



**SUNDAYS RIVER VALLEY MUNICIPALITY**

(Registration number: EC106)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016 (UNAUDITED)**

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	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.
<b>Nature of business and principal activities</b>	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.
<b>Jurisdiction</b>	The Sundays River Valley Municipality includes the following areas: Kirkwood, Addo, Sunlands and Paterson
<b>Council</b>	
Mayor	Lose ZA
Speaker	Bixa NG
Councillors	Adams F Blou PR Delpont JS Finnis BAM Grootboom TR Jagers HE Stefana J Kebe M Manene J Qusheka Z Rune SH Smith K Snoek BC Wagenaar I
<b>Grading of local authority</b>	Two (2)
<b>Telephone:</b>	(042) 230 077
<b>Registered office</b>	30 Middle Street Kirkwood 6120
<b>Postal address</b>	PO Box 47 Kirkwood 6120
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor - General of South Africa
<b>Attorneys</b>	Phumeza Bono Incorporated
<b>Accounting Officer</b>	L M R Ngoqo

# Sundays River Valley Municipality

(Registration number EC106)

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

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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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 66, which have been prepared on the going concern basis, were approved by the Accounting Officer on the 31 August 2016 and were signed by:

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**L M R Ngoqo**  
**Accounting Officer**

# Sundays River Valley Municipality

(Registration number EC106)

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
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	227,888	224,910
Receivables from non-exchange transactions	4	21,188,648	5,705,365
Receivables from exchange transactions	5	22,459,562	18,433,882
Cash and cash equivalents	6	7,870,183	20,363,144
		<b>51,746,281</b>	<b>44,727,301</b>
<b>Non-Current Assets</b>			
Investment property	7	21,409,000	21,409,000
Heritage assets	8	322,483	322,483
Intangible assets	9	468,201	447,747
Property, plant and equipment	10	481,517,622	475,579,170
		<b>503,717,306</b>	<b>497,758,400</b>
Non-Current Assets		503,717,306	497,758,400
Current Assets		51,746,281	44,727,301
<b>Total Assets</b>		<b>555,463,587</b>	<b>542,485,701</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	11	-	1,704,800
Finance lease obligation	12	1,436,421	2,256,150
Payables from exchange transactions	13	29,985,525	35,595,147
VAT payable	14	9,973,608	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
		<b>45,195,162</b>	<b>55,162,447</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	396,657	1,043,586
Employee benefit obligation	18	3,243,411	3,090,744
Provisions	17	12,049,927	10,987,442
		<b>15,689,995</b>	<b>15,121,772</b>
Non-Current Liabilities		15,689,995	15,121,772
Current Liabilities		45,195,162	55,162,447
<b>Total Liabilities</b>		<b>60,885,157</b>	<b>70,284,219</b>
Assets		555,463,587	542,485,701
Liabilities		(60,885,157)	(70,284,219)
<b>Net Assets</b>		<b>494,578,430</b>	<b>472,201,482</b>
Accumulated surplus		494,578,430	472,201,482

\* See Note 42

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

		2016	2015
		R	Restated
	Notes	R	R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	39,002,849	58,855,889
Rental of facilities and equipment	20	22,730	136,201
Interest received		1,381,630	11,219,089
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
<b>Total revenue from exchange transactions</b>		<b>44,724,198</b>	<b>73,604,753</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	39,261,543	28,829,853
<b>Transfer revenue</b>			
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
<b>Total revenue from non-exchange transactions</b>		<b>141,449,289</b>	<b>137,352,374</b>
<b>Expenditure</b>			
Employee related costs	24	(47,555,560)	(41,131,853)
Remuneration of councillors	25	(6,110,264)	(5,368,632)
Depreciation and amortisation	26	(26,238,635)	(26,092,241)
Impairment loss/ Reversal of impairments	27	(7,655,894)	(47,676,413)
Finance costs	28	(1,726,903)	(2,382,643)
Lease rentals on operating lease		(480,810)	(489,786)
Repairs and maintenance	29	(4,380,221)	(2,013,820)
Bulk purchases	30	(20,022,175)	(21,731,516)
Contracted services		(6,701,163)	-
Loss on disposal of assets		(445,488)	(471,004)
Inventories losses/write-downs		(10,094)	-
General expenses	31	(42,469,333)	(416,657,062)
<b>Total expenditure</b>		<b>(163,796,540)</b>	<b>(564,014,970)</b>
Total revenue		186,173,487	210,957,127
Total expenditure		(163,796,540)	(564,014,970)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		22,376,947	(353,057,843)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>22,376,947</b>	<b>(353,057,843)</b>

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	449,637,417	449,637,417
Adjustments		
Correction of errors	621,908	621,908
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>450,259,325</b>	<b>450,259,325</b>
Changes in net assets		
Deficit for the year	21,942,157	21,942,157
Total changes	21,942,157	21,942,157
<b>Restated* Balance at 01 July 2015</b>	<b>472,201,483</b>	<b>472,201,483</b>
Changes in net assets		
Surplus for the year	22,376,947	22,376,947
Total changes	22,376,947	22,376,947
<b>Balance at 30 June 2016</b>	<b>494,578,430</b>	<b>494,578,430</b>
Notes		

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

		2016	2015
		R	Restated
	Notes	R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		59,987,984	24,073,444
Grants		90,006,592	97,346,496
Interest revenue		1,381,630	11,219,089
Other receipts		6,950,920	20,035,860
		<u>158,327,126</u>	<u>152,674,889</u>
<b>Payments</b>			
Employee costs		(53,665,824)	(46,500,485)
Suppliers		(79,163,920)	(36,619,996)
Finance costs		(1,726,903)	(2,382,642)
		<u>(134,556,647)</u>	<u>(85,503,123)</u>
Total receipts		158,327,126	152,674,889
Total payments		(134,556,647)	(85,503,123)
<b>Net cash flows from operating activities</b>	32	<b><u>23,770,479</u></b>	<b><u>67,471,709</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(32,906,352)	(44,280,933)
Proceeds from sale of property, plant and equipment	10	-	166,215
Purchase of intangible assets	9	(185,628)	(351,995)
		<u>(33,091,980)</u>	<u>(44,466,713)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
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>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,492,961)</b>	<b>19,950,060</b>
Cash and cash equivalents at the beginning of the year		20,363,144	413,084
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>7,870,183</u></b>	<b><u>20,363,144</u></b>

\* See Note 42



# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## 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
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	34,402,000	(13,408,000)	<b>20,994,000</b>	39,002,849	<b>18,008,849</b>	FinPer1
Rental of facilities and equipment	121,000	(95,000)	<b>26,000</b>	22,730	<b>(3,270)</b>	
Interest received	7,296,000	(3,574,000)	<b>3,722,000</b>	1,381,630	<b>(2,340,370)</b>	FinPer2
Income from agency services	1,363,000	348,000	<b>1,711,000</b>	2,083,242	<b>372,242</b>	
Licences and permits	1,302,000	326,000	<b>1,628,000</b>	1,889,020	<b>261,020</b>	
Other income	-	6,378,968	<b>6,378,968</b>	344,727	<b>(6,034,241)</b>	FinPer3
<b>Total revenue from exchange transactions</b>	<b>44,484,000</b>	<b>(10,024,032)</b>	<b>34,459,968</b>	<b>44,724,198</b>	<b>10,264,230</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	12,781,000	23,055,000	<b>35,836,000</b>	39,261,543	<b>3,425,543</b>	FinPer4
Government Grants - Operating	61,808,565	(618,427)	<b>61,190,138</b>	62,743,438	<b>1,553,300</b>	FinPer5
Government Grants - Capital	23,620,000	2,500,000	<b>26,120,000</b>	32,293,770	<b>6,173,770</b>	FinPer6
<b>Transfer revenue</b>						
Public contributions and donations	-	-	-	2,433,365	<b>2,433,365</b>	FinPer7
Fines	609,000	3,429,000	<b>4,038,000</b>	2,869,046	<b>(1,168,954)</b>	FinPer8
Insurance income	22,678,000	(22,225,038)	<b>452,962</b>	1,848,127	<b>1,395,165</b>	FinPer3
<b>Total revenue from non-exchange transactions</b>	<b>121,496,565</b>	<b>6,140,535</b>	<b>127,637,100</b>	<b>141,449,289</b>	<b>13,812,189</b>	
'Total revenue from exchange transactions'	44,484,000	(10,024,032)	<b>34,459,968</b>	44,724,198	<b>10,264,230</b>	
'Total revenue from non-exchange transactions'	121,496,565	6,140,535	<b>127,637,100</b>	141,449,289	<b>13,812,189</b>	
<b>Total revenue</b>	<b>165,980,565</b>	<b>(3,883,497)</b>	<b>162,097,068</b>	<b>186,173,487</b>	<b>24,076,419</b>	
<b>Expenditure</b>						
Employee costs	(47,294,000)	(32,000)	<b>(47,326,000)</b>	(47,555,560)	<b>(229,560)</b>	
Remuneration of councillors	(5,301,000)	(652,000)	<b>(5,953,000)</b>	(6,110,264)	<b>(157,264)</b>	
Depreciation and amortisation	(17,500,000)	(27,339,000)	<b>(44,839,000)</b>	(26,238,635)	<b>18,600,365</b>	FinPer9
Impairment loss/ Reversal of impairments	(18,873,000)	(10,616,000)	<b>(29,489,000)</b>	(7,655,894)	<b>21,833,106</b>	FinPer10
Finance costs	(1,054,000)	(1,970,000)	<b>(3,024,000)</b>	(1,726,903)	<b>1,297,097</b>	FinPer11
Lease rentals on operating lease	-	-	-	(480,810)	<b>(480,810)</b>	FinPer12
Repairs and maintenance	(7,097,000)	989,000	<b>(6,108,000)</b>	(4,380,221)	<b>1,727,779</b>	FinPer13
Bulk purchases	(19,047,000)	-	<b>(19,047,000)</b>	(20,022,175)	<b>(975,175)</b>	
Contracted Services	(1,950,986)	(1,576,361)	<b>(3,527,347)</b>	(6,701,163)	<b>(3,173,816)</b>	FinPer14
Cost of housing sold	-	-	-	(10,094)	<b>(10,094)</b>	
Loss on disposal of assets	-	-	-	(445,488)	<b>(445,488)</b>	
General expenditure	(41,101,014)	(639)	<b>(41,101,653)</b>	(42,459,333)	<b>(1,357,680)</b>	

