	65 834
Capacity Build.Ward Comm Call Account	62084969694	950/6232/01	1 000	-	(34)	34	1 000
DBSA Security Call Account	62088609395	950/6233/01	1 000	1 200 000	(607 336)	7 336	601 000
Drought Relief Fund Call Account	92097244257	950/6237/01	1 000	-	(34)	34	1 000
Emergency Relief Fund Call Account	62394071204	950/6281/01	-	1 826 451	(1 762 456)	1 446	65 651
Enviromental Health Call Account	62254580361	950/6214/01	1 223	279 487	(282 195)	2 485	1 000
IDP Call Account	62051951088	950/6210/01	281 761	50 000	(280 820)	59	51 000
Integrated Zoning Scheme Call Account	62161489086	950/6252/01	1 022	294 879	-	5 384	301 286
KW Cemetary Call Account	62061425669	950/6217/01	1 000	-	(34)	34	1 000
K113 Call Account	62133015322	950/6248/01	1 000	-	(34)	34	1 000
LED Call Account	62314004839	950/6279/01	2 400	87 990	(89 806)	416	1 000
MIG - Emsengeni Call Account	62081228621	950/6231/01	1 000	23 659 000	(20 686 327)	211 221	3 184 894
Municipal System Improvement Call Account	62072234041	950/6224/01	1 002	1 600 000	(1 530 027)	2 692	73 667
O & M Call Account	62223416175	950/6271/01	1 000	-	(10)	10	1 000
Patterson Micro Enterprise Call Account	62054191631	950/6216/01	1 000	-	(35)	35	1 000
Planning of Moses Mabida Call Account	62047939783	950/6213/01	1 001	-	(35)	35	1 001
Rec of Encroachment: Moses Mabida Call Account	62071406542	950/6222/01	77 967	-	-	2 690	80 657
Rec of Encroachment: Paterson Call Account	62071406401	950/6221/01	88 711	-	-	3 061	91 772
Rec of Encroachment: Nomath Call Account	62071406633	950/6223/01	101 344	-	-	3 497	104 840
Revenue Enhancement PH3: Call Account	62314004441	950/6258/01	1 000	-	-	10	1 000
Revision & Intergration Zoning Call Account	62088609634	950/6234/01	1 000	190 269	(6 196)	6 196	191 269
Special Development Call Account	62047939832	950/6212/01	1 001	-	(34)	34	1 001

Sundays River Valley Municipality

Appendix A

June 2013

Schedule of Investments as at 30 June 2013

	Investment number	Investment item	Balance at 30 June 2012 Rand	Investment made Rand	Investment withdrawn Rand	Interest received Rand	Balances at 30 June 2013 Rand
SRVM Call Account	62027590589	950/6202/01	2 008	2 826 451	(1 934 248)	8 586	902 797
SRVM Town Planning Call Account	62178942580	950/6261/01	1 007	-	(10)	10	1 007
SRVM Financial Management Grant Account	62149457708	950/6250/01	1 010	1 500 000	(1 037 654)	1 533	464 888
Water Service Authority Call Account	62071406401	950/6246/01	1 022	-	(36)	36	1 022
Water Service Policy Call Account	62178064102	950/6262/01	1 000	-	(10)	10	1 000
WSDP Call Account	62223416117	950/6270/01	1 000	-	(10)	10	1 000
			576 499	33 578 573	(28 217 381)	257 716	6 195 606

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation						
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	Opening Balance	Additions	Disposals	Under Construction Opening balance	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land	59 595 494	-	-	-	-	-	59 595 494	-	-	-	-	-	-	59 595 494
Landfill Sites	1 999 281	-	-	-	-	-	1 999 281	(1 575 904)	-	-	-	-	(1 575 904)	423 377
Buildings	29 532 158	-	-	-	-	-	29 532 158	(6 192 115)	-	-	-	-	(6 192 115)	23 340 043
	91 126 933	-	-	-	-	-	91 126 933	(7 768 019)	-	-	-	-	(7 768 019)	83 358 914
Infrastructure														
Roads, Pavements & Bridges	69 123 462	-	-	-	-	-	69 123 462	(16 578 069)	-	-	-	-	(16 578 069)	52 545 393
Electricity	14 419 772	-	-	-	-	-	14 419 772	(3 103 179)	-	-	-	-	(3 103 179)	11 316 593
Water mains & purification	96 561 499	-	-	-	-	-	96 561 499	(23 974 368)	-	-	-	-	(23 974 368)	72 587 131
Sewerage mains & purification	99 811 124	-	-	-	-	-	99 811 124	(6 404 936)	-	-	-	-	(6 404 936)	93 406 188
	279 915 857	-	-	-	-	-	279 915 857	(50 060 552)	-	-	-	-	(50 060 552)	229 855 305
Community Assets														
Cemeteries	806 522	-	-	-	-	-	806 522	(358 454)	-	-	-	-	(358 454)	448 068
	806 522	-	-	-	-	-	806 522	(358 454)	-	-	-	-	(358 454)	448 068

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated depreciation					
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	Opening Balance	Additions	Disposals	Under Construction Opening balance	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Finance Lease Assets														
Office equipment and Motor vehicles	3 960 846	-	-	-	-	-	3 960 846	(2 519 163)	-	-	-	-	(2 519 163)	1 441 683
	3 960 846	-	-	-	-	-	3 960 846	(2 519 163)	-	-	-	-	(2 519 163)	1 441 683
Other assets														
Computer Equipment	1 594 875	-	-	-	-	-	1 594 875	(971 836)	-	-	-	-	(971 836)	623 039
Furniture & Fittings	2 154 774	-	-	-	-	-	2 154 774	(1 064 181)	-	-	-	-	(1 064 181)	1 090 593
Motor vehicles	2 771 194	-	-	-	-	-	2 771 194	(1 381 942)	-	-	-	-	(1 381 942)	1 389 252
Machinery and equipment	1 239 007	-	-	-	-	-	1 239 007	(487 918)	-	-	-	-	(487 918)	751 089
	7 759 850	-	-	-	-	-	7 759 850	(3 905 877)	-	-	-	-	(3 905 877)	3 853 973

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation						
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	Opening Balance	Additions	Disposals	Under Construction Opening balance	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	91 126 933	-	-	-	-	-	91 126 933	(7 768 019)	-	-	-	-	(7 768 019)	83 358 914
Infrastructure	279 915 857	-	-	-	-	-	279 915 857	(50 060 552)	-	-	-	-	(50 060 552)	229 855 305
Community Assets	806 522	-	-	-	-	-	806 522	(358 454)	-	-	-	-	(358 454)	448 068
Finance Lease Assets	3 960 846	-	-	-	-	-	3 960 846	(2 519 163)	-	-	-	-	(2 519 163)	1 441 683
Other assets	7 759 850	-	-	-	-	-	7 759 850	(3 905 877)	-	-	-	-	(3 905 877)	3 853 973
	383 570 008	-	-	-	-	-	383 570 008	(64 612 065)	-	-	-	-	(64 612 065)	318 957 943
Total	383 570 008	-	-	-	-	-	383 570 008	(64 612 065)	-	-	-	-	(64 612 065)	318 957 943

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
Opening Balance	Additions	Disposals	Under Construction Opening balance	Under Construction	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings

Land	59 595 494	-	-	-	-	59 595 494	-	-	-	-	-	-	59 595 494
Landfill Sites	1 999 281	-	-	-	-	1 999 281	(1 050 602)	-	-	(525 301)	-	(1 575 903)	423 378
Buildings	29 178 459	-	-	353 699	-	29 532 158	(4 618 767)	-	-	(1 573 348)	-	(6 192 115)	23 340 043
	90 773 234	-	-	353 699	-	91 126 933	(5 669 369)	-	-	(2 098 649)	-	(7 768 018)	83 358 915

Infrastructure

Roads, Pavements & Bridges	68 262 064	-	-	861 398	-	69 123 462	(12 433 551)	-	-	(4 144 517)	-	(16 578 068)	52 545 394
Electricity	14 419 772	-	-	-	-	14 419 772	(2 327 384)	-	-	(775 795)	-	(3 103 179)	11 316 593
Water mains & purification	80 498 142	11 066 646	-	(28 868 747)	33 865 458	96 561 499	(17 927 308)	-	-	(6 047 060)	-	(23 974 368)	72 587 131
Sewerage mains & purification	92 310 960	39 859 309	-	(43 896 508)	11 537 363	99 811 124	(4 509 739)	-	-	(1 895 198)	-	(6 404 937)	93 406 187
	255 490 938	50 925 955	-	(72 765 255)	46 264 219	279 915 857	(37 197 982)	-	-	(12 862 570)	-	(50 060 552)	229 855 305

Community Assets

Cemeteries	806 522	-	-	-	-	806 522	(268 841)	-	-	(89 614)	-	(358 455)	448 067
	806 522	-	-	-	-	806 522	(268 841)	-	-	(89 614)	-	(358 455)	448 067

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
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	Opening Balance	Additions	Disposals	Under Construction Opening balance	Under Construction	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Finance Lease Assets														
Office equipment and Motor vehicles	4 296 741	1 053 119	(1 389 014)	-	-	-	3 960 846	(2 681 714)	1 074 976	-	(912 425)	-	(2 519 163)	1 441 683
	4 296 741	1 053 119	(1 389 014)	-	-	-	3 960 846	(2 681 714)	1 074 976	-	(912 425)	-	(2 519 163)	1 441 683
Other assets														
Computer Equipment	1 378 185	216 689	-	-	-	-	1 594 874	(682 575)	-	-	(289 261)	-	(971 836)	623 038
Furniture & Fittings	1 903 953	250 821	-	-	-	-	2 154 774	(759 988)	-	-	(304 193)	-	(1 064 181)	1 090 593
Motor vehicles	2 771 194	-	-	-	-	-	2 771 194	(991 314)	-	-	(390 628)	-	(1 381 942)	1 389 252
Machinery and equipment	1 233 233	5 774	-	-	-	-	1 239 007	(321 968)	-	-	(165 950)	-	(487 918)	751 089
	7 286 565	473 284	-	-	-	-	7 759 849	(2 755 845)	-	-	(1 150 032)	-	(3 905 877)	3 853 972

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Under Construction Opening balance	Under Construction	Other changes, movements	Closing Balance	Opening Balance	Disposals	Under Construction Opening balance	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	90 773 234	-	-	-	353 699	-	91 126 933	(5 669 369)	-	-	(2 098 649)	-	(7 768 018)	83 358 915
Infrastructure	255 490 938	50 925 955	-	(72 765 255)	46 264 219	-	279 915 857	(37 197 982)	-	-	(12 862 570)	-	(50 060 552)	229 855 305
Community Assets	806 522	-	-	-	-	-	806 522	(268 841)	-	-	(89 614)	-	(358 455)	448 067
Finance Lease Assets	4 296 741	1 053 119	(1 389 014)	-	-	-	3 960 846	(2 681 714)	1 074 976	-	(912 425)	-	(2 519 163)	1 441 683
Other assets	7 286 565	473 284	-	-	-	-	7 759 849	(2 755 845)	-	-	(1 150 032)	-	(3 905 877)	3 853 972
	358 654 000	52 452 358	(1 389 014)	(72 765 255)	46 617 918	-	383 570 007	(48 573 751)	1 074 976	-	(17 113 290)	-	(64 612 065)	318 957 942
Total														
Land and buildings	90 773 234	-	-	-	353 699	-	91 126 933	(5 669 369)	-	-	(2 098 649)	-	(7 768 018)	83 358 915
Infrastructure	255 490 938	50 925 955	-	(72 765 255)	46 264 219	-	279 915 857	(37 197 982)	-	-	(12 862 570)	-	(50 060 552)	229 855 305
Community Assets	806 522	-	-	-	-	-	806 522	(268 841)	-	-	(89 614)	-	(358 455)	448 067
Finance Lease Assets	4 296 741	1 053 119	(1 389 014)	-	-	-	3 960 846	(2 681 714)	1 074 976	-	(912 425)	-	(2 519 163)	1 441 683
Other assets	7 286 565	473 284	-	-	-	-	7 759 849	(2 755 845)	-	-	(1 150 032)	-	(3 905 877)	3 853 972
	358 654 000	52 452 358	(1 389 014)	(72 765 255)	46 617 918	-	383 570 007	(48 573 751)	1 074 976	-	(17 113 290)	-	(64 612 065)	318 957 942

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.