

SUNDAYS RIVER VALLEY MUNICIPALITY
(Registration number: EC106)

**AUDITED ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2016**

AUDITOR - GENERAL
SOUTH AFRICA
11 JAN 2017

Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	EC106 - Local Municipality - The municipality's operations are governed by the Municipal Finance Management act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000; and various other acts and regulations.
Nature of business and principal activities	Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Sundays River Valley Municipality also serves as an agent to Provincial Government in providing Housing to the community.
Jurisdiction	The Sundays River Valley Municipality includes the following areas: Kirkwood, Addo, Sunlands and Paterson
Council	
Mayor	Lose ZA
Speaker	Bixa NG
Councillors	Adams F Blou PR Delport JS Finnis BAM Grootboom TR Jagers HE Stefana J Kebe M Manene J Qusheka Z Rune SH Smith K Snoek BC Wagenaar I
Grading of local authority	Two (2)
Telephone:	(042) 230 077
Registered office	30 Middle Street Kirkwood 6120
Postal address	PO Box 47 Kirkwood 6120
Bankers	First National Bank
Auditors	Auditor - General of South Africa
Attorneys	Phumeza Bono Incorporated
Accounting Officer	L M R Ngoqo



Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

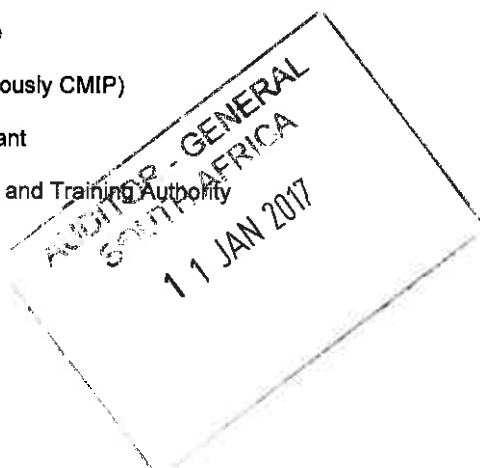
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The reports and statements set out below comprise the annual financial statements presented to the Council:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DPW	Department of Public Works
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
MFMA	Municipal Finance Management Act
IAS	International Accounting Standards
SALGA	South African Local Government Association
DWA	Department of Water Affairs
EPWP	Expanded Public Works Programme
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
LGSETA	Local Government Sector Education and Training Authority
PAYE	Pay As You Earn Tax
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
VAT	Value Added Tax



Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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 place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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.

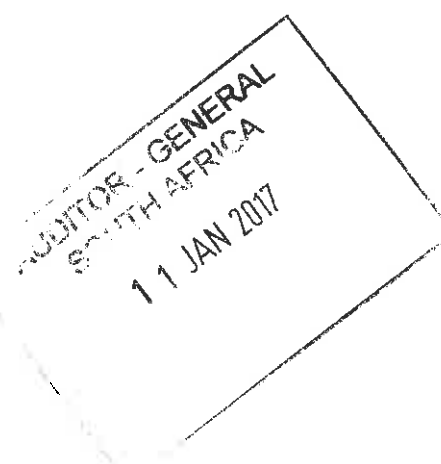
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements..

The annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis, were approved by the Accounting Officer on the 31 August 2016 and were signed by:

L M R Ngoqo
Accounting Officer



Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Notes	2016 R	2015 Restated R
Assets			
Current Assets			
Inventories	3	227,888	224,910
Receivables from non-exchange transactions	4	17,236,802	5,705,365
Receivables from exchange transactions	5	19,938,112	18,449,917
Cash and cash equivalents	6	7,870,183	20,363,144
		<u>45,272,985</u>	<u>44,743,336</u>
Non-Current Assets			
Investment property	7	29,856,300	29,856,300
Heritage assets	8	322,483	322,483
Intangible assets	9	468,201	447,747
Property, plant and equipment	10	482,413,553	476,100,725
		<u>513,060,537</u>	<u>506,727,255</u>
Non-Current Assets		513,060,537	506,727,255
Current Assets		45,272,985	44,743,336
Total Assets		<u>558,333,522</u>	<u>551,470,591</u>
Liabilities			
Current Liabilities			
Borrowings	11	-	1,704,800
Finance lease obligation	12	1,436,421	1,466,659
Payables from exchange transactions	13	28,160,385	35,825,061
VAT payable	14	9,579,618	7,772,556
Consumer deposits	15	284,662	281,278
Employee benefit obligation	18	449,709	398,741
Unspent conditional grants and receipts	16	3,065,237	7,153,775
		<u>42,976,032</u>	<u>54,602,870</u>
Non-Current Liabilities			
Finance lease obligation	12	396,657	1,833,077
Employee benefit obligation	18	3,243,411	3,090,744
Provisions	17	12,049,927	10,987,442
		<u>15,689,995</u>	<u>15,911,263</u>
Non-Current Liabilities		15,689,995	15,911,263
Current Liabilities		42,976,032	54,602,870
Total Liabilities		<u>58,666,027</u>	<u>70,514,133</u>
Assets		558,333,522	551,470,591
Liabilities		(58,666,027)	(70,514,133)
Net Assets		<u>499,667,495</u>	<u>480,956,458</u>
Accumulated surplus		499,667,495	480,956,458

AUDITOR - GENERAL
 SOUTH AFRICA
 11 JAN 2017

Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

		2016	2015
		R	Restated R
Revenue			
Revenue from exchange transactions			
Service charges	19	39,417,378	58,855,889
Rental of facilities and equipment	20	22,730	136,201
Interest received		1,381,630	11,005,211
Income from agency services		2,083,242	1,566,947
Licences and permits		1,889,020	1,359,192
Other income	21	344,727	467,435
Total revenue from exchange transactions		45,138,727	73,390,875
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	39,261,543	28,829,853
Transfer revenue			
Government grants and subsidies	23	95,037,208	79,923,729
Public contributions and donations		2,433,365	10,389,559
Fines		2,869,046	3,146,120
Insurance income		1,848,127	15,063,113
Total revenue from non-exchange transactions		141,449,289	137,352,374
Expenditure			
Employee related costs	24	(47,555,560)	(41,131,853)
Remuneration of councillors	25	(6,110,264)	(5,368,632)
Depreciation and amortisation	26	(26,251,494)	(26,092,241)
Impairment loss/ Reversal of impairments	27	(11,607,739)	(47,676,413)
Finance costs	28	(2,084,325)	(2,382,643)
Lease rentals on operating lease		(480,810)	(489,786)
Repairs and maintenance	29	(3,992,985)	(2,013,820)
Bulk purchases	30	(20,013,243)	(21,691,340)
Contracted services		(6,701,163)	-
Loss on disposal of assets		(445,488)	(471,004)
Inventories losses/write-downs		(10,094)	-
General expenses	31	(42,623,852)	(41,697,238)
Total expenditure		(167,877,017)	(189,014,970)
Total revenue		-	-
Total expenditure		186,588,053	210,743,249
Operating surplus/deficit		(167,877,017)	(189,014,970)
Surplus before taxation		-	-
Taxation		18,711,036	21,728,279
Surplus for the year		18,711,036	21,728,279

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	449,637,416	449,637,416
Adjustments		
Correction of errors	9,590,763	9,590,763
Restated* Balance at 01 July 2014 as restated*	459,228,179	459,228,179
Changes in net assets		
Deficit for the year	21,728,279	21,728,279
Total changes	21,728,279	21,728,279
Restated* Balance at 01 July 2015	480,956,459	480,956,459
Changes in net assets		
Surplus for the year	18,711,036	18,711,036
Total changes	18,711,036	18,711,036
Balance at 30 June 2016	499,667,495	499,667,495

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Cash Flow Statement

		2016	2015
			Restated
	Notes	R	R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		63,128,380	23,226,922
Grants		90,948,665	97,346,496
Interest revenue		1,381,630	11,005,211
Other receipts		6,950,920	20,035,860
		<u>162,409,595</u>	<u>151,614,489</u>
Payments			
Employee costs		(53,665,824)	(46,500,485)
Suppliers		(82,501,732)	(35,259,646)
Finance costs		(2,084,325)	(2,382,643)
		<u>(138,251,881)</u>	<u>(84,142,774)</u>
Total receipts		162,409,595	151,614,489
Total payments		(138,251,881)	(84,142,774)
Net cash flows from operating activities	32	<u>24,157,716</u>	<u>67,471,709</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(33,293,589)	(44,280,933)
Proceeds from sale of property, plant and equipment	10	-	166,215
Purchase of intangible assets	9	(185,628)	(351,995)
		<u>(33,479,217)</u>	<u>(44,466,713)</u>
Cash flows from financing activities			
Borrowings repaid		(1,704,800)	(4,368,421)
Finance lease payments		(1,466,660)	1,313,485
		<u>(3,171,460)</u>	<u>(3,054,936)</u>
Net increase/(decrease) in cash and cash equivalents		(12,492,961)	19,950,060
Cash and cash equivalents at the beginning of the year		20,363,144	413,084
Cash and cash equivalents at the end of the year	6	<u>7,870,183</u>	<u>20,363,144</u>

DIRECTOR - GENERAL
SOUTH AFRICA
11 JAN 2017