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## 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
	R	R	R	R	R	
<b>Total expenditure</b>	<b>(159,218,000)</b>	<b>(41,197,000)</b>	<b>(200,415,000)</b>	<b>(163,786,540)</b>	<b>36,628,460</b>	
	6,762,565	(45,080,497)	<b>(38,317,932)</b>	22,386,947	<b>60,704,879</b>	
	-	-	-	-	-	
<b>Surplus before taxation</b>	<b>6,762,565</b>	<b>(45,080,497)</b>	<b>(38,317,932)</b>	<b>22,386,947</b>	<b>60,704,879</b>	
Deficit before taxation	6,762,565	(45,080,497)	<b>(38,317,932)</b>	22,386,947	<b>60,704,879</b>	
Taxation	-	-	-	-	-	

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## 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
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	158,000	210,000	<b>368,000</b>	227,888	<b>(140,112)</b>	FinPos1
Receivables from non-exchange transactions	3,000	-	<b>3,000</b>	21,188,648	<b>21,185,648</b>	FinPos2
Consumer debtors	47,768,000	(19,568,000)	<b>28,200,000</b>	22,459,562	<b>(5,740,438)</b>	FinPos3
Cash and cash equivalents	2,000,000	21,657,000	<b>23,657,000</b>	7,870,183	<b>(15,786,817)</b>	FinPos4
	<b>49,929,000</b>	<b>2,299,000</b>	<b>52,228,000</b>	<b>51,746,281</b>	<b>(481,719)</b>	
<b>Non-Current Assets</b>						
Investment property	42,498,000	(19,690,000)	<b>22,808,000</b>	21,409,000	<b>(1,399,000)</b>	
Property, plant and equipment	327,216,000	155,639,000	<b>482,855,000</b>	481,517,622	<b>(1,337,378)</b>	
Intangible assets	830,000	-	<b>830,000</b>	468,201	<b>(361,799)</b>	FinPos5
Heritage assets	-	-	-	322,483	<b>322,483</b>	
	<b>370,544,000</b>	<b>135,949,000</b>	<b>506,493,000</b>	<b>503,717,306</b>	<b>(2,775,694)</b>	
Non-Current Assets	49,929,000	2,299,000	<b>52,228,000</b>	51,746,281	<b>(481,719)</b>	
Current Assets	370,544,000	135,949,000	<b>506,493,000</b>	503,717,306	<b>(2,775,694)</b>	
<b>Total Assets</b>	<b>420,473,000</b>	<b>138,248,000</b>	<b>558,721,000</b>	<b>555,463,587</b>	<b>(3,257,413)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	451,000	901,000	<b>1,352,000</b>	1,436,421	<b>84,421</b>	
Payables from exchange transactions	22,922,000	5,000,000	<b>27,922,000</b>	29,985,527	<b>2,063,527</b>	FinPos6
VAT payable	-	-	-	9,973,608	<b>9,973,608</b>	
Consumer deposits	275,000	302,000	<b>577,000</b>	284,662	<b>(292,338)</b>	
Unspent conditional grants and receipts	-	-	-	3,065,237	<b>3,065,237</b>	FinPos7
	<b>23,648,000</b>	<b>6,203,000</b>	<b>29,851,000</b>	<b>44,745,455</b>	<b>14,894,455</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	2,606,000	(2,252,000)	<b>354,000</b>	396,656	<b>42,656</b>	
Employee benefit obligation	-	-	-	3,693,120	<b>3,693,120</b>	
Provisions	15,823,000	6,378,000	<b>22,201,000</b>	12,049,927	<b>(10,151,073)</b>	FinPos8
	<b>18,429,000</b>	<b>4,126,000</b>	<b>22,555,000</b>	<b>16,139,703</b>	<b>(6,415,297)</b>	
	23,648,000	6,203,000	<b>29,851,000</b>	44,745,455	<b>14,894,455</b>	
	18,429,000	4,126,000	<b>22,555,000</b>	16,139,703	<b>(6,415,297)</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>42,077,000</b>	<b>10,329,000</b>	<b>52,406,000</b>	<b>60,885,158</b>	<b>8,479,158</b>	
Assets	420,473,000	138,248,000	<b>558,721,000</b>	555,463,587	<b>(3,257,413)</b>	
Liabilities	(42,077,000)	(10,329,000)	<b>(52,406,000)</b>	(60,885,158)	<b>(8,479,158)</b>	
<b>Net Assets</b>	<b>378,396,000</b>	<b>127,919,000</b>	<b>506,315,000</b>	<b>494,578,429</b>	<b>(11,736,571)</b>	

Reserves

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## 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
	R	R	R	R	R	
Accumulated surplus	378,396,000	127,919,000	<b>506,315,000</b>	494,578,429	<b>(11,736,571)</b>	

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## 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
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Cash receipts from customers	27,590,000	2,332,000	<b>29,922,000</b>	59,987,984	<b>30,065,984</b>	
Government Grants	85,429,000	2,825,000	<b>88,254,000</b>	90,006,592	<b>1,752,592</b>	C1
Interest revenue	3,757,000	(1,024,000)	<b>2,733,000</b>	1,381,630	<b>(1,351,370)</b>	C2
Other receipts	20,630,000	84,504,000	<b>105,134,000</b>	6,950,920	<b>(98,183,080)</b>	C3
	<b>137,406,000</b>	<b>88,637,000</b>	<b>226,043,000</b>	<b>158,327,126</b>	<b>(67,715,874)</b>	
<b>Payments</b>						
Employee costs	(110,747,000)	(78,448,000)	<b>(189,195,000)</b>	(53,665,824)	<b>135,529,176</b>	C4
Suppliers	-	-	-	(79,163,920)	<b>(79,163,920)</b>	C4
Finance costs	(478,000)	(816,000)	<b>(1,294,000)</b>	(1,726,903)	<b>(432,903)</b>	
Transfers and grants	(1,764,000)	1,764,000	-	-	-	
	<b>(112,989,000)</b>	<b>(77,500,000)</b>	<b>(190,489,000)</b>	<b>(134,556,647)</b>	<b>55,932,353</b>	
Total receipts	137,406,000	88,637,000	<b>226,043,000</b>	158,327,126	<b>(67,715,874)</b>	
Total payments	(112,989,000)	(77,500,000)	<b>(190,489,000)</b>	(134,556,647)	<b>55,932,353</b>	
<b>Net cash flows from operating activities</b>	<b>24,417,000</b>	<b>11,137,000</b>	<b>35,554,000</b>	<b>23,770,479</b>	<b>(11,783,521)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(45,063,000)	11,715,000	<b>(33,348,000)</b>	(32,906,352)	<b>441,648</b>	
Purchase of other intangible assets	-	-	-	(185,628)	<b>(185,628)</b>	
<b>Net cash flows from investing activities</b>	<b>(45,063,000)</b>	<b>11,715,000</b>	<b>(33,348,000)</b>	<b>(33,091,980)</b>	<b>256,020</b>	
<b>Cash flows from financing activities</b>						
Borrowings repaid	-	(250,000)	<b>(250,000)</b>	(1,704,800)	<b>(1,454,800)</b>	C5
Finance lease payments	-	-	-	(1,466,660)	<b>(1,466,660)</b>	
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>(3,171,460)</b>	<b>(2,921,460)</b>	
Net increase/(decrease) in cash and cash equivalents	(20,646,000)	22,602,000	<b>1,956,000</b>	(12,492,961)	<b>(14,448,961)</b>	
Cash and cash equivalents at the beginning of the year	7,335,000	(6,724,000)	<b>611,000</b>	20,363,144	<b>19,752,144</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>(13,311,000)</b>	<b>15,878,000</b>	<b>2,567,000</b>	<b>7,870,183</b>	<b>5,303,183</b>	

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Financial assets

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of related assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of related assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cash flows, together with economic factors such as inflation, interest rates.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the relevant note.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

# Sundays River Valley Municipality

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## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

#### Post- retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the relevant note.

#### Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

#### Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

### 1.3 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 for
- administrative purposes, or
- sale in the ordinary course of operations.

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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. Transactions costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, 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

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 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, rental to others, 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 of the item can be measured reliably.

Property, plant and equipment is 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 through a non-exchange transaction, 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.



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## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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 entity 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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial recognition property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Land	Straight line	indefinite
Buildings	Straight line	25-30 years
Leasehold property	Straight line	3 years
Plant and machinery	Straight line	3 - 5 years
Furniture and fixtures	Straight line	5-10 years
Motor vehicles	Straight line	7-10 years
Office equipment	Straight line	5 years
Infrastructure	Straight line	3-80 years
Other Assets	Straight line	3 - 5 years

The residual value, and 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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate. 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 when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are subsequently 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. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

<b>Item</b>	<b>Useful life</b>
Computer software	5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.6 Heritage assets

#### 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 of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

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## Accounting Policies

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### 1.6 Heritage assets (continued)

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Derecognition

The municipality derecognises heritage asset 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 included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 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:

<b>Class</b>	<b>Category</b>
Receivables from Non-Exchange transactions	Financial asset measured at amortised cost
Receivables from Exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	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:

<b>Class</b>	<b>Category</b>
Borrowings	Financial liability measured at amortised cost
Payables from Exchanges transactions	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity 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.

#### Impairment and uncollectibility of financial assets

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

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.

#### 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 :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are 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.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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## Accounting Policies

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### 1.7 Financial instruments (continued)

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

The entity 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 municipality 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).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.8 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 municipality assesses the classification of each element separately.

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 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 expensed in the period in which they are incurred.

#### Operating leases - The Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases -The Municipality as 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.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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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### 1.9 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.

### 1.10 Revenue from non-exchange transactions

#### 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.

#### 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 the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. Penalties interest on unpaid rates is recognised on a time proportion bases with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of rate payers and are deducted from revenue.

#### Fines

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue due to the municipality from spot fines and summonses based on past experience of amount collected. Where a reliable estimate cannot be made of revenue summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

# Sundays River Valley Municipality

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### 1.10 Revenue from non-exchange transactions (continued)

#### Government Grants and receipts

Equitable share allocations are recognised in the revenue at the start of the financial year if no time-based restrictions exist. Income received from conditional grant, donations and funding are recognised as revenue to the extent that municipality has complied with any of the criteria, condition or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grant that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

### 1.11 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

### 1.12 Impairment of cash-generating assets

#### Identification

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.

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.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.



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### 1.14 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise 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 benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity 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 entity during a reporting period, the entity recognise 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 entity recognise 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.

#### Post-employment benefits: Defined benefit 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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### 1.14 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 entity measure 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 entity determine 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 entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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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### 1.15 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 deficits.

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent liabilities are not recognised. Contingencies are disclosed in the relevant note.

### 1.16 Budget information

The annual budget figures for the year ending 2015/16 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

### 1.17 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.

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### 1.17 Revenue from exchange transactions (continued)

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### 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.

#### Rendering of services

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

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### 1.17 Revenue from exchange transactions (continued)

#### Interest, Income from agency services and rental of facilities and equipment

Revenue arising from the use by others of Municipality assets yielding interest 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.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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

#### Tarrif charges

Revenue arising from the application of the approved tarrifs is recognised when the service is rendered by applying the relevant authorising tarrif. This includes the issue of licences and permits.

### 1.18 Related parties

Management are 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.

Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

### 1.19 Investment income

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

### 1.20 VAT

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" per the MFMA otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

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### 1.22 Unauthorised expenditure (continued)

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.

### 1.23 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.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

- expenditure incurred by the municipality or that is not in accordance with a requirement of the MFMA, and which has not been condoned in terms of section 170 of the MFMA;
- expenditure incurred the municipality that is not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that MFMA;
- expenditure incurred the municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred the municipality that is not in accordance with a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

but excludes expenditure by the municipality which is considered to be unauthorised expenditure.

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

### 1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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## Accounting Policies

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### 1.26 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.27 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.

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## Notes to the Annual Financial Statements

	2016	2015
	R	Restated R

### 2. New standards and interpretations

#### 2.1 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 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.



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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>3. Inventories</b>		
Consumables (At cost)	224,775	211,703
Water (At cost)	3,113	13,207
	<u>227,888</u>	<u>224,910</u>
Inventories recognised as an expense during the year	817,116	216,767
There were inventory write downs during the year to the value of R10 094 (2015: R nil).		
<b>Inventory pledged as security</b>		
No assets are pledged as security.		
<b>4. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	26,586,266	12,160,872
Fines	10,405,479	4,253,952
	<u>36,991,745</u>	<u>16,414,824</u>
<b>Less: Allowance for impairment</b>		
Rates	(9,357,868)	(8,234,074)
Fines	(6,445,229)	(2,475,383)
	<u>(15,803,097)</u>	<u>(10,709,457)</u>
<b>Net balance</b>		
Rates	17,228,398	3,926,798
Fines	3,960,250	1,778,569
	<u>21,188,648</u>	<u>5,705,367</u>

The municipality does not hold deposits or other security for its receivables from non-exchange transactions and none of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

The ageing of receivables from non-exchange transactions is as follows:

<b>Rates</b>		
Current (0 -30 days)	3,746,768	3,925,006
61 - 90 days	708,675	-
91 - 120 days	12,772,955	-
	<u>17,228,398</u>	<u>3,925,006</u>

### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-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:

\* See Note 42

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	2016	2015
	R	R
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(10,709,457)	(11,449,329)
Contributions to allowance	(5,093,630)	739,872
	<b><u>(15,803,087)</u></b>	<b><u>(10,709,457)</u></b>
<b>Receivables from non-exchange transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R4 455 442 - (2015: R -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,746,768	-
3 months past due	708,675	-
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	14,443,941	25,006,486
Water	105,456,149	89,252,278
Sewerage	16,643,136	18,183,681
Refuse	35,836,833	29,851,316
Other	513,463	490,926
	<b><u>172,893,522</u></b>	<b><u>162,784,687</u></b>
<b>Less: Allowance for impairment</b>		
Electricity	(5,417,938)	(20,903,349)
Water	(96,264,444)	(80,276,386)
Sewerage	(15,448,574)	(16,351,953)
Refuse	(33,250,037)	(26,819,117)
Housing rental	(52,965)	-
	<b><u>(150,433,958)</u></b>	<b><u>(144,350,805)</u></b>
<b>Net balance</b>		
Electricity	9,191,705	4,103,137
Water	9,026,002	8,975,892
Sewerage	1,194,562	1,831,728
Refuse	2,586,795	3,032,199
Other	460,498	490,926
	<b><u>22,459,562</u></b>	<b><u>18,433,882</u></b>
The ageing of receivables from exchange transactions is as follows:		
<b>Electricity</b>		
Current (0 -30 days)	1,448,530	1,619,659
31 - 60 days	723,376	401,059
61 - 90 days	173,546	617,013
91 - 120 days	184,070	1,465,406
121 - 365 days	6,662,183	-
	<b><u>9,191,705</u></b>	<b><u>4,103,137</u></b>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	2,124,623	1,385,474
31 - 60 days	525,231	712,529
61 - 90 days	804,453	168,236
91 - 120 days	1,963,573	178,132
121 - 365 days	3,608,123	6,531,521
	<b>9,026,003</b>	<b>8,975,892</b>
<b>Sewerage</b>		
Current (0 -30 days)	268,617	411,831
31 - 60 days	263,083	404,148
61 - 90 days	35,777	53,784
91 - 120 days	26,702	39,954
121 - 365 days	600,383	922,011
	<b>1,194,562</b>	<b>1,831,728</b>
<b>Refuse</b>		
Current (0 -30 days)	517,799	630,844
31 - 60 days	503,597	613,761
61 - 90 days	85,241	103,717
91 - 120 days	80,392	97,616
121 - 365 days	1,399,766	1,586,261
	<b>2,586,795</b>	<b>3,032,199</b>
<b>Other (specify)</b>		
Current (0 -30 days)	-	23,469
31 - 60 days	-	17,974
61 - 90 days	-	14,858
91 - 120 days	60,778	434,625
121 - 365 days	399,720	-
	<b>460,498</b>	<b>490,926</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(144,350,805)	(99,141,884)
Contributions to allowance	(6,083,153)	(45,208,921)
	<b>(150,433,958)</b>	<b>(144,350,805)</b>

### Consumer debtors past due but not impaired

Consumer debtors which are less than 2 months past due are not considered to be impaired. At 30 June 2016, R 8 502 678 (2015: R 11,408,803) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	8,106,336	6,245,923
2 months past due	2,015,288	5,162,880
3 months past due	1,807,691	-

Receivables from exchange transactions are billed monthly. No interest is charged on receivables from exchange transaction until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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	2016	2015
	R	R

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### 5. Receivables from exchange transactions (continued)

The municipality did not pledge any of its receivables from exchange transaction as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of receivables from exchange transaction approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors as well as the current payment ratio's of the municipality's Receivables.

In determining the recoverability of a receivable from exchange transaction, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

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\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	-	315
Bank balances	361,682	842,221
Short-term deposits	7,508,501	19,520,608
	<b><u>7,870,183</u></b>	<b><u>20,363,144</u></b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Current account (Primary account) - 620-2549-0856	361,668	611,327	773,214	361,683	681,817	773,214
First National Bank - Current account (MVR account) - 620-2765-1935	-	137,649	2,289,180	-	137,649	2,289,180
First National Bank - Current account (Traffic fines account) - 620-7077- 3510	-	22,110	4,874	-	22,110	4,874
First National Bank - Current account (Easy Pay account) - 620-9844-9385	-	645	2,532	-	645	2,532
SRVM Call Account	-	22,348	124,376	-	22,348	124,376
Cash on Hand	-	-	-	-	315	-
IDP Call Account	56,915	56,915	251,000	56,915	56,915	251,000
Moses Mabhida Call Account	2,350,682	50,702	350,708	2,350,682	50,702	350,708
Mun System Improvement Call Account	2,521	128,904	208,510	2,521	128,904	208,510
MIG-Emsengeni Call Acc	1,000	6,938,683	2,827,539	1,000	6,938,683	2,827,539
Addo Noluthando Call Account	1,772	2,274	1,031	1,772	2,274	1,031
Finance Management Grant Call Acc	10,687	159,172	1,000	10,687	159,172	1,000
Integr. Zoning Scheme Call Account	108,723	108,723	307,587	108,723	108,723	307,587
SRVM Town Planning Call Account	350,218	351,239	60,667	350,218	351,239	60,667
LED Call Account	-	9,037	744,747	-	9,037	744,747
Library Call Account	1,057	-	-	1,057	-	-
Electricity Account	1,000	-	-	1,075	-	-
Salaries Call Account	5,039	-	-	5,039	-	-
EPWP Incentive Grant Investment Account	1,000	560,370	3,519	1,000	560,370	3,519
Emergency Relief Fund Call Account	4,592	4,592	1,265,315	4,592	4,592	1,265,315
Capacity Building Establishment of Enon- Bersheba Call Account	-	-	-	-	1,088	-
TOA - 74539338646	70,124	70,124	374,870	70,124	70,124	374,870
	4,543,095	11,056,437	-	4,543,095	11,056,437	-
<b>Total</b>	<b><u>7,870,093</u></b>	<b><u>20,291,251</u></b>	<b><u>9,590,669</u></b>	<b><u>7,870,183</u></b>	<b><u>20,363,144</u></b>	<b><u>9,590,669</u></b>

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R

### 7. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	21,409,000	-	21,409,000	21,409,000	-	21,409,000

#### Reconciliation of investment property - 2016

	Opening balance	Total
Investment property - Land	21,409,000	21,409,000

#### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property - Land	21,409,000	21,409,000

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

The municipality's investment properties are accounted for according to the cost model and therefore no fair value has been determined. No impairment losses have been recognised on investment property of the municipality at the reporting date.

### 8. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70,975	-	70,975	70,975	-	70,975
Historical buildings	251,508	-	251,508	251,508	-	251,508
<b>Total</b>	<b>322,483</b>	<b>-</b>	<b>322,483</b>	<b>322,483</b>	<b>-</b>	<b>322,483</b>

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Collections of rare books, manuscripts and records	70,975	70,975
Historical buildings	251,508	251,508
	<b>322,483</b>	<b>322,483</b>

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R

### 8. Heritage assets (continued)

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Collections of rare books, manuscripts and records	70,975	70,975
Historical buildings	251,508	251,508
	<b>322,483</b>	<b>322,483</b>

### 9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,787,324	(1,319,123)	468,201	1,601,696	(1,153,949)	447,747

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	447,747	185,628	(165,174)	468,201

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	457,960	351,995	(336,494)	(25,714)	447,747

#### Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the statement of financial performance. No restrictions apply to any of the intangible assets of the municipality. No impairment losses have been recognised on intangible assets of the municipality at the reporting date.

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19,020,004	-	19,020,004	19,020,004	-	19,020,004
Buildings	48,193,713	(16,296,596)	31,897,117	42,788,610	(15,279,309)	27,509,301
Infrastructure	740,242,450	(360,089,232)	380,153,218	713,664,621	(338,477,923)	375,186,698
Furniture and fixtures	3,771,038	(2,365,919)	1,405,119	3,870,241	(1,845,240)	2,025,001
Office equipment	4,370,160	(2,409,040)	1,961,120	3,777,141	(1,842,590)	1,934,551
Motor vehicles	4,875,302	(951,562)	3,923,740	3,521,173	(872,937)	2,648,236
Emergency equipment	100,923	(66,054)	34,869	98,728	(52,929)	45,799
Plant and machinery	227,244	(129,613)	97,631	138,517	(57,934)	80,583
Leased assets - Office equipment	5,454,967	(4,055,949)	1,399,018	5,542,724	(3,104,873)	2,437,851
Leased assets - Motor vehicles	1,536,712	(1,246,819)	289,893	1,448,954	(822,607)	626,347
Other assets	204,060	(111,707)	92,353	212,270	(90,682)	121,588
Work in progress	41,243,540	-	41,243,540	43,943,211	-	43,943,211
<b>Total</b>	<b>869,240,113</b>	<b>(387,722,491)</b>	<b>481,517,622</b>	<b>838,026,194</b>	<b>(362,447,024)</b>	<b>475,579,170</b>



# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	19,020,004	-	-	-	-	-	19,020,004
Buildings	27,509,301	5,405,104	-	-	(1,017,287)	-	31,897,118
Infrastructure	375,186,698	27,814,615	(272,936)	-	(22,228,905)	(346,253)	380,153,219
Furniture and fixtures	2,031,309	22,608	(51,473)	-	(578,318)	(19,006)	1,405,120
Office equipment	1,934,551	858,444	(85,137)	-	(667,939)	(78,799)	1,961,120
Motor vehicles	2,623,996	1,471,882	(33,987)	-	(138,150)	-	3,923,741
Emergency Equipment	47,045	-	-	-	(11,359)	(817)	34,869
Plant and machinery	104,825	22,280	(763)	-	(27,834)	(877)	97,631
Leased assets - Office equipment	2,386,719	-	-	-	(987,701)	-	1,399,018
Leased assets - Motor vehicles	677,479	-	-	-	(387,586)	-	289,893
Other assets	112,498	12,622	(1,191)	-	(28,380)	(3,196)	92,353
Work in progress	43,943,211	30,476,048	-	(33,175,719)	-	-	41,243,540
	<b>475,577,636</b>	<b>66,083,603</b>	<b>(445,487)</b>	<b>(33,175,719)</b>	<b>(26,073,459)</b>	<b>(448,948)</b>	<b>481,517,626</b>

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Completed work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	19,020,004	-	-	-	-	-	-	19,020,004
Buildings	29,858,540	102,000	865,661	-	-	(954,500)	(2,362,400)	27,509,301
Infrastructure	385,416,179	-	32,519,880	-	(20,910,266)	(21,839,095)	-	375,186,698
Furniture and fixtures	2,302,766	248,214	-	(28,209)	124,634	(568,195)	(47,901)	2,031,309
Office equipment	2,148,905	663,447	-	(54,698)	(84,326)	(695,620)	(43,157)	1,934,551
Motor vehicles	1,458,578	1,831,862	-	(25,577)	4,355	(168,120)	(477,102)	2,623,996
Emergency Equipment	67,995	-	-	(853)	1,246	(14,908)	(6,435)	47,045
Plant and machinery	131,369	3,289	-	(28,692)	28,160	(28,330)	(971)	104,825
Leased assets - Office equipment	173,854	4,658,967	-	-	(51,132)	(2,394,970)	-	2,386,719
Leased assets - Motor vehicles	1,339,168	-	-	-	51,132	(389,496)	(323,325)	677,479
Other assets	1,013,267	62,705	-	(934,588)	(3,206)	(24,206)	(1,474)	112,498
Work in progress	38,541,250	37,678,050	(33,385,541)	-	1,109,452	-	-	43,943,211
	<b>481,471,875</b>	<b>45,248,534</b>	<b>-</b>	<b>(1,072,617)</b>	<b>(19,729,951)</b>	<b>(27,077,440)</b>	<b>(3,262,765)</b>	<b>475,577,636</b>

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>10. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease (Net carrying amount)</b>		
Office equipment	1,318,762	2,437,851
Motor vehicles	363,145	626,347
	<u>1,681,907</u>	<u>3,064,198</u>
<p>The municipality did not pledge any of its assets, other than assets under finance leases as security. No restrictions apply to any of the property, plant and equipment of the municipality, other than assets under finance leases.</p> <p>At 30 June 2016, asset with a value of R 448 948 was considered to be impaired (2015: R 3 262 765).</p>		
<b>11. Borrowings</b>		
<b>At amortised cost</b>		
DWA Loan	-	1,704,800
<p>The municipality received loans from the Department of Water Affairs (DWA) to fund infrastructure expenditure. The DWA Loan was settled during 2015/16 financial year.</p>		
<b>Current liabilities</b>		
At amortised cost	-	1,704,800
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,553,329	1,721,937
- in second to fifth year inclusive	405,371	1,958,700
	<u>1,958,700</u>	<u>3,680,637</u>
less: future finance charges	(125,622)	(380,901)
<b>Present value of minimum lease payments</b>	<u>1,833,078</u>	<u>3,299,736</u>
<b>Present value of minimum lease payments due</b>		
- within one year	1,436,421	2,256,150
- in second to fifth year inclusive	396,657	1,043,586
	<u>1,833,078</u>	<u>3,299,736</u>
Non-current liabilities	1,436,421	1,043,586
Current liabilities	396,657	2,256,150
	<u>1,833,078</u>	<u>3,299,736</u>

It is municipality policy to lease certain motor vehicles and office equipment under finance leases.

The average lease term was 3 years. The borrowing rate on motor vehicles was between 15% and 18% (2015: 15% and 18%) while the borrowing rate on office equipment was 14.4% (2015: 14.4%)

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

\* See Note 42

# Sundays River Valley Municipality

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>13. Payables from exchange transactions</b>		
Trade payables	19,778,275	27,618,446
Other payables	664,275	-
Accrued leave pay	2,894,667	3,215,888
Accrued thirteenth cheque	1,077,009	958,547
Other payroll accruals	2,063,798	1,492,563
Motor registration control	1,040,997	717,174
Unknown Deposit	497,871	392,833
Other Creditors	1,968,633	1,199,696
	<b>29,985,525</b>	<b>35,595,147</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Accrued bonus relates to the thirteenth cheque payable annually by the municipality. The accrual is an estimate of the amount due at the reporting date.

### 14. VAT payable

Tax payables	9,973,608	7,772,556
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No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

### 15. Consumer deposits

Electricity	184,254	180,870
Water	100,408	100,408
	<b>284,662</b>	<b>281,278</b>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

\* See Note 42

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
EPWP Grant	-	584,690
Financial Management Grant	9,687	158,172
MIG Grant	-	5,930,770
MSIG Grant	1,521	128,904
Small Town Revitalisation Grant	54,029	351,239
DPW Roads	3,000,000	-
	<b><u>3,065,237</u></b>	<b><u>7,153,775</u></b>
<b>Movement during the year</b>		
Balance at the beginning of the year	7,153,775	380,498
Additions during the year	27,668,000	87,220,961
Income recognition during the year	(31,756,538)	(80,447,684)
	<b><u>3,065,237</u></b>	<b><u>7,153,775</u></b>

The unspent conditional grants and receipts are invested in investment accounts until utilised.

## 17. Provisions

### Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	10,987,442	1,062,485	12,049,927

### Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	32,686,910	968,802	(22,668,270)	10,987,442

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2016 by a technical specialist, D B Grobler, using the the average cost of borrowing interest rate. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives.

	Proposed Rehabilita tion Dates	Rehabilit ation Co st
Kirkwod Landfill Site	2034/2035	2,034
Paterson Landfill site	2049/2050	2,049
Sunland Landfill Site	2026/2027	2,026

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>18. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The defined benefit plan consists of the post retirement medical aid benefit plan and long service bonuses.		
<b>Long-service awards</b>		
A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.		
The long service bonus plans are defined benefit plans. As at 30 June 2016, 173 (2015: 175) employees were eligible for Long-service Awards.		
The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2016 arising out of the long-service leave awarded to qualifying in-service employees.		
<b>Carrying value</b>		
Opening Accrued Liability	2,068,096	1,798,048
Service Cost	223,993	209,520
Interest Cost	153,215	136,067
Actuarial (Gain) / Loss	55,669	76,545
Expected Benefit Vestings	(244,181)	(152,084)
	<b>2,256,792</b>	<b>2,068,096</b>
Non-current liabilities	1973259	1823915
Current liabilities	283,533	244,181
<b>Key assumption used</b>		
Discount rate	8.41%	7.86%
General salary inflation	7.07%	7.00%
Net discount rate	1.24%	0.81%
Average retirement age	63	63
<b>Other assumptions</b>		
Normal retirement age	63 years	63 years
Number of trading days per year	250	250

\* See Note 42

# Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>18. Employee benefit obligations (continued)</b>		
<b>Post retirement medical aid plan</b>		
The Municipality operates five accredited medical aid schemes, namely:		
Bonitas		
Key health		
Hosmed		
LA Health		
Samwu		
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.		
At 30 June 2016, 4 (2015: 4) employees were eligible for post retirement medical aid plan.		
The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2016 arising out of the post retirement medical aid plan awarded to qualifying in-service employees.		
<b>Carrying value</b>		
Present value of the defined benefit obligation	1,421,389	1,584,945
Interest cost	109,439	120,124
Net actuarial (gains) / losses	60,060	(109,788)
Expected benefits	(154,560)	(173,892)
	<b><u>1,436,328</u></b>	<b><u>1,421,389</u></b>
Non-current liabilities	1,270,152	1,266,829
Current liabilities	166,176	154,560
	<b><u>1,436,328</u></b>	<b><u>1,421,389</u></b>
<b>Membership data</b>		
Female members	3	3
Male members	1	1
<b>Assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	8.46 %	8.13 %
Health care cost inflation rate	7.64 %	7.47 %
Net discount rate	0.76 %	0.62 %
<b>Sensitivity</b>		
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:		

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015			
	R	R			
<b>18. Employee benefit obligations (continued)</b>					
	<b>1% point increase</b>	<b>1% point decrease</b>			
Effect on the service and interest cost - Long service awards	377,200	345,600			
Effect on long-service awards obligation	2,379,000	2,184,000			
Effect on the interest cost - Post retirement medical aid	109,400	128,900			
Effect on post retirement medical aid obligation	1,535,000	1,524,000			
Amounts for the current and previous four years are as follows:					
	2016	2015	2014	2013	2012
	R	R	R	R	R
Post Retirement Medical Aid Obligation	1,436,000	1,421,000	1,585,000	1,570,000	1,567,000
Long Service Award Obligation	2,256,792	2,068,096	1,798,048	2,042,000	1,743,000
<b>19. Service charges</b>					
Sale of electricity		19,434,679		19,266,826	
Sale of water		10,220,289		27,564,249	
Sewerage and sanitation charges		3,233,651		4,337,038	
Refuse removal		6,114,230		7,687,776	
		<b>39,002,849</b>		<b>58,855,889</b>	
<b>20. Rental of facilities and equipment</b>					
<b>Premises</b>					
Premises		-		91,377	
Venue hire		22,730		26,707	
		<b>22,730</b>		<b>118,084</b>	
<b>Facilities and equipment</b>					
Rental of facilities		-		18,117	
Premises		22,730		118,084	
Garages and parking		-		-	
Facilities and equipment		-		18,117	
		<b>22,730</b>		<b>136,201</b>	
Rental revenue earned on Facilities and Equipment is in respect of non-financial assets rented out.					
<b>21. Other income</b>					
Rates Clearance Certificates		3,895		-	
Cemetery fees		43,721		41,125	
Connection fees : electricity		2,410		-	
Prepaid Metre Boxes		63,060		-	
Donations received		-		10,000	
Photocopies, and certificates		7,993		31,113	
Recoveries (Private calls)		-		212,262	
Other miscellaneous income		179,877		172,935	
Building Plans		41,250		-	
Valuation certificates		2,521		-	
		<b>344,727</b>		<b>467,435</b>	

\* See Note 42



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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>22. Property rates</b>		
<b>Rates received</b>		
Property rates	<u>39,261,543</u>	<u>28,829,853</u>
<b>Valuations</b>		
Residential	893,132,070	882,890,770
Commercial	235,305,600	208,196,100
State	293,999,182	293,677,082
Exempt	106,271,320	104,919,520
Small holdings and farms	5,212,658,837	5,142,418,644
Public Service Infrastructure	33,064,148	28,572,838
	<u><b>6,774,431,157</b></u>	<u><b>6,660,674,954</b></u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

## 23. Government grants and subsidies

### Operating grants

Equitable share	54,769,000	46,351,000
Libraries	1,157,000	1,157,000
EPWP Incentive - Technical	1,584,690	415,310
MIG	30,793,770	5,554,103
MIG - Sportsfield	-	1,055,998
MIG - Roads	-	17,654,098
MIG - Sewer reticulation	-	3,426,258
LGSETA Human Resources	89,419	48,951
Fire and disaster management	375,000	375,000
MSIG	928,479	1,297,600
Cacadu Environmental Services	1,226,155	1,143,233
Finance Management	2,023,485	1,445,178
Small Town Revitalisation	297,210	-
National Electricity Programme	1,500,000	-
Department of Human Settlements	293,000	-
	<u><b>95,037,208</b></u>	<u><b>79,923,729</b></u>
	95,037,208	79,923,729
	-	-

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All indigent households receive 6 kl water and 50 kWh electricity (indigents only) free every month. An amount of R412 000 was withheld due to the MSIG grant rollover not being approved for 2014/15 financial year.

All registered indigents receive a monthly subsidy of R 384 (2015: R 278), which is funded from the grant.

\* See Note 42

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	2016	2015
	R	R
<b>23. Government grants and subsidies (continued)</b>		
<b>EPWP Grant</b>		
Balance unspent at beginning of year	584,690	3,519
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,584,690)	(418,829)
	<u>-</u>	<u>584,690</u>
<p>The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.</p>		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	158,172	-
Current-year receipts	1,875,000	1,800,000
Conditions met - transferred to revenue	(2,023,499)	(1,641,828)
	<u>9,687</u>	<u>158,172</u>
<p>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.</p>		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	128,904	208,504
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(1,057,389)	(1,013,600)
	<u>1,515</u>	<u>128,904</u>
<p>The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. The roll over for Municipal Systems Improvement Grant for an amount of R412 000 being R129 000 (2015) and R283 000 (2014) was deducted in the 2015/16 equitable share grant.</p>		
<b>MIG Grant</b>		
Balance unspent at beginning of year	5,930,770	486,240
Current-year receipts	24,863,000	34,146,999
Conditions met - transferred to revenue	(30,793,770)	(28,702,469)
	<u>-</u>	<u>5,930,770</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>23. Government grants and subsidies (continued)</b>		
<b>Small Town Revitalisation Grant</b>		
Balance unspent at beginning of year	351,239	409,660
Conditions met - transferred to revenue	(297,210)	(58,421)
	<u>54,029</u>	<u>351,239</u>
<p>The Small Town Revitalisation Grant is allocated to municipalities to facilitate the development of strategies designed to enhance development and ensure improved economic performance, as well as poverty reduction within small towns.</p>		
<b>Integrated National Electrification Programme Grant</b>		
Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,500,000)	-
	<u>-</u>	<u>-</u>
<p>The Integrated National Electrification Programme Grant is allocated to assist to municipalities in addressing the electrification backlogs of occupied residential dwellings and installation of bulk infrastructure.</p>		
<b>DPW Roads</b>		
Current-year receipts	3,000,000	-
	<u>3,000,000</u>	<u>-</u>
<p>Conditions still to be met - remain liabilities.</p>		
<p>The DPW Roads grant is allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. This funding was recieved late in the financial year and committed for Valencia roads and stormwater projects.</p>		
<b>Other grants</b>		
Equitable Share	54,769,084	46,351,000
Libraries	1,157,000	1,157,000
Fire	375,000	375,000
Human Settlement	293,000	-
LGSETA	89,419	48,951
Environmental Services	1,226,155	1,143,233
Conditions met- transferred to revenue	(57,909,658)	(49,075,184)
	<u>-</u>	<u>-</u>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>24. Employee related costs</b>		
Basic	33,693,141	29,325,370
Bonus	2,046,716	1,661,820
Medical aid - company contributions	1,960,576	1,651,971
UIF	306,641	258,421
SDL	403,950	650,437
Leave pay provision	-	691,467
Pension contributions	4,559,562	3,670,034
Overtime payments	2,823,499	1,879,517
Travel, motor car, accommodation, subsistence and other allowances	1,744,126	1,327,585
Industrial Council Levies	17,349	15,231
	<b>47,555,560</b>	<b>41,131,853</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1,022,634	993,869
Contributions to UIF, Medical and Pension Funds	13,665	12,970
Travel, motor car, accomodation, and other allowances	193,754	152,367
	<b>1,230,053</b>	<b>1,159,206</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	809,909	790,000
Contributions to UIF, Medical and Pension Funds	10,233	9,771
Travel, motor car, accomodation, and other allowances	26,273	530
	<b>846,415</b>	<b>800,301</b>
<b>Remuneration of director: Corporate Services</b>		
Annual Remuneration	490,417	563,862
Contributions to UIF, Medical and Pension Funds	9,433	9,064
Travel, motor car, accomodation, and other allowances	302,339	192,951
	<b>802,189</b>	<b>765,877</b>
<b>Remuneration of director: Technical Services</b>		
Annual Remuneration	754,417	735,862
Contributions to UIF, Medical and Pension Funds	9,665	9,231
Travel, motor car, accomodation, and other allowances	33,231	668
	<b>797,313</b>	<b>745,761</b>
<b>Remuneration of director: Community Services</b>		
Annual Remuneration	579,719	562,254
Contributions to UIF, Medical and Pension Funds	8,947	132,095
Travel, motor car, accomodation, and other allowances	164,639	8,535
	<b>753,305</b>	<b>702,884</b>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>25. Remuneration of councillors</b>		
Mayor	836,498	601,327
Speaker	644,542	568,184
Committee Members	1,816,318	1,717,997
Councillors	2,812,906	2,481,124
	<b><u>6,110,264</u></b>	<b><u>5,368,632</u></b>
<b>In-kind benefits</b>		
<p>The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>Remuneration of councillors includes the total earnings for the annum plus the company contributions for the 2016 financial year.</p>		
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	26,073,459	27,077,440
Intangible assets	165,174	336,494
	<b><u>26,238,633</u></b>	<b><u>27,413,934</u></b>
<b>27. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	448,947	3,181,650
<p>During September 2014 there was fire at the municipality resulting in certain assets being damaged. These assets were impaired during the year.</p>		
Intangible assets	-	25,714
<p>During September 2014 there was fire at the municipality resulting in certain assets being damaged. These assets were impaired during the year</p>		
Trade and other receivables	7,206,947	44,469,049
<p>Trade and other receivables have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful till date.</p>		
	<b><u>7,655,894</u></b>	<b><u>47,676,413</u></b>
	7,655,894	47,676,413
	<u>-</u>	<u>-</u>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>28. Finance costs</b>		
Interest - Other	205,505	1,128,457
Finance leases	255,277	285,384
Discounting landfill site provision	1,062,486	-
Interest expense on post retirement medical aid plan and long-service awards provision	203,635	968,802
	<b>1,726,903</b>	<b>2,382,643</b>
<b>29. Repairs and maintenance</b>		
Building and structures	630,182	398,296
Office equipment	70,737	26,824
Infrastructure	3,522,089	1,302,825
Vehicles	118,096	256,258
Tools and accessories	39,117	29,617
	<b>4,380,221</b>	<b>2,013,820</b>
<b>30. Bulk purchases</b>		
Electricity	17,346,357	14,363,482
Water	2,675,818	7,327,858
	<b>20,022,175</b>	<b>21,691,340</b>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>31. General expenses</b>		
Advertising	136,310	143,299
Auditors remuneration	2,540,150	3,533,653
Bank charges	67,283	120,839
Cleaning	45,375	20,560
Commission paid	330,799	362,157
Consulting and professional fees	3,944,765	9,932,585
Electricity	2,694,667	2,197,011
Entertainment	75,290	81,196
Fleet rental	1,579,387	1,154,276
Fuel and oil	1,041,001	902,517
Legal fees	609,394	852,338
IT Expenses	430,209	7,426
Insurance	1,227,285	1,117,791
Consumables	61,578	58,673
Membership fees	-	45,328
Motor vehicle expenses - Licences	45,407	7,918
Other expenditure	3,551,186	2,420,169
Postage and courier	1,380,255	1,777,290
Printing and stationery	1,020,559	898,685
Project costs: Grant expenditure	354,174	1,762,930
Protective clothing	332,615	169,261
SALGA fees	500,000	500,000
Security costs (Guarding of municipal property)	480,303	551,682
Staff welfare	35,215	125,940
Subsidies and rebates	15,816,425	9,539,995
Training	952,871	19,988
Travel and subsistence	914,293	1,293,971
Water carting	1,061,000	-
Water treatment costs	1,241,537	2,099,760
	<b>42,469,333</b>	<b>41,697,238</b>
<b>32. Cash generated from operations</b>		
Surplus	22,376,947	21,942,157
<b>Adjustments for:</b>		
Depreciation and amortisation	26,238,635	26,092,241
Loss on disposal of assets	445,488	471,004
Impairment	448,948	3,207,364
Movement in employee benefit obligation	203,635	106,492
Movement in provisions	1,062,485	968,802
<b>Changes in working capital:</b>		
Inventories	(2,978)	(211,703)
Trade and other receivables from exchange transactions	(21,216,974)	(10,070,033)
Trade and other receivables from non-exchange transactions	614,680	(3,443,206)
Payables from exchange transactions	(2,315,227)	19,145,654
VAT	-	2,218,431
Unspent conditional grants and receipts	(4,088,544)	7,033,208
Consumer deposits	3,384	11,298
	<b>23,770,479</b>	<b>67,471,709</b>

\* See Note 42

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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>33. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	<u>15,548,763</u>	<u>27,431,765</u>
<b>Total capital commitments</b>		
Already contracted for but not provided for	<u>15,548,763</u>	<u>27,431,765</u>
<b>Authorised operating commitments</b>		
<b>Already contracted for but not provided for</b>		
• Total operating commitments	<u>6,623,004</u>	<u>4,352,222</u>
<b>Total operational commitments</b>		
Already contracted for but not provided for	<u>6,623,004</u>	<u>4,352,222</u>

This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year

361,906

216,692

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 12 months. No contingent rent is payable.

### 34. Contingencies

The municipality is exposed to the following court cases:

Sundays River Valley Municipality vs Dagbreek Spar - Dagbreek Spar is contesting the balance due for services provided. The matter is currently still in process of being finalised with NERSA. The municipality have a possible exposure of R1 200 000

Sundays River Valley Municipality vs KD Oosthuizen - The case was escalated to the Labour Court. The municipality have a possible exposure of R250 000

Sundays River Valley Municipality vs Mandlethu Civils - The contract for services provided by Mandlethu Civils was terminated prior to services completed. Mandlethu Civils initiated legal action against the municipality for alleged unfair termination of the contract. The municipality have a possible exposure of R 4 500 000.

Sundays River Valley Municipality vs M Stemmers - Insurance claim against the municipality for an amount of R28 000.

Sundays River Valley Municipality vs MS Mpondo - Arbitration process underway. No estimate could be provided

Sundays River Valley Municipality vs S Mfama - Eviction- No estimate could be provided

\* See Note 42



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## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>35. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2016</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	22,459,562	22,459,562
Receivables from non-exchange transactions	21,188,648	21,188,648
Cash and cash equivalents	7,870,183	7,870,183
	<b>51,518,393</b>	<b>51,518,393</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Finance lease obligation	1,833,078	1,833,078
Trade and other payables from exchange transactions	29,985,526	29,985,526
Taxes and transfers payable (non-exchange)	13,038,845	13,038,845
Consumer deposits	284,662	284,662
	<b>45,142,111</b>	<b>45,142,111</b>
<b>2015</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	18,433,882	18,433,882
Other receivables from non-exchange transactions	5,705,365	5,705,365
Cash and cash equivalents	20,363,144	20,363,144
	<b>44,502,391</b>	<b>44,502,391</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Loans from economic entities	1,704,800	1,704,800
Trade and other payables from exchange transactions	35,595,147	35,595,147
Taxes and transfers payable (non-exchange)	14,926,331	14,926,331
Finance Lease	3,299,736	3,299,736
Consumer Deposits	281,278	281,278
	<b>55,807,292</b>	<b>55,807,292</b>

## 36. Risk management

### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

\* See Note 42

# Sundays River Valley Municipality

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## Notes to the Annual Financial Statements

	2016	2015
	R	R

### 36. Risk management (continued)

#### 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.

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk:

	2016	2015
Financial instrument		
Cash and cash equivalents	7,870,183	20,363,144
Receivables from exchange transactions	22,459,562	18,433,882

#### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 37. Unauthorised expenditure

Prior year unauthorised expenditure awaiting authorisation brought forward	36,394,077	24,046,218
Overspending discovered in the current year	6,374,305	12,347,859
	<b>42,768,382</b>	<b>36,394,077</b>

Unauthorised expenditure is in the process of condonement by council.

### 38. Irregular expenditure

Opening balance	151,413,534	-
Relating to current year	28,456,213	151,413,534
	<b>179,869,747</b>	<b>151,413,534</b>

Irregular expenditure is in the process of condonement by council.

\* See Note 42

# Sundays River Valley Municipality

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	2016	2015
	R	R
<b>39. Fruitless and wasteful expenditure</b>		
Opening balance	768,746	-
Fruitless and wasteful expenditure	746,377	768,746
	<u>1,515,123</u>	<u>768,746</u>

### 40. Related parties

Relationships  
Accounting Officer

Members of key management

Refer to accounting officer's report note  
N Ponco - Chief Financial Officer  
T Machelesi - Director Corporate Services  
H Skhweza - Director Community Services  
P Mbulawa - Director Technical Services

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers / residents.

#### Section 57 managers

Refer to note 24 for remuneration paid to section 57 managers. No remuneration was paid to family of Section 57 Managers.

#### Members of Council

The Councillors of the Municipality are as follows:

N G Bixa (Speaker)  
Z Lose(Mayor)  
M W Kebe (Portfolio Head - Finance)  
S J Delpont (Portfolio Head - Community Services)  
P R Blou (Portfolio Head - Engineering)  
L Z Lose (Portfolio Head - IDP)

F Adams  
B A M Finnis  
T R Grootboom  
H E Jagers  
J Stefana  
J Manene  
Z Qusheka  
S H Rune  
K Smith  
B C Snoek  
I Wagenaar

Refer to note 25 for remuneration paid to councillors. No remuneration was paid to family of members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

\* See Note 42

# Sundays River Valley Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 41. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	450,000
Current year subscription / fee	500,000	500,000
Amount paid - current year	-	(500,000)
Amount paid - previous years	-	(450,000)
<b>Accrual at year end</b>	<b>500,000</b>	<b>-</b>

#### Audit fees

Opening balance	7,368,390	4,714,541
Current year subscription / fee	2,972,688	4,472,072
Amount paid - current year	(2,376,834)	(1,818,223)
Amount paid - previous years	(3,000,000)	-
	<b>4,964,244</b>	<b>7,368,390</b>

#### PAYE and UIF

Opening balance	345,814	452,984
Current year subscription / fee	7,081,020	5,534,941
Amount paid - current year	(6,069,163)	(5,189,127)
Amount paid - previous years	(452,984)	(452,984)
	<b>904,687</b>	<b>345,814</b>

\* See Note 42

# Sundays River Valley Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor B A Finnis	1,176	3,390	4,566
Councillor B Snoek	540	3,119	3,659
Councillor J S Delpport	1,529	3,858	5,387
Councillor E Jagers	685	24,027	24,712
Councillor G N Hawu	216	-	216
Councillor M E Kebe	954	1,488	2,442
Councillor J Manene	916	5,172	6,088
Councillor M Rune	1,321	3,336	4,657
Councillor P R Blou	1,686	10,950	12,636
Councillor I Wagenaar	-	3,025	3,025
	<b>9,023</b>	<b>58,365</b>	<b>67,388</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor J S Delpport	1,629	4,642	6,271
Councillor B Snoek	494	1,005	1,499
Councillor E Jagers	1,241	21,030	22,271
Councillor J Manene	603	2,513	3,116
Councillor P R Blou	1,491	7,040	8,531
Councillor I Wagenaar	169	2,856	3,025
	<b>5,627</b>	<b>39,086</b>	<b>44,713</b>

#### Pension and Medical Aid Deductions

Opening balance	821,690	682,679
Current year subscription / fee	8,996,744	9,011,088
Amount paid - current year	(9,613,452)	(8,189,398)
Amount paid - previous years	(682,679)	(682,679)
	<b>(477,697)</b>	<b>821,690</b>

#### VAT

VAT payable	9,973,608	7,772,556
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Municipality is on the payment basis for VAT and submit monthly returns.

All VAT returns have been submitted by the due date throughout the year.

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Deviation from supply chain management regulations

Paragraph 12(1) 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 written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

#### Incident

Emergency in terms of Sundays River Valley Municipality SCM Policy	4,576,769	1,844,020
Impractical to obtain quotations	460,076	-
Sole provider of goods and services in area	746,849	1,127,782
	<u>5,783,694</u>	<u>2,971,802</u>

### 42. Prior period errors

#### Investment Property

The prior year balance was inclusive of properties that were not owned by the Municipality, the adjustment was therefore made to correct the error.

#### Property, plant and equipment

The measurements for the Municipality's landfill site were incorrect, which resulted in an incorrect figure being included in the infrastructure. New measurements were taken and the figure was adjusted accordingly.

#### Trade receivables

It was noted that there were transaction incorrectly recorded in the debtors accounts. The adjustment in trade receivables was therefore due to corrections made in certain customer accounts.

#### Cash and cash equivalents

The cashbook balance for the main account reflected in the prior year figures was incorrect. Bank reconciliations for this account were performed and the balance was adjusted.

#### Provisions

The provision for landfill site was based on the landfill site values determined on incorrect measurements, new measurements were taken and the provision was adjusted.

#### Trade payables

\* See Note 42

# Sundays River Valley Municipality

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## Notes to the Annual Financial Statements

	2016	2015
	R	R

### 42. Prior period errors (continued)

Certain accruals were not included in the prior year figure. This balance was adjusted to include creditors which were omitted in the prior year.

#### VAT Payable

The adjustments on Value Added Tax were mainly due to adjustments made by SARS on the municipality account which were not effected on the Municipality general ledger.

#### Unspent grants

The balances for the unspent grants reported in the prior year were not reconciling and certain roll over applications were not effected in the genral ledger.

#### Finance lease obligation

The prior year figures were not agreeing to the contract. A recalculation of the finance lease obligation, based on the signed contract, was performed and balance was adjusted accordingly.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Prior year (increase) / decrease in Accumulated Surplus	(624,865)
Increase / (decrease) in Investment Property	(1,399,300)
Increase / (decrease) in Property plant and equipment	(18,266,539)
Increase / (decrease) in Receivables from non-exchange transactions	1,922,038
Increase / (decrease) in Receivables from exchange transactions	(1,864,832)
Increase / (decrease) in Cash and cash equivalents	(148,563)
(Increase) / decrease in Finance lease obligation	(525,639)
(Increase) / decrease in Provision for landfill site	23,346,888
(Increase) / decrease in trade payables	(1,151,697)
(Increase) / decrease in VAT Payable	(1,602,076)
(Increase) / decrease in unspent conditional grants and receipts	314,585
	<u>-</u>

#### Statement of Financial Performance

(Increase) / decrease in service charges	(3,674,842)
(Increase) / decrease in interest received	(248,232)
(Increase) / decrease in income from agency services	(46,913)
(Increase) / decrease in revenue from property rates	59,270
(Increase) / decrease in revenue from government grants and subsidies	10,334,151
(Increase) / decrease in revenue from traffic fines	524,444
(Increase) / decrease in donations	(10,389,559)
Increase / (decrease) in depreciation and amortisation	(2,896,396)
Increase / (decrease) in impairment loss	4,837,874
Increase / (decrease) in finance costs	(466,272)
Increase / (decrease) in lease rentals on operating lease	51,130
Increase / (decrease) in repairs and maintenance	(106,952)
Increase / (decrease) in bulk purchases	200,489
Increase / (decrease) in loss on disposal of assets	(435,397)
Increase / (decrease) in general expenses	2,254,247
Increase / (decrease) in operating surplus/(deficit)	2,958
	<u>-</u>

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>42. Prior period errors (continued)</b>		
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Previously reported		67,049,379
Corrections noted above		422,337
		<u>67,471,716</u>
<b>Cash flow from investing activities</b>		
Previously reported		(43,255,259)
Corrections noted above		(1,211,454)
		<u>(44,466,713)</u>
<b>Cash flow from financing activities</b>		
Previously reported		(3,844,059)
Corrections noted above		789,123
		<u>(3,054,936)</u>
<b>43. Budget differences</b>		
<b>Material differences between budget and actual amounts</b>		

\* See Note 42



# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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	2016	2015
	R	R

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### 43. Budget differences (continued)

#### Statement of Financial Performance:

##### **FinPer1**

Service charges variance due to prudency principle applied during adjustment budget as a result of system re-implementation, therefore billing had not yet been implemented at time of adjustment budget.

##### **FinPer2**

Variance due to interest on debtors not being charged for the entire financial year as a result of system re-implementation

##### **FinPer3**

Budgeted other income includes various revenue items such as, cash sales, insurance income, which have been disclosed separately on the annual financial statements.

##### **FinPer4**

Increases due to implementation of interim valuation.

##### **FinPer5**

Variances attributable to an increase of revenue recognised due to rollovers approved.

##### **FinPer6**

Variances attributable to an increase of revenue recognised due to rollovers approved.

##### **FinPer7**

Unbudgeted funds were received from Department of Energy to assist in electricity service back log engagement.

##### **FinPer8**

Less fines were issued than expected furthermore, revenue was reduced by withdrawn and unequal payments issued by the Court.

##### **FinPer9**

Variance is attributable to additions to assets. Furthermore assets were revalued to address prior year audit findings.

##### **FinPer10**

Variance attributable to correction of debt impairment calculation which excludes government and business outstanding balances.

##### **FinPer11**

Variance due to improved payment patterns and revision of the landfill site as per audit findings.

##### **FinPer12**

Variance is a result of operating leases being budgeted for under general expenditure.

##### **FinPer13**

Variance is as a result of cash constraints.

##### **FinPer14**

Variance is due to additional scope of work with regards to the system re-implementation.

#### Statement of Financial Position:

##### **FinPos1**

Variance due to more inventory issues than anticipated.

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\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
	R	R

### 43. Budget differences (continued)

#### FinPos2

Variance is attributable to suspense accounts not been cleared at year end.

#### FinPos3

Variance is attributable to calculation of impairment which is lower than the budgeted figure.

#### FinPos4

Variance is attributable to a reduction in Call deposits as a result of recognition of grant revenue.

#### FinPos5

Variance is a result of a delay in the tender process for the acquisition of servers and software.

#### FinPos6

Variance is a result of accruals being raised at year end.

#### FinPos7

Variance is a result of DPW Roads grant of R3 million which has been committed but not yet spent at year end.

#### FinPos8

Variance is a result of correction of measurements used in the calculation for landfill sites as per audit finding.

#### Statement of Cash Flows:

#### C1

Variance is a result of additional funding received from Department of Public Works and Human Settlements.

#### C2

Variance due to interest on debtors not being charged for the entire financial year as a result of system re implementation.

#### C3

Variance due to less cash received than anticipated.

#### C4

Variance is a result of improved expenditure management which reduced supplier costs.

#### C5

Variance is a result of repayment of long term borrowing during the current year.

### 44. Distribution losses

#### Electricity losses

Electricity units (kWh) purchased from Eskom

20,027,708

-

Electricity units (kWh) sold to consumers

(18,552,847)

-

1,474,861

-

Electricity losses for the financial year is 7.36%. The Rand value of the electricity losses for the current financial year is R1 474 861

These losses are attributable to electricity line losses within the electricity network infrastructure.

### 45. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 494,578,430 and that the municipality's total assets exceeds its liabilities by R 494,578,430.

\* See Note 42

# Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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	2016	2015
	R	R

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### 45. Going concern (continued)

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and raise and collect revenue for services rendered.

### 46. Comparative figures

Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.

### 47. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date of the financial statements other than those items already mentioned which required disclosure in the annual financial statements.

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\* See Note 42