

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021



Sundays River Valley Municipality
(Registration number EC106)
Trading as Sundays River Valley Municipality
Audited Annual Financial Statements
for the year ended 30 June 2021

OFFICE OF THE MUNICIPAL MANAGER

MR. S.S. FADI
29 MIDDLE STREET
KIRKWOOD, 6120
TEL: 042 230 0701
CELL: 060 980 8798
EMAIL: mm@srvm.gov.za

SUNDAYS RIVER VALLEY MUNICIPALITY

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Audited Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality Municipal demarcation code - EC106 - governed by the MFMA (Act 56 of 2003)
Nature of business and principal activities	The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community
Mayoral committee Executive Mayor Councillors	N Bixa Speaker: SH Rune Executive Committee: N Jack K Smith F Adams Councillors: MW Kebe LE Baka M Bosman A Dancey L Erasmus NG Kausele TH Blowu ZA Tom A Ndawo SC Nodonti MC Payi
Grading of local authority	Grade 3 Local Municipality- In terms of Remuneration of Public Office Bearers Acts, Act 20 of 1998
Chief Finance Officer (CFO)	J Krapohl cfo@srvm.gov.za
Accounting Officers	Sakhekile Fadi mm@srvm.gov.za
Registered office	30 Middle Street Kirkwood 6120
Postal address	P.O. Box 47 Kirkwood 6120
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Pumeza Bono Incorporated

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Audited Annual Financial Statements for the year ended 30 June 2021

General Information

Le Roux Inc Attorneys
Karsans Incorporated
B Mashile 1st Attorneys

Sundays River Valley Municipality

(Registration number EC106)

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Audited Annual Financial Statements for the year ended 30 June 2021

Index

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

	Page
Accounting officer's Responsibilities and Approval	5
Accounting officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	18 - 43
Notes to the Audited Annual Financial Statements	44 - 90

VAT	Value Added Tax
MFMA	Municipal Finance Management Act
EPWP	Expanded Public Works Programme
FMG	Financial Management Act
GRAP	Generally Recognised Accounting Practice
WSIG	Water Service Infrastructure Grant
SARS	South African Revenue Services
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
PAYE	Pay As You Earn
MIG	Municipal Infrastructure Grant
MVR	Motor Vehicle Registration
LSA	Long Service Awards
PEMA	Post Employment Medical Aid

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting officer's Responsibilities and Approval

The Accounting Officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The Accounting Officer acknowledge that they are 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.

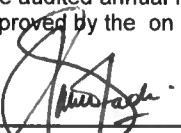
The Accounting Officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, this is supported by the municipality's management team ,external auditors and other oversight governance structures of Council.

The external auditors, being the Auditor General of South Africa, are responsible for independently reviewing and reporting on the municipality's audited annual financial statements. The audited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements were prepared in-house with the intention of building internal capacity and skill. The annual financial statements have been reviewed by Internal Audit and Audit Committee.

The audited annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the on 31 January 2022 and were signed on its behalf by:


Sakhekile Fadi
Accounting Officer

OFFICE OF THE MUNICIPAL MANAGER
MR. S.S. FADI 29 MIDDLE STREET KIRKWOOD, 6120 TEL: 042 230 7701 CELL: 060 980 8798 EMAIL: mm@srvvm.gov.za
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Audited Annual Financial Statements for the year ended 30 June 2021

Accounting officer's Report

The Accounting Officer submits the report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa. The municipality is a South African category B.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 45 173 920 (2020: restated surplus R 56 307 555).

2. Going concern

I draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 761 761 719 and that the municipality's total assets exceed its liabilities by R 761 761 719.

The audited 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.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The audited annual financial statements prepared in accordance with prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Auditors

Auditor General South Africa will continue in office for the next financial period.

The audited annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the on 31 January 2022 and were signed on its behalf by:


S.S. Fadi
Accounting Officer
THE MUNICIPAL MANAGER
MR. S.S. FADI
29 MIDDLE STREET
KIRKWOOD, 6120
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SUNDAYS RIVER VALLEY MUNICIPALITY

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Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	197 512	220 333
Receivables from exchange transactions	9&11	36 243 218	33 396 745
Receivables from non-exchange transactions	10&11	28 331 028	8 946 237
Cash and cash equivalents	12	6 731 030	2 436 947
		71 502 788	45 000 262
Non-Current Assets			
Investment property	3	108 538 200	110 298 200
Property, plant and equipment	4	693 993 922	684 459 344
Intangible assets	5	2 614 996	4 664 880
Heritage assets	6	322 483	322 483
		805 469 601	799 744 907
Total Assets		876 972 389	844 745 169
Liabilities			
Current Liabilities			
Finance lease obligation	13	44 766	695 854
Payables from exchange transactions	17	55 435 424	70 646 163
VAT payable	18	5 420 805	3 204 149
Consumer deposits	19	77 576	74 923
Employee benefit obligation	7	891 000	622 000
Unspent conditional grants and receipts	14	211 725	3 751 506
Borrowings	16	-	3 480 629
		62 081 296	82 475 224
Non-Current Liabilities			
Finance lease obligation	13	-	45 939
Employee benefit obligation	7	5 016 000	4 910 000
Provisions	15	48 113 374	40 726 202
		53 129 374	45 682 141
Total Liabilities		115 210 670	128 157 365
Net Assets		761 761 719	716 587 804
Accumulated surplus		761 761 719	716 587 804
Total Net Assets		761 761 719	716 587 804

* See Note 51 & 50

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	46 154 673	44 073 302
Rental of facilities and equipment	22	2 990	24 642
Interest earned - outstanding debtors		2 655 785	2 259 986
Agency services	24	2 934 161	2 528 417
Licences and permits	25	1 272 582	1 281 078
Other income	29	1 522 514	702 657
Interest earned - external investment		341 913	355 179
Total revenue from exchange transactions		54 884 618	51 225 261
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	66 133 470	39 076 964
Licences and permits	26	6 688	20 741
Interest earned - Property Rates	28	1 925 014	1 052 080
Transfer revenue			
Government grants & subsidies	31	154 523 545	150 801 458
Public contributions and donations	32	5 636 235	-
Fines, Penalties and Forfeits	23	2 695 602	2 068 590
Total revenue from non-exchange transactions		230 920 554	193 019 833
Total revenue	20	285 805 172	244 245 094
Expenditure			
Employee related costs	33	(84 137 700)	(78 739 172)
Remuneration of councillors	34	(7 297 772)	(7 182 198)
Depreciation and amortisation	35	(28 420 184)	(29 518 721)
Finance costs	37	(5 094 238)	(6 065 519)
Lease rentals	27	(399 812)	(1 010 405)
Debt Impairment	38	(26 307 572)	(38 117 433)
Bulk purchases	39	(28 565 989)	(28 107 727)
Contracted services	40	(22 393 660)	(27 851 147)
General Expenses	41	(28 457 352)	(28 341 052)
Total expenditure		(231 074 279)	(244 933 374)
Operating surplus (deficit)		54 730 893	(688 280)
Fair value adjustments	42	(1 760 000)	77 140 300
Impairment loss	36	(1 997 466)	(18 524 853)
Inventories gains		6 470	718
Gain on non-current assets disposal		-	148 160
Loss from disposal of assets		(5 805 977)	(1 768 490)
		(9 556 973)	56 995 835
Surplus for the year		45 173 920	56 307 555

* See Note 51 & 50

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	673 524 889	673 524 889
Adjustments		
Correction of errors	(13 244 640)	(13 244 640)
Balance at 01 July 2019 as restated*	660 280 249	660 280 249
Changes in net assets		
Surplus for the year	56 307 555	56 307 555
Total changes	56 307 555	56 307 555
Restated* Balance at 01 July 2020	716 587 799	716 587 799
Changes in net assets		
Surplus for the year	45 173 920	45 173 920
Total changes	45 173 920	45 173 920
Balance at 30 June 2021	761 761 719	761 761 719
Note(s)		

* See Note 51 & 50

Sundays River Valley Municipality

(Registration number EC106)

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Audited Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		71 025 708	65 093 635
Grants		150 772 039	150 433 389
Interest income		341 913	355 179
Other receipts		5 738 935	4 558 253
		<u>227 878 595</u>	<u>220 440 456</u>
Payments			
Employee costs		(91 435 472)	(85 921 370)
Suppliers		(90 688 736)	(65 695 316)
Finance costs		(1 683 837)	(2 464 525)
		<u>(183 808 045)</u>	<u>(154 081 211)</u>
Net cash flows from operating activities	44	<u>44 070 550</u>	<u>66 359 245</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(39 079 440)	(62 250 058)
Purchase of other intangible assets	5	-	(1 725 332)
Proceeds from sale of assets		-	148 160
		<u>(39 079 440)</u>	<u>(63 827 230)</u>
Cash flows from financing activities			
Finance lease payments		(697 027)	(721 231)
		<u>(697 027)</u>	<u>(721 231)</u>
Net increase/(decrease) in cash and cash equivalents		4 294 083	1 810 784
Cash and cash equivalents at the beginning of the year		2 436 947	626 163
Cash and cash equivalents at the end of the year	12	<u>6 731 030</u>	<u>2 436 947</u>

* See Note 51 & 50

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	62 473 686	(14 062 247)	48 411 439	46 154 673	(2 256 766)	
Rental of facilities and equipment	60 830	(54 381)	6 449	2 990	(3 459)	58.1
Interest earned - Service charges	4 271 491	-	4 271 491	2 655 785	(1 615 706)	
Agency services	3 145 533	-	3 145 533	2 934 161	(211 372)	
Licences and permits	1 915 025	(500 000)	1 415 025	1 272 582	(142 443)	
Other income	741 969	(154 828)	587 141	1 522 514	935 373	58.2
Interest earned - external investment	413 396	-	413 396	341 913	(71 483)	58.3
Total revenue from exchange transactions	73 021 930	(14 771 456)	58 250 474	54 884 618	(3 365 856)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 269 097	5 230 903	51 500 000	66 133 470	14 633 470	58.4
Licences and Permits (Non-exchange)	-	-	-	6 688	6 688	
Interest earned - Property rates	-	-	-	1 925 014	1 925 014	
Transfer revenue						
Government grants & subsidies	139 996 370	20 197 000	160 193 370	154 523 545	(5 669 825)	58.5
Public contributions and donations	-	548 000	548 000	5 636 235	5 088 235	58.6
Fines, Penalties and Forfeits	7 665 326	(5 294 626)	2 370 700	2 695 602	324 902	58.7
Total revenue from non-exchange transactions	193 930 793	20 681 277	214 612 070	230 920 554	16 308 484	
Total revenue	266 952 723	5 909 821	272 862 544	285 805 172	12 942 628	
Expenditure						
Personnel	(85 492 509)	-	(85 492 509)	(84 137 700)	1 354 809	
Remuneration of councillors	(7 906 393)	-	(7 906 393)	(7 297 772)	608 621	
Depreciation and amortisation	(33 554 936)	33 554 936	-	(28 420 184)	(28 420 184)	58.8
Impairment loss/ Reversal of impairments	-	-	-	(1 997 466)	(1 997 466)	58.9
Finance costs	(2 538 826)	(2 107 674)	(4 646 500)	(5 094 238)	(447 738)	58.10
Lease rentals on operating lease	-	-	-	(399 812)	(399 812)	
Debt Impairment	(18 704 657)	(13 066 850)	(31 771 507)	(26 307 572)	5 463 935	58.11
Bulk purchases	(33 442 396)	-	(33 442 396)	(28 565 989)	4 876 407	58.12
Contracted Services	(16 075 566)	(10 154 083)	(26 229 649)	(22 393 660)	3 835 989	58.13
Inventory consumed	(3 993 000)	(2 853 829)	(6 846 829)	-	6 846 829	
Other (taken out of General expenses)	(19 540 614)	(4 136 483)	(23 677 097)	(28 457 352)	(4 780 255)	
Total expenditure	(221 248 897)	1 236 017	(220 012 880)	(233 071 745)	(13 058 865)	

Sundays River Valley Municipality

(Registration number EC106)

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Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus	45 703 826	7 145 838	52 849 664	52 733 427	(116 237)	
Loss on disposal of assets	-	-	-	(5 805 977)	(5 805 977)	58.14
Fair value adjustments	-	-	-	(1 760 000)	(1 760 000)	58.15
Inventories write-downs	-	-	-	6 470	6 470	
	-	-	-	(7 559 507)	(7 559 507)	
Surplus before taxation	45 703 826	7 145 838	52 849 664	45 173 920	(7 675 744)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	45 703 826	7 145 838	52 849 664	45 173 920	(7 675 744)	

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	169 678	-	169 678	197 512	27 834	
Receivables from non-exchange transactions	60 956 207	8 914 597	69 870 804	64 574 246	(5 296 558)	
Cash and cash equivalents	30 621 230	(27 872 577)	2 748 653	6 731 030	3 982 377	
	91 747 115	(18 957 980)	72 789 135	71 502 788	(1 286 347)	
Non-Current Assets						
Investment property	29 250 200	74 808 800	104 059 000	108 538 200	4 479 200	
Property, plant and equipment	737 847 204	34 014 923	771 862 127	693 993 922	(77 868 205)	
Intangible assets	6 276 571	(3 111 691)	3 164 880	2 614 996	(549 884)	
Heritage assets	322 483	-	322 483	322 483	-	
	773 696 458	105 712 032	879 408 490	805 469 601	(73 938 889)	
Total Assets	865 443 573	86 754 052	952 197 625	876 972 389	(75 225 236)	
Liabilities						
Current Liabilities						
Finance lease obligation	1 320 000	(614 061)	705 939	44 766	(661 173)	
Payables from exchange transactions	31 239 526	24 376 309	55 615 835	55 435 424	(180 411)	
VAT payable	-	-	-	5 420 805	5 420 805	
Consumer deposits	56 392	28 531	84 923	77 576	(7 347)	
Employee benefit obligation	532 480	178 915	711 395	891 000	179 605	
Unspent conditional grants and receipts	-	-	-	211 725	211 725	
	33 148 398	23 969 694	57 118 092	62 081 296	4 963 204	
Non-Current Liabilities						
Finance lease obligation	2 252 431	(932 431)	1 320 000	-	(1 320 000)	
Employee benefit obligation	-	-	-	5 016 000	5 016 000	
Provisions	31 124 324	18 127 478	49 251 802	48 113 374	(1 138 428)	
	33 376 755	17 195 047	50 571 802	53 129 374	2 557 572	
Total Liabilities	66 525 153	41 164 741	107 689 894	115 210 670	7 520 776	
Net Assets	798 918 420	45 589 311	844 507 731	761 761 719	(82 746 012)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	798 918 420	45 589 311	844 507 731	761 761 719	(82 746 012)	

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Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash receipts from customers	92 431 366	(24 291 436)	68 139 930	71 025 708	2 885 778	
Grants	139 996 000	14 154 000	154 150 000	150 772 039	(3 377 961)	
Interest income	413 034	-	413 034	341 913	(71 121)	
Other receipts	12 373 746	(6 819 599)	5 554 147	5 738 935	184 788	
	245 214 146	(16 957 035)	228 257 111	227 878 595	(378 516)	

Payments

Employee costs	(93 398 902)	-	(93 398 902)	(91 435 472)	1 963 430	
Suppliers	(73 051 576)	(17 144 396)	(90 195 972)	(90 664 532)	(468 560)	
Finance costs	(2 538 826)	1 408 826	(1 130 000)	(1 683 837)	(553 837)	
	(168 989 304)	(15 735 570)	(184 724 874)	(183 783 841)	941 033	

Net cash flows from operating activities

	76 224 842	(32 692 605)	43 532 237	44 094 754	562 517	
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Cash flows from investing activities

Purchase of property, plant and equipment	(45 940 000)	3 878 341	(42 061 659)	(39 079 440)	2 982 219	
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Cash flows from financing activities

Finance lease payments	(1 320 000)	161 136	(1 158 864)	(721 231)	437 633	
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Net increase/(decrease) in cash and cash equivalents	28 964 842	(28 653 128)	311 714	4 294 083	3 982 369	
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Cash and cash equivalents at the beginning of the year	1 656 379	780 568	2 436 947	2 436 947	-	
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Cash and cash equivalents at the end of the year	30 621 221	(27 872 560)	2 748 661	6 731 030	3 982 369	
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Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	46 269 097	5 230 903	51 500 000	-	-	51 500 000	66 133 470		14 633 470	128 %	143 %
Service charges	62 473 686	(14 062 247)	48 411 439	-	-	48 411 439	46 154 673		(2 256 766)	95 %	74 %
Investment revenue	413 396	-	413 396	-	-	413 396	341 913		(71 483)	83 %	83 %
Transfers recognised - operational	93 267 370	23 393 399	116 660 769	-	-	116 660 769	107 092 259		(9 568 510)	92 %	115 %
Other own revenue	17 800 177	(6 003 835)	11 796 342	-	-	11 796 342	13 021 806		1 225 464	110 %	73 %
Total revenue (excluding capital transfers and contributions)	220 223 726	8 558 220	228 781 946	-	-	228 781 946	232 744 121		3 962 175	102 %	106 %
Employee costs	(85 492 509)	-	(85 492 509)	-	-	(85 492 509)	(84 137 700)		1 354 809	98 %	98 %
Remuneration of councillors	(7 906 393)	-	(7 906 393)	-	-	(7 906 393)	(7 297 772)		608 621	92 %	92 %
Debt impairment	(18 704 657)	(13 066 850)	(31 771 507)	-	-	(31 771 507)	(26 307 572)		5 463 935	83 %	141 %
Depreciation and asset impairment	(33 554 936)	33 554 936	-	-	-	-	(30 417 650)		(30 417 650)	DIV/0 %	91 %
Finance charges	(2 538 826)	(2 107 674)	(4 646 500)	-	-	(4 646 500)	(5 094 238)		(447 738)	110 %	201 %
Materials and bulk purchases	(37 435 396)	(2 853 829)	(40 289 225)	-	-	(40 289 225)	(28 565 989)		11 723 236	71 %	76 %
Gains on losses	(35 616 180)	(14 290 566)	(49 906 746)	-	-	(49 906 746)	(9 563 443)		(9 563 443)	DIV/0 %	DIV/0 %
Other expenditure	(221 248 897)	1 236 017	(220 012 880)	-	-	(220 012 880)	(240 637 722)		(20 624 842)	109 %	109 %
Total expenditure	(1 025 171)	9 794 237	8 769 066	-	-	8 769 066	(7 893 601)		(16 662 667)	(90)%	770 %
Surplus/(Deficit)											

Sundays River Valley Municipality

(Registration number EC106)
Trading as Sundays River Valley Municipality
Audited Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	46 729 000	(3 196 400)	43 532 600	-	-	43 532 600	47 431 286		3 898 686	109 %	102 %
Contributions recognised - capital and contributed assets	-	548 000	548 000	-	-	548 000	5 636 235		5 088 235	1 029 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	45 703 829	7 145 837	52 849 666	-	-	52 849 666	45 173 920		(7 675 746)	85 %	99 %
Surplus/(Deficit) for the year	45 703 829	7 145 837	52 849 666	-	-	52 849 666	45 173 920		(7 675 746)	85 %	99 %
Capital expenditure and funds sources											
Total capital expenditure	45 940 000	(3 878 341)	42 061 659	-	-	42 061 659	39 079 440		(2 982 219)	93 %	85 %
Sources of capital funds											
Transfers recognised - capital	44 915 000	-	44 915 000	-	-	44 915 000	37 966 479		(6 948 521)	85 %	85 %
Internally generated funds	1 025 000	-	1 025 000	-	-	1 025 000	1 112 961		87 961	109 %	109 %
Total sources of capital funds	45 940 000	-	45 940 000	-	-	45 940 000	39 079 440		(6 860 560)	85 %	85 %

Sundays River Valley Municipality

(Registration number EC106)
 Trading as Sundays River Valley Municipality
 Audited Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	76 224 842	(32 692 564)	43 532 278	-	-	43 532 278	44 070 550		538 272	101 %	58 %
Net cash from (used) investing	(45 940 000)	3 878 341	(42 061 659)	-	-	(42 061 659)	(39 079 440)		2 982 219	93 %	85 %
Net cash from (used) financing	(1 320 000)	161 136	(1 158 864)	-	-	(1 158 864)	(697 027)		461 837	60 %	53 %
Net increase/(decrease) in cash and cash equivalents	28 964 842	(28 653 087)	311 755	-	-	311 755	4 294 083		3 982 328	1 377 %	15 %
Cash and cash equivalents at the beginning of the year	1 656 379	780 568	2 436 947	-	-	2 436 947	2 436 947		-	100 %	147 %
Cash and cash equivalents at year end	30 621 221	(27 872 519)	2 748 702	-	-	2 748 702	6 731 030		(3 982 328)	245 %	22 %

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Audited Annual Financial Statements

The audited 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 audited 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5 issued by Accounting Standards Board.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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.

1.3 Comparative figures

Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Items deemed immaterial are also corrected if the value thereof can be material.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Critical judgements, estimates and assumptions

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are set out below.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Revenue recognition

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Estimation of unused Prepaid Metered Services:

- Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers. The reporting date, an accrual is made based on the average monthly consumption of consumers.

Water inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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 tested annual for impairment. If there are indications that impairment may have occurred, estimates are prepared of the carrying value of assets.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the best estimate and are discounted to present value where the effect is material.

Provisions for rehabilitation of landfill site

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:

- a. 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.
- b. 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.
- c. It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

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 Note 7.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Sundays River Valley Municipality

(Registration number EC106)
Trading as Sundays River Valley Municipality
Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships by considering the principles set out in GRAP 109.

The municipality is assessed to be the agent and only accounts for the amounts which the agent is entitled to in terms of the principal-agent arrangement. In order to assess that the municipality is the agent, the following factors were considered in applying its judgement:

- a. The municipality acts as an agent for Department of Transport for issuing licenses and permits and collects monies on their behalf.
- b. The municipality acts as an agent for SARS for tax administration and collects monies on their behalf.

Additional information is disclosed in Note 61.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The calculation in respect of impairment of receivables is based on an assessment of the extent to which the debtors have defaulted on payments already due and an assessment of their ability to make payments based on their creditworthiness. This was performed per service identifiable categories across all classes of debtors. The amount of the loss is recognised in surplus or deficit.

Impairment of receivables

The calculation in respect of impairment of receivables is based on an assessment of the extent to which the debtors have defaulted on payments already due and an assessment of their ability to make payments based on their creditworthiness. This was performed per service identifiable categories across all classes of debtors.

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 relevant Notes to the Annual Financial Statements.

Segment Reporting

The municipality is assessed to have reportable segments as per the requirements of GRAP 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

- For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.
- The municipality is in existence to provide for the following basic services to communities as per Constitution, electricity, water, sanitation and refuse.
- The municipality does not monitor segments geographically and will aggregate activities profit and loss to one town Kirkwood as it has the most significant economy.
- The municipality is assessed to have reportable segments as per the requirements of GRAP 18 for trading services..

1.5 Investment property

Investment property is property (land) 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

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

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

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

Where investment property is acquired 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.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;

Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);

A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and

A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties

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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Gains or losses arise from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the surplus or deficit in the period of retirement or disposal.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- The nature OR type of properties classified as held for strategic purposes are as follows:
- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).
- The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.6 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.

Recognition criteria

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.

Initial measurement

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. The cost also included the cost of dismantling and removing the asset and restoring the site in which it is located.

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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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 measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Work-in-progress

Work-in-progress is stated at historical cost. Depreciation only commences when the asset is ready for use.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount it is written down immediately to its recoverable service amount and impairment loss is charged to the statement of financial performance.

Depreciation

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10- 60 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
IT equipment	Straight-line	4 - 5 years
Infrastructure	Straight-line	3 - 80 years
Community	Straight-line	25 - 30 years
Other property, plant and equipment	Straight-line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting 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.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when it is separable, or when it arises from contractula or legal rights.

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.

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Intangible assets (continued)

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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 -5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural , environmental , historical , natural, scientific , technological or artistic significance and are held indefinitely for the benefit of the benefit of present and future generations. Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

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.

Subsequent measurement

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

Impairment

The municipality assesses 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.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Financial instruments (continued)

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality 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.

Initial measurement of financial assets and financial liabilities

The municipality 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 amortised cost.

All financial instruments are measured at amortised cost, and subject to an impairment review.

Gains and losses

Financial assets and financial liabilities measured at amortised cost or cost. a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment and uncollectibility of financial assets

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Financial instruments (continued)

- Interest is charged on all outstanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

Derecognition

- the rights to the cash flows from the receivable are settled, expire or are waived;

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of and statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

1.11 Value Added Tax

VAT

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

Revenue, expenses, assets are recognised net of the amounts of value added tax. The net amount of VAT recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position.

1.12 Leases

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

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.12 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 - 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.

1.13 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Value Added Tax (continued)

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.15 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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 recognises 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 measures 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 recognises 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

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

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

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal 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 recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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 measures the resulting asset at the lower of:

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

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

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited 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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.17 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.

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.

Provisions are not recognised for future operating surplus (deficit).

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Commitments (continued)

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
- 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.

1.19 Revenue from exchange transactions

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

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

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

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

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

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

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

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest

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

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

Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction. Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

1.20 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

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

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

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.21 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Segment reporting information

A segment is an activity of a municipality:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Electricity services.
- Water services.
- Sanitation services
- Refuse services

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

The municipality regards a related party as a person or entity with the ability to control the municipality either individually or jointly, or the ability to exercise significant influence over the municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Mayor, Speaker, Executive Committee members, Municipal Manager and all other manager reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services rendered to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arms length and not on normal commercial terms, are disclosed.

1.29 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.

1.30 Contingent assets and contingent liabilities

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2019

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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2021	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2021	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2021	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

Sundays River Valley Municipality

(Registration number EC106)
 Trading as Sundays River Valley Municipality
 Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	108 538 200	-	108 538 200	110 298 200	-	110 298 200

Reconciliation of investment property - 2021

Investment property	Opening balance	Fair value adjustments	Total
	110 298 200	(1 760 000)	108 538 200

Reconciliation of investment property - 2020

Investment property	Opening balance	Fair value adjustments	Total
	33 157 900	77 140 300	110 298 200

Fair value of investment properties

(1 760 000) 77 140 300

Pledged as security

No portion of investment properties has been pledged as security for liabilities.

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

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by an independent valuer, Mr DB Grobler, of Ducharme Consulting. Grobler and Ducharme Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

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

Maintenance of investment property

During the year no repairs and maintenance expenditure was incurred on investment property, which comprised solely of land.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	35 630 397	-	35 630 397	36 430 783	-	36 430 783
Buildings	47 065 892	(24 501 868)	22 564 024	52 330 481	(27 957 756)	24 372 725
Plant and machinery	774 445	(464 639)	309 806	783 731	(378 862)	404 869
Furniture and fixtures	6 842 452	(5 204 566)	1 637 886	7 157 539	(5 030 903)	2 126 636
Motor vehicles	8 914 208	(1 881 447)	7 032 761	8 621 424	(1 514 620)	7 106 804
IT equipment	5 024 444	(3 330 782)	1 693 662	4 976 073	(2 851 398)	2 124 675
Infrastructure	875 068 984	(478 345 615)	396 723 369	840 437 393	(479 424 989)	361 012 404
Community	59 623 510	(32 909 559)	26 713 951	62 025 085	(32 442 282)	29 582 803
Work-in-Progress	201 650 935	-	201 650 935	220 821 433	-	220 821 433
Leased office equipment	111 596	(74 465)	37 131	2 378 679	(1 902 467)	476 212
Total	1 240 706 863	(546 712 941)	693 993 922	1 235 962 621	(551 503 277)	684 459 344

Sundays River Valley Municipality

(Registration number EC106)
 Trading as Sundays River Valley Municipality
 Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Re-measurement changes	Depreciation	Impairment loss	Total
Land	36 430 783	-	(800 386)	-	-	-	-	35 630 397
Buildings	24 372 725	-	(48 509)	-	-	(1 684 263)	(75 929)	22 564 024
Machinery and equipment	404 869	15 777	(11 169)	-	-	(99 671)	-	309 806
Furniture and office equipment	2 126 636	33 835	(69 077)	-	-	(436 498)	(17 010)	1 637 886
Transport assets	7 106 804	630 435	(266 565)	-	-	(437 913)	-	7 032 761
Computer equipment	2 124 675	427 069	(130 928)	-	-	(699 782)	(27 372)	1 693 662
Infrastructure	361 012 404	57 575 126	(4 235 535)	-	3 992 643	(20 349 253)	(1 272 016)	396 723 369
Community	29 582 803	203 931	(241 606)	-	-	(2 226 038)	(605 139)	26 713 951
Work-in-Progress	220 821 433	38 608 558	-	(57 779 056)	-	-	-	201 650 935
Leased office equipment	476 212	-	(2 201)	-	-	(436 880)	-	37 131
	684 459 344	97 494 731	(5 805 976)	(57 779 056)	3 992 643	(26 370 298)	(1 997 466)	693 993 922

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	36 430 783	-	-	-	-	-	-	36 430 783
Buildings	18 703 158	8 480 399	-	(314 465)	-	(1 660 608)	(835 759)	24 372 725
Machinery and equipment	500 178	24 435	(9 595)	-	-	(110 149)	-	404 869
Furniture and office equipment	1 863 247	775 748	(43 736)	-	-	(454 979)	(13 644)	2 126 636
Transport assets	6 997 656	586 594	(112 311)	-	-	(365 135)	-	7 106 804
Computer equipment	2 280 326	704 440	(163 311)	-	-	(679 640)	(17 140)	2 124 675
Infrastructure	390 154 104	6 038 763	(1 128 412)	-	-	(21 149 956)	(12 902 095)	361 012 404
Community	35 971 492	752 145	(572)	-	-	(2 390 961)	(4 749 301)	29 582 803
Work-in-Progress	173 886 484	62 029 863	-	-	(15 094 914)	-	-	220 821 433
Leased office equipment	1 296 020	111 596	(454)	-	-	(930 950)	-	476 212
	668 083 448	79 503 983	(1 458 391)	(314 465)	(15 094 914)	(27 742 378)	(18 517 939)	684 459 344

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

4. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security during the financial year.

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	220 631 390	110 219	79 825	220 821 434
Additions/capital expenditure	37 161 731	1 446 827	-	38 608 558
Transferred to completed items	(57 575 126)	(203 931)	-	(57 779 057)
	200 217 995	1 353 115	79 825	201 650 935

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	168 950 276	110 219	4 824 637	173 885 132
Additions/capital expenditure	57 719 877	-	4 311 338	62 031 215
Transferred to completed items	(6 038 763)	-	(9 056 151)	(15 094 914)
	220 631 390	110 219	79 824	220 821 433

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	346 648	105 145
Furniture and office equipment	54 199	22 565
Motor vehicles	146 507	155 230
Electrical infrastructure	996 353	1 681 839
Waste water infrastructure	1 005 246	464 250
Waste infrastructure	427 127	1 049 705
Unspecified assets	2 910 962	245 601
	5 887 042	3 724 335

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

Sundays River Valley Municipality

(Registration number EC106)
Trading as Sundays River Valley Municipality
Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

	2021		2020			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10 145 407	(7 530 411)	2 614 996	10 201 906	(5 537 026)	4 664 880

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	4 664 880	(2 049 884)	2 614 996

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	4 718 388	1 725 332	(1 778 840)	4 664 880

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

6. Heritage assets

	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Collections of rare books, manuscripts and records	70 975	-	70 975	70 975
Historical buildings	251 508	-	251 508	251 508
Total	322 483	-	322 483	322 483

Reconciliation of heritage assets 2021

Collections of rare books, manuscripts and records
Historical buildings

Opening balance	Total
70 975	70 975
251 508	251 508
322 483	322 483

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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6. Heritage assets (continued)

Reconciliation of heritage assets 2020

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

7. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Arch Actuarial Consulting. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Scheme:

- LA Health

Long service award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 262 employees were eligible for Long-service Awards.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

7. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5 532 000)	(5 310 948)
Current cost	(472 000)	(463 786)
Interest cost	(399 000)	(416 912)
Actuarial Gains/Losses	622 000	127 041
Expected benefit vesting	(453 000)	532 605
Policy changes	327 000	-
	(5 907 000)	(5 532 000)
Non-current liabilities	(5 016 000)	(4 910 000)
Current liabilities	(891 000)	(622 000)
	(5 907 000)	(5 532 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5 532 000	5 310 948
Net expense recognised in the statement of financial performance	375 000	221 052
	5 907 000	5 532 000

Net expense recognised in the statement of financial performance

Current service cost	472 000	463 786
Interest cost	399 000	416 912
Actuarial (gains) losses	(622 000)	(127 041)
Expected benefit payments	453 000	(532 605)
Policy change	(327 000)	-
	375 000	221 052

Key assumptions for post retirement medical aid

Assumptions used at the reporting date:

Discount rates used	9,06 %	8,58 %
Net-of-health-care-cost-inflation discount rate	4,76 %	3,48 %
Health care cost inflation rate	6,26 %	4,93 %
Maximum subsidy inflation rate	4,32 %	-
Net-of-maximum-subsidy-inflation discount rate	4,54 %	-

History of liabilities and experience adjustments

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
	R	R	R	R	R
Defined benefit obligation	1 909 000	2 137 000	2 255 000	2 330 000	1 448 000
Experience adjustments on plan liabilities	5 000	139 000	(215 000)	996 000	147 000

Key assumptions for long service award

Discount rate	9 %	7 %
General earnings inflation rate	6 %	4 %

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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7. Employee benefit obligations (continued)

History of liabilities and experience adjustments

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	3 998 000	3 395 000	3 056 000	2 732 000	2 495 000
Experience adjustments on plan liabilities	343 000	76 072	172 059	120 865	169 983

8. Inventories

Consumable stores	166 294	195 585
Water for distribution	31 218	24 748
	197 512	220 333

9. Receivables from exchange transactions

Accrued Revenue	658 610	4 073 187
Consumer debtors - Electricity	6 461 354	5 135 105
Consumer debtors - Water	14 940 770	10 584 647
Consumer debtors - Waste water	3 356 023	3 503 252
Consumer debtors - Refuse	6 308 061	5 059 051
Consumer debtors - Interest charges	4 518 400	5 041 503
	36 243 218	33 396 745

Trade and other receivables pledged as security

None of the receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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:

Fair value of trade and other receivables

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

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 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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
9. Receivables from exchange transactions (continued)		
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 12 444 928 (2020: R 6 929 879) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4 825 411	2 420 587
2 months past due	4 347 763	2 345 600
3 months past due	3 271 755	2 163 691
10. Receivables from non-exchange transactions		
Government grants and subsidies	2 337 418	657 997
Other receivables:MVR employee shortages	367 728	-
Other receivables	42 254	149 686
Prepayments	163 027	684 012
Other debtors: Property rates	25 086 844	7 454 537
Other debtors: Fines	333 757	5
	28 331 028	8 946 237
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Gross balance: Property rates	67 562 893	42 142 523
Gross balance: Fines	4 766 700	17 562 615
Allowance for impairment: Property rates	(42 476 049)	(34 707 986)
Allowance for impairment: Fines	(4 432 943)	(17 562 610)
	25 420 601	7 434 542
Financial asset receivables included in receivables from non-exchange transactions above	2 910 427	4 741 364
Total receivables from non-exchange transactions	28 331 028	4 741 364

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

	2021	2020
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10. Other statutory receivables [Framework related] (continued)

Statutory receivables general information

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R7 310 945 (2020: R5 279 193) were past due but not impaired.

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

1 month past due	2 477 486	2 617 914
2 months past due	2 679 558	1 455 966
3 months past due	2 153 901	1 205 313

Statutory receivables impaired

As of 30 June 2021, Statutory receivables of R46 908 662 (2020: R52 270 596) were impaired and provided for.

Factors the entity considered in assessing statutory receivables impaired

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(52 270 596)	(58 141 948)
Provision for impairment	(10 159 933)	(1 489 222)
Amounts written off as uncollectible	15 521 867	738 774
Reversal of impairment	-	6 621 800
	(46 908 662)	(52 270 596)

Receivables from non-exchange transactions pledged as security

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.

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:

11. Consumer debtors

Gross balances

Consumer debtors - Rates	67 562 893	42 162 523
Consumer debtors - Electricity	17 223 071	14 768 720
Consumer debtors - Water	44 029 352	33 454 413
Consumer debtors - Waste water	10 376 236	8 239 112
Consumer debtors - Refuse	19 503 422	14 622 695
Consumer debtors - Interest Charges	13 412 284	11 067 910
Other debtors - Fines	4 766 700	17 562 615
	176 873 958	141 877 988

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
11. Consumer debtors (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(42 476 049)	(34 707 986)
Consumer debtors - Electricity	(10 761 717)	(9 633 615)
Consumer debtors - Water	(29 088 582)	(22 869 766)
Consumer debtors - Waste water	(7 020 213)	(4 735 860)
Consumer debtors - Refuse	(13 195 361)	(9 563 644)
Consumer debtors - Interest Charges	(8 893 884)	(6 026 407)
Other debtors - Fines	(4 432 943)	(17 562 610)
	(115 868 749)	(105 099 888)
Net balance		
Consumer debtors - Rates	25 086 844	7 454 537
Consumer debtors - Electricity	6 461 354	5 135 105
Consumer debtors - Water	14 940 770	10 584 647
Consumer debtors - Waste water	3 356 023	3 503 252
Consumer debtors - Refuse	6 308 061	5 059 051
Consumer debtors - Interest Charges	4 518 400	5 041 503
Other debtors - Fines	333 757	5
	61 005 209	36 778 100
Rates		
Current (0 -30 days)	4 954 971	1 112 103
31 - 60 days	2 153 900	756 530
61 - 90 days	290 212	577 510
91 - 120 days	388 953	245 395
121 - 365 days	17 298 808	4 762 999
	25 086 844	7 454 537
Electricity		
Current (0 -30 days)	5 822 265	2 530 550
31 - 60 days	639 089	1 024 085
61 - 90 days	-	962 816
91 - 120 days	-	617 654
	6 461 354	5 135 105
Water		
Current (0 -30 days)	2 371 742	624 179
31 - 60 days	1 260 084	431 004
61 - 90 days	3 142 638	483 755
91 - 120 days	383 270	80 519
121 - 365 days	7 783 036	8 965 190
	14 940 770	10 584 647
Waste Water		
Current (0 -30 days)	497 532	174 598
31 - 60 days	433 697	168 095
61 - 90 days	253 666	162 570
91 - 120 days	133 217	17 824
121 - 365 days	2 037 911	2 980 165
	3 356 023	3 503 252

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
11. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	967 147	160 664
31 - 60 days	710 734	155 050
61 - 90 days	357 421	151 228
91 - 120 days	255 020	18 909
121 - 365 days	4 017 739	4 573 200
	6 308 061	5 059 051
Interest charges		
Current (0 -30 days)	22 891	477 439
31 - 60 days	341 327	460 757
61 - 90 days	157 482	449 399
91 - 120 days	95 423	56 189
121 - 365 days	3 901 277	3 597 719
	4 518 400	5 041 503
Fines		
> 365 days	333 757	5

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	11	11
Bank balances	4 583 228	1 228 095
Short-term deposits (call accounts)	2 147 791	1 208 841
	6 731 030	2 436 947

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB BANK - Primary Account - 620-254-90856	4 404 965	1 165 443	204 010	4 287 001	1 156 439	203 866
FNB BANK - MVR Account - 626-987-54134	292 600	68 070	21 614	292 600	68 070	21 614
FNB BANK - Traffic Fines Account - 626-987-50009	3 627	3 586	31 342	3 627	3 586	31 342
Cash on hand	-	-	-	11	11	5
FNB BANK - MIG Account - 620-812-28621	1 000	1 422	1 000	1 000	1 422	1 000
FNB BANK - FMG Account - 621-494-57708	1 000	2 000	2 000	1 000	2 000	2 000
FNB BANK - Integrated Zoning Account - 621-614-89086	1 417 304	3 000	3 000	1 417 304	3 000	3 000
FNB BANK - Town Planning Account - 621-789-42580	36 505	1 071	84 434	36 505	1 072	84 434
FNB BANK - INEP Account - 620-275-90589	1 000	150 508	1 000	1 000	150 508	1 000
FNB BANK - Salary Account - 620-849-69694	688 982	5 839	1 058	688 982	5 839	1 058
FNB BANK - EPWP Account - 623-874-75009	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - TOA Account - 745-393-38646	-	-	274 843	-	-	274 843
FNB BANK - Disaster Recovery Account - 623-940-71204	1 000	1 044 000	1 001	1 000	1 044 000	1 001
Total	6 848 983	2 445 939	626 302	6 731 030	2 436 947	626 163

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
13. Finance lease obligation		
Minimum lease payments due		
- within one year	46 430	711 808
- in second to fifth year inclusive	-	47 687
	<u>46 430</u>	<u>759 495</u>
less: future finance charges	(1 664)	(17 702)
Present value of minimum lease payments	44 766	741 793
Present value of minimum lease payments due		
- within one year	44 766	695 854
- in second to fifth year inclusive	-	45 939
	<u>44 766</u>	<u>741 793</u>
Non-current liabilities	-	45 939
Current liabilities	44 766	695 854
	<u>44 766</u>	<u>741 793</u>

It is municipality has entered into a lease agreement for photocopy machines under finance leases.

The average lease term was 3 years. Interest rates are linked to prime at the contract date.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Small Town Revitalisation Grant	35 433	2 532 214
Roads Infrastructure Grant	176 291	176 291
Disaster Grant	1	1 043 001
	<u>211 725</u>	<u>3 751 506</u>

Movement during the year

Balance at the beginning of the year	3 751 506	368 069
Additions during the year	47 241 418	72 924 820
Income recognition during the year	(50 781 199)	(69 541 383)
	<u>211 725</u>	<u>3 751 506</u>

The nature and extent of government grants recognised in the audited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 31 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	40 726 202	7 387 172	48 113 374

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	37 502 834	3 223 368	40 726 202

The municipality has an obligation to rehabilitate its land-fill sites in terms of its license stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2021 by a technical specialist, using 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. All three landfill sites have a remaining useful life of 4 years.

Technical appraisals and closure cost estimates were undertaken for the following landfill sites:

- Kirkwood Landfill Site
- Paterson Landfill Site
- Sunland Landfill Site

16. Borrowings

No borrowings were entered into by the municipality for the 2021 financial year.

The borrowing for 2020 financial year was fully settled as per agreement with Sarah Baartman District Municipality.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
17. Payables from exchange transactions		
Trade payables	28 997 856	39 496 199
Payments received in advance	5 123 089	2 390 379
Other payables	142 995	145 890
Accrued 13th cheque	2 189 998	1 946 435
Accrued leave pay	6 420 307	5 768 792
Motor Registration Retention	-	746 000
Unknown Deposit	7 711 245	7 773 672
Payroll Creditors	950 412	105 704
	3 899 522	12 273 092
	55 435 424	70 646 163
18. VAT payable		
Tax refunds payables	5 420 805	3 204 149
19. Consumer deposits		
Consumer deposits	77 576	74 923
20. Revenue		
Service charges	46 154 673	44 073 302
Rental of facilities and equipment	2 990	24 642
Interest received (trading)	2 655 785	2 259 986
Agency services	2 934 161	2 528 417
Licences and permits	1 272 582	1 281 078
Licences and Permits (Non-exchange)	6 688	20 741
Other income - (rollup)	1 522 514	702 657
Interest received - investment	341 913	355 179
Property rates	66 133 470	39 076 964
Interest, Dividends and Rent on Land	1 925 014	1 052 080
Government grants & subsidies	154 523 545	150 801 458
Public contributions and donations	5 636 235	-
Fines, Penalties and Forfeits	2 695 602	2 068 590
	285 805 172	244 245 094
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	46 154 673	44 073 302
Rental of facilities and equipment	2 990	24 642
Interest received (trading)	2 655 785	2 259 986
Agency services	2 934 161	2 528 417
Licences and permits	1 272 582	1 281 078
Other income - (rollup)	1 522 514	702 657
Interest received - investment	341 913	355 179
	54 884 618	51 225 261

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	66 133 470	39 076 964
Licences or permits	6 688	20 741
Interest, Dividends and Rent on Land	1 925 014	1 052 080
Transfer revenue		
Government grants & subsidies	154 523 545	150 801 458
Public contributions and donations	5 636 235	-
Fines, Penalties and Forfeits	2 695 602	2 068 590
	230 920 554	193 019 833
21. Service charges		
Sale of electricity	24 402 734	24 219 417
Sale of water	13 781 773	13 309 972
Sewerage and sanitation charges	2 672 320	2 264 963
Refuse removal	5 297 846	4 278 950
	46 154 673	44 073 302
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of municipal community halls	2 990	24 642
23. Fines, Penalties and Forfeits		
Illegal Connections Fines	12 623	21 769
Law Enforcement Fines	2 682 979	1 489 222
Court Traffic Fines	-	557 599
	2 695 602	2 068 590
24. Agency services		
Vehicle Registration	2 934 161	2 528 417
25. Licences and permits (exchange)		
Licences and permits	1 272 582	1 281 078
26. Licences and permits (non-exchange)		
Trading	6 688	20 741
27. Lease rentals		
Premises		
Contractual amounts	399 812	1 010 405

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
28. Interest earned from non-exchange receivables		
Interest - Receivables	1 925 014	1 052 080
29. Other income		
Valuation and clearance certificates	3 519	9 982
Tender documents	18 261	58 056
Staff recoveries	1 089 921	168 848
Photocopies	770	4 119
Insurance refunds	-	44 980
Discounts and early settlements	-	108 814
Valuation Services	515	237
Commission received	127 713	124 984
Prepaid meter sales	26 087	29 739
Cemetery and Burial	97 664	72 580
Building Plans Approval	158 064	80 318
	1 522 514	702 657
30. Property rates		
Rates received		
Residential	4 991 722	3 818 187
Industrial	1 131 820	140 262
State	27 899 733	13 202 523
Municipal	242 142	635 577
Small holdings and farms	23 252 631	15 035 605
Industrial	7 871 983	5 594 669
Public Benefit Organisation	674 060	187 611
Public Service Infrastructure	69 379	462 530
	66 133 470	39 076 964
Valuations		
Public benefit organisations	25 449 000	59 457 220
Commercial	413 926 000	293 719 693
Municipal	399 131 000	33 588 362
Industrial	157 126 000	5 273 800
Public service infrastructure	24 125 000	35 401 868
Residential	668 850 000	880 606 340
Small holdings and farms	6 378 935 000	5 156 657 745
State owned	672 286 000	381 627 240
	8 739 828 000	6 846 332 268

A valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) which is used as a basis to levy property rates. The last general valuation came into effect on 1 July 2020. No interim valuations were processed to take into account changes in individual property values due to alterations and subdivisions during the first year of implementation.

Rates are levied on an annual and monthly basis and interest levied after due date.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
31. Government grants and subsidies		
Operating grants		
Equitable Share Grant	99 923 000	79 776 990
LGSETA Subsidy	112 527	125 279
Environmental Services Subsidy	827 398	1 386 700
Financial Management Grant	3 000 000	2 880 000
EPWP Grant	986 334	1 056 357
Library Subsidy	1 200 000	1 200 000
SMME Subsidy	-	17 445
Disaster Relief Grant	1 043 000	-
	107 092 259	86 442 771
Capital grants		
Integrated National Electrification Programme	-	15 000 000
Municipal Infrastructure Grant	26 817 746	25 612 000
Small Town Revitalisation Grant	9 907 683	16 191 259
Drought Relief Grant	-	6 799 999
Roads Infrastructure Grant	-	755 429
Department of Transport - Roads Grant	678 517	-
Water Service Infrastructure Grant	10 027 340	-
	47 431 286	64 358 687
	154 523 545	150 801 458
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	52 460 620	68 295 045
Unconditional grants received	102 062 925	82 506 413
	154 523 545	150 801 458
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 kiloliters water and 50 kilowatts electricity free every month. No amounts of the equitable share allocations were withheld in the 2021 financial year.		
All registered indigents receive a monthly subsidy of R - (2020: R 387), which is funded from the grant.		
MIG Grant		
Current-year receipts	25 152 000	25 612 000
Conditions met - transferred to revenue	(26 817 746)	(25 612 000)
Conditions met - transferred to receivables	1 665 746	-
	-	-
The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
Small Town Revitalization Grant		
Balance unspent at beginning of year	2 532 214	-
Current-year receipts	7 410 902	20 570 821
Conditions met - transferred to revenue	(9 907 683)	(16 191 259)

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
31. Government grants and subsidies (continued)		
Other	-	(1 847 348)
	35 433	2 532 214

Conditions still to be met - remain liabilities (see note 14).

The 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 rural towns.

EPWP Grant

Current-year receipts	1 000 000	1 019 000
Conditions met - transferred to revenue	(986 334)	(1 056 357)
Conditions met - transferred to receivables	23 691	37 357
Conditions met - transferred from receivables	(37 357)	-
	-	-

The grant is allocated to incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

Roads Infrastructure Grant

Balance unspent at beginning of year	176 291	187 524
Conditions met - transferred to revenue	-	(11 233)
	176 291	176 291

Conditions still to be met - remain liabilities (see note 14).

The DPW Roads and SBDM grant was allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. The funds are received on an ad hoc basis based on stage of completion.

FMG Grant

Balance unspent at beginning of year	-	1 442
Current-year receipts	3 000 000	2 880 000
Conditions met - transferred to revenue	(3 000 000)	(2 880 000)
Other	-	(1 442)
	-	-

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.

LGSETA Grant

Current-year receipts	112 527	125 279
Conditions met - transferred to revenue	(112 527)	(125 279)
	-	-

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	55 548
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 027 340)	-

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
31. Government grants and subsidies (continued)		
Conditions met - transferred to receivables	27 340	(55 548)
	-	-
The Water Services Infrastructure Grant is allocated to municipalities to assist in drought relief.		
Integrated National Electrification Programme Grant		
Current-year receipts	-	15 000 000
Conditions met - transferred to revenue	-	(15 000 000)
	-	-
Human Settlement Grant		
Balance unspent at beginning of year	-	123 555
Conditions met - transferred to revenue	-	(744 196)
Other - transferred to receivables	-	620 641
	-	-
Disaster Relief Grant		
Balance unspent at beginning of year	1 043 001	-
Current-year receipts	(1 043 000)	1 043 001
	1	1 043 001
The Disaster Relief Grant is allocated by the National Government to assist with backlogs in service delivery so to lessen the burden on municipalities trying to curb the COVID-19 pandemic.		
Environmental Services Subsidy		
Current-year receipts	827 398	1 386 700
Conditions met - transferred to revenue	(827 398)	(1 386 700)
	-	-
Library Subsidy		
Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-
Drought Relief Grant		
Current-year receipts	-	6 799 999
Conditions met - transferred to revenue	-	(6 799 999)
	-	-
SMME Subsidy		
Current-year receipts	-	17 445
Conditions met - transferred to revenue	-	(17 445)
	-	-

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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31. Government grants and subsidies (continued)

Department of Transport - Roads Grant

Current-year receipts	678 517	-
Conditions met - transferred to revenue	(678 517)	-
	<hr/>	<hr/>
	-	-

The Department of Transport Grant for roads was provided to address service delivery backlog for Moses Mabida Taxi Loop.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

32. Public contributions and donations

Donation received	636 235	-
CoGTA assistance	5 000 000	-
	<hr/>	<hr/>
	5 636 235	-

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
33. Employee related costs		
Basic	51 745 528	50 351 889
Bonuses	4 359 732	3 633 844
Medical aid - company contributions	3 705 453	3 368 789
UIF	457 991	460 005
Bargaining Council	27 958	26 926
Leave pay provision charge	923 680	821 917
Defined contribution plans	649 560	468 965
Overtime payments	2 914 855	2 277 838
Acting allowances and other related service benefits	1 601 478	971 775
Car allowance	4 284 196	3 932 597
Housing allowance	331 756	320 580
Pension	8 281 782	7 154 221
Cellular and telephone	556 966	510 321
	79 840 935	74 299 667

Remuneration of Municipal Manager

Annual Remuneration	744 040	743 159
Car Allowance	180 000	180 000
Cellphone Allowance	24 000	24 000
Contributions to UIF and Levy	1 932	1 785
Acting Allowance	27 816	9 516
Housing Allowance	216 000	216 000
Rural Allowance	45 348	44 412
	1 239 136	1 218 872

The Municipal Manager suspension continued during the reporting period and only resumed duties in June 2021.

The Municipal Manager for Sarah Baartman District Municipality was seconded to the municipality from November 2020 until the lifting of the Municipal Manager's suspension in the month of June 2021. No financial implication was incurred during the period of Acting Municipal Manager as this was an in-kind secondment.

Remuneration of Chief Finance Officer

Annual Remuneration	489 205	526 645
Car Allowance	75 000	88 000
Cellphone Allowance	16 000	16 000
Contributions to UIF and Levy	1 089	1 255
Acting Allowance	22 440	25 456
Rural Allowance	22 568	21 547
	626 302	678 903

The CFO official resumed duties in the month of November 2020.

Director Corporate Services

Annual Remuneration	238 381	714 428
Car Allowance	48 000	144 000
Housing Allowance	40 000	120 000
Contributions to UIF and Levy	634	1 975
Acting Allowance	23 929	-
Cellphone Allowance	8 000	24 000
Rural Allowance	12 807	35 955
	371 751	1 040 358

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

33. Employee related costs (continued)

The Director resigned in the month ending 30 November 2020 and the post was vacant until 30 June 2021.

Director Community Services

Annual Remuneration	545 131	594 428
Car Allowance	220 000	240 000
Cellphone Allowance	22 000	24 000
Contributions to UIF and Levy	1 745	1 748
Leave Pay	45 647	-
Housing Allowance	132 000	132 000
Acting Allowance	9 149	-
Rural Allowance	35 638	35 955
	1 011 310	1 028 131

The post was vacant as from 1 June 2021 as the Director resigned end May 2021.

Director Technical Services

Annual Remuneration	873 472	317 277
Car Allowance	110 000	30 000
Cellphone Allowance	24 000	10 000
Contributions to UIF and Levy	1 932	641
Acting Allowance	-	75 736
Housing Allowance	-	24 000
Rural Allowance	38 862	15 587
	1 048 266	473 241

34. Remuneration of councillors

Executive Major	908 852	912 459
Mayoral Committee Members	2 070 138	1 955 130
Speaker	729 492	729 488
Councillors	3 589 290	3 585 121
	7 297 772	7 182 198

In-kind benefits

The Mayor and Speaker are full-time and each is provided with an office and secretarial support at the cost of the municipality.

The Mayor has the use of separate Council owned vehicles for official duties.

35. Depreciation and amortisation

Property, plant and equipment	28 420 184	29 518 721
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36. Impairment of assets

Impairments

Property, plant and equipment	1 997 466	18 524 853
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Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
37. Finance costs		
Interest on unwinding assets	3 394 529	3 223 369
Finance leases	15 872	115 345
Interest on overdue accounts	1 683 837	2 726 805
	5 094 238	6 065 519
38. Debt impairment		
Debt impairment/(reversal)	10 768 860	(34 553 227)
Bad debts written off	15 538 712	72 670 660
	26 307 572	38 117 433
<p>During the year, the municipality wrote off fines debtors amount of R15 187 785 . This resulted in a net reversal of the impairment provision in the 2020/21 financial year.</p>		
39. Bulk purchases		
Electricity - Eskom	19 824 244	18 895 096
Water	8 741 745	9 212 631
	28 565 989	28 107 727
Electricity losses		
Units purchased	16 418 538	16 848 573
Units sold	(13 325 969)	(12 313 240)
Total loss	3 092 569	4 535 333
Percentage Loss: Technical losses	19 %	27 %

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
39. Bulk purchases (continued)		
Water losses		
Units purchased	5 460 860	-
Units sold	(1 236 442)	-
Total	4 224 418	-
Percentage Loss:		
Technical losses	77 %	- %

Distribution losses - Electricity

Electricity losses for the financial year is 19%. The Rand value for the losses in the current financial year at R1.41/kWH is R4 360 442. (2020: R4 081 799)

These losses are attributable to ageing infrastructure ,meter reading losses and losses due to tampering.

Distribution losses - Water

Water losses for the financial year is 77%. The Rand value of the losses in the current year at R1.91/kl is R8 068 637

These losses are attributable to ageing infrastructure, meter reading losses and losses due to faulty meters never replaced.

40. Contracted services

Outsourced Services

Business and Advisory	5 981 664	15 091 069
Illegal Dumping	201 362	89 978
Meter Management	13 630	99 900
Personnel and Labour	953 671	1 253 431
Traffic Fines Management	6 649	-
Drivers Licence Cards	292 774	187 941
Electrical	-	858
Water Takers	2 753 825	2 043 250

Consultants and Professional Services

Business and Advisory	377 820	462 841
Infrastructure and Planning	-	455 000
Laboratory Services	101 490	349 912
Legal Cost	2 343 644	904 990

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
40. Contracted services (continued)		
Contractors		
Catering Services	51 428	400 369
Gardening Services	-	38 150
Maintenance of Buildings and Facilities	346 648	105 145
Maintenance of Equipment	54 199	22 565
Maintenance of Unspecified Assets	2 912 712	245 601
Maintenance of Electricity Infrastructure	134 600	123 600
Maintenance of Motor Vehicles	146 507	155 230
Photographer	-	9 800
Maintenance of Water Infrastructure	185 195	-
Maintenance of Waste Infrastructure	427 127	1 049 705
Maintenance of Electricity Infrastructure	996 353	1 681 839
Transportation	19 500	146 260
Safeguard and Security	3 087 616	2 469 463
Maintenance of Waste Water Infrastructure	1 005 246	464 250
	22 393 660	27 851 147
41. General expenses		
Advertising	417 938	247 610
Auditors remuneration	2 040 767	4 608 150
Bank charges	1 241 711	456 668
Commission paid	484 780	222 268
Consumables	3 940 109	1 127 804
Entertainment	-	5 778
Hire	587 855	915 289
Insurance	1 103 946	1 195 931
Training	173 653	47 654
IT expenses	3 778 351	4 005 448
Motor Vehicle Expenses	106 207	202 145
Fuel and oil	34 608	752 169
Travel and Subsistence	303 378	1 689 999
Postage, Rail and Telephone	2 736 650	2 044 825
Printing and stationery	210 410	259 600
Communications Promotions	173 830	117 154
Protective clothing	82 593	34 713
Skills Development Levy	640 476	719 436
Subscriptions and membership fees	16 612	137 586
Transportation cost	-	133 292
Electricity and Water Costs	8 138 867	7 344 682
Honoraria Expenses	-	600
Grants Expenditure	137 339	155 266
Samples and Specimens	171 852	102 927
Chemicals	1 935 420	1 814 058
	28 457 352	28 341 052
42. Fair value adjustments		
Investment property (Fair value model)	(1 760 000)	77 140 300
43. Auditors' remuneration		
Fees	2 040 767	4 608 150

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
44. Cash generated from operations		
Surplus	45 173 920	56 307 555
Adjustments for:		
Depreciation and amortisation	28 420 184	29 518 721
Fair value adjustments	1 760 000	(77 140 300)
Interest income	-	(148 160)
Impairment deficit	1 997 466	18 524 853
Debt impairment	-	38 117 433
Movements in retirement benefit assets and liabilities	375 000	221 052
Movements in provisions	7 387 172	3 223 368
Loss on disposal	-	1 768 490
Movement due to re-measurement	(3 992 643)	-
Changes in working capital:		
Inventories	22 821	91 385
Receivables from exchange transactions	(2 846 473)	-
Receivables from non-exchange transactions	(19 384 791)	-
Payables from exchange transactions	(13 521 634)	(565 673)
VAT	2 216 656	(6 954 593)
Unspent conditional grants and receipts	(3 539 781)	3 383 437
Consumer deposits	2 653	11 677
	44 070 550	66 359 245

45. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	36 243 218	36 243 218
Receivables from non-exchange transactions	28 331 028	28 331 028
Cash and cash equivalents	6 731 030	6 731 030
	71 305 276	71 305 276

Financial liabilities

	At amortised cost	Total
Financial lease obligations	44 766	44 766
Payables from exchange transactions	55 435 424	55 435 424
Payables from non-exchange transactions	5 632 530	5 632 530
Consumer deposits	77 576	77 576
	61 190 296	61 190 296

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	33 396 745	33 396 745
Receivables from non-exchange transactions	8 946 237	8 946 237

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
45. Financial instruments disclosure (continued)		
Cash and cash equivalents	2 436 947	2 436 947
	44 779 929	44 779 929
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	741 793	741 793
Payables from exchange transactions	70 646 163	70 646 163
Payables from non-exchange transactions	6 955 655	6 955 655
Consumer deposits	74 923	74 923
Borrowings	3 480 629	3 480 629
	81 899 163	81 899 163
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	47 670 487	37 806 148
Total capital commitments		
Already contracted for but not provided for	47 670 487	37 806 148
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational expenditure	1 630 256	4 727 555
Total operational commitments		
Already contracted for but not provided for	1 630 256	4 727 555
This committed expenditure relates to various projects and will be financed by available bank facilities, unspent grants, existing cash resources, funds internally generated, etc.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	187 654

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.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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47. Contingencies

The municipality is exposed to the following court cases:

Jongosizwe Family Trust vs Sundays River Valley Municipality - The municipality faces a possible financial exposure of R9 000 000 due to claim damaged by sewerage spill on their property resulting in loss of vegetation and profits thereof.

Zama Zondo Construction Services vs Sundays River Valley Municipality - Possible financial exposure of R12 000 000 due to claim on standing time and damages to work-in-progress as a result of the municipality's inability to settle outstanding financial transaction on previous work performed.

Qamasande Trading (Pty) Ltd vs Sundays River Valley Municipality - The municipality has a possible financial exposure of R30 000 000 due to alleged cancellation of a contract.

Thando Tsobo vs Sundays River Valley Municipality - The criminal matter with a financial exposure of R250 000 is awaiting high court decision as a petition has been filed.

Department of Water and Sanitation vs Sundays River Valley Municipality - The municipality is being sued for non payment of invoices relating to water usage. The parties are attempting to settle and a financial exposure of R5 000 000 is possible.

S Mfama and Others - Eviction with financial exposure of R100 000.

SANPARKS and Others - Review application against municipality and 17 other respondents- R150 000.

Nomzamo Stock Farmers and Association vs Sundays River Valley Municipality - The municipality faces financial exposure of R1 500 000 for damages incurred in their property during excavation of municipal land.

David Konzani - The litigation is pending and will not be resolved at year end. No trial date has been allocated. Financial exposure of R200 000

Ikhono Techni (Pty) Ltd - The litigation is pending and will not be resolved at year end. No trial date has been allocated. Financial exposure of R200 000

R Abdullah - Contesting the process followed in the CFO position- Uncertain but judgement is for 12/02/2022. Financial exposure of R277 070.90

SS Fadi - Disciplinary matter on the suspension of of the MM - Accounting officer re-instated. Financial exposure of R73 715.14

KD Oosthuizen - Awaiting judgement . Financial exposure of R130 935.44

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

48. Related parties

Relationships	Refer to accounting officers' report note
Accounting Officers	Refer to note 34
Councillors	Refer to note 33
Members of key management	There were no transactions between close family members of key management
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	Mr Johannes Krapohl - Chief Financial Officer Mr Xola Mntonitshi - Director Infrastructure and Planning Mr Darrayl Clingen - Acting Director Community Services Mrs Susan Fourie - Acting Director Corporate Services Mr Thembekile Machelesi - Resigned Director Corporate Services Ms Ntombikayise Mnyengeza - Resigned Director Community Services

The municipality is not aware of any incidents where awards were made to close family members in the services of the state during the current financial year.

Councillors and employees declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

Key management information

Class	Description	Number
Executive committee	Good governance structure	9
Mayor	Political Head	1
Councillors	Political Oversight Leadership	16
Municipal Managers	Administration Head	1

Remuneration of management

Remuneration of management and councillors

Refer to note 32 for Remuneration of councillors and note 31 for Employee Cost.

The municipality does not contribute to any medical aid fund at the retirement of these employees.

Additional information

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

All Councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant operating decisions.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

49. Change in estimate

Property, plant and equipment

The estimated useful lives were reviewed in the current year and this resulted in a change in accounting estimate as stated below:

Depreciation Expenditure

The estimated useful lives of Buildings, Infrastructure and Other assets were revised on 30 June 2020. Adjustments to the residual values and useful lives affect the amount for the current year and is expected to affect future periods as well. This was done based on the verification of the condition and assessing the remaining useful life of the asset. The adjustments are as by R 3 431 412

50. Prior period errors

The following prior period errors were adjusted for the following reasons for the **Statement of Financial Position**:

Receivables from exchange transactions - adjusted to ensure subledger and trade receivable control account agree at year end, correcting mistatement COAF issued previously.

Receivables from non-exchange transactions - adjusted to ensure the subledger and control account agree at year end , correcting mistatement COAF communicated previously.

Property, plant and equipment - adjusted as a result of replaced components, completed projects in prior financial year, gains derecognised previously and due to assets with a zero balance still in use.

Investment property - adjusted based on land verification results

Payables from exchange transactions - adjusted to account for credit note received for invoices previously recorded and late accrual invoices. Payments received in advance was restated to account for a reversal of credit balance not processed previously. Unknown deposits were adjusted to reflect only those deposits corresponding to supporting documents.

VAT payable - restated as a result of changes in receivables and payables restatement transactions for the prior year and opening balance write-off to ensure balances are with subledgers.

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

Statement of financial position

Decrease in receivables from exchange transactions	-	(25 490 503)
Increase in receivables from non- exchange transactions	-	4 204 873
Increase in investment property	-	6 239 200
Decrease in property, plant and equipment	-	(8 663 787)
Decrease in payables from exchange transactions	-	7 698 471
Decrease in VAT payable	-	5 752 096
Decrease in accumulated surplus	-	10 259 650

Statement of financial performance

Increase in service charges	-	(31 747)
Decrease in property rates	-	1 003
Increase in finance costs	-	262 280
Decrease in bulk purchases	-	(2 904 615)
Increase in contracted services	-	9 145
Decrease in general expenditure	-	(104 022)
Increase in depreciation	-	13 027
Decrease in loss on disposal	-	(24 158)
Decrease in impairment loss	-	(205 904)
Increase in accumulated surplus	-	2 984 991

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
50. Prior period errors (continued)		
Fruitless and wasteful expenditure		
Opening balance	-	9 840 779
Adjustments made	-	262 280
Restated opening balance	-	10 103 059

Adjustment made to opening balance of fruitless and wasteful expenditure is due to net effect of credit notes received and accrual invoices omitted previously.

51. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	9	58 887 248	(25 490 503)	33 396 745
Receivables from non-exchange transactions	10	4 741 364	4 204 873	8 946 237
Investment property		104 059 000	6 239 200	110 298 200
Property, plant and equipment		693 123 131	(8 663 787)	684 459 344
VAT payable	4	(8 956 245)	5 752 096	(3 204 149)
Payables from exchange transactions	17	(78 344 634)	7 698 471	(70 646 163)
Accumulated surplus		(726 847 454)	10 259 650	(716 587 804)
		46 662 410	-	46 662 410

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Service charges		44 041 555	31 747	44 073 302
Property rates		39 077 967	(1 003)	39 076 964
Finance cost		(5 803 239)	(262 280)	(6 065 519)
Bulk purchases		(31 012 342)	2 904 615	(28 107 727)
Impairment loss		(18 703 727)	205 904	(18 497 823)
Depreciation		(29 505 694)	(13 027)	(29 518 721)
Loss on disposal		(1 792 648)	24 158	(1 768 490)
Contracted services		(27 513 754)	(9 145)	(27 522 899)
General expenditure		(28 773 322)	104 022	(28 669 300)
Surplus for the year		(59 985 204)	2 984 991	(57 000 213)

Errors

The following prior period error adjustments occurred:

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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51. Prior-year adjustments (continued)

Error 1

In the 2020 adjusted annual financial statements, impairment loss incurred was correctly disclosed in the notes of the annual financial statements and failed to populate in the Statement of Financial Performance due to a technical glitch. The error did not affect the Statement of Changes in Net Assets as the correct surplus for the year was disclosed for the 2020 financial year.

The error was corrected in the 2021 unaudited annual financial statement as seen in the Statement of Financial Performance restated balances.

Fruitless and wasteful expenditure

Opening balance	-	9 840 779
Adjustments made	-	262 480
Restated opening balance	-	10 103 259

Adjustment made to opening balance of fruitless and wasteful expenditure is due to processing of invoices received later relating prior year.

52. Risk management

Financial risk management

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

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.

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

Financial instrument	2021	2020
Cash and cash equivalents	6 731 030	2 436 947
Receivables from exchange transactions	36 243 218	33 396 745

53. Events after the reporting date

Post statement of financial position date, the lockdown level has been adjusted and stands at adjusted level 3. This has seen an opening of the economy and a significant move towards normality.

The negative impact on trading operations is expected to continue albeit to a much lesser extent. It remains uncertain as to when the state of National Disaster will be completely lifted, amongst speculation of a 'fourth wave' of the COVID-19 pandemic.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

54. Unauthorised expenditure

Opening balance as previously reported	187 413 994	142 010 525
Correction of prior period error	-	(1 847 347)
Opening balance as restated	187 413 994	140 163 178
Add: Expenditure identified - current	43 714 971	47 250 816
Closing balance	231 128 965	187 413 994

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	37 983 627	46 029 598
Cash	5 731 344	1 221 218
	43 714 971	47 250 816

Analysed as follows: non-cash

Fair value adjustment	1 760 000	18 730 575
Finance charges	-	1 093 598
Loss on disposal of property, plant and equipment	5 805 977	1 792 648
Impairment loss	1 997 466	24 412 777
Depreciation	28 420 184	-
	37 983 627	46 029 598

Analysed as follows: cash

Finance charges	447 738	1 221 218
Lease rentals	399 812	-
General expenditure	4 883 794	-
	5 731 344	1 221 218

Disciplinary steps taken/criminal proceedings

Still under investigation - awaiting outcome of council committee.

Recoverability of unauthorised expenditure

Still under investigation - awaiting outcome of council committee.

55. Fruitless and wasteful expenditure

Opening balance as previously reported	9 840 779	5 237 662
Correction of prior period error	262 280	-
Opening balance as restated	10 103 059	5 237 662
Add: Expenditure identified - current	3 019 574	4 603 117
Closing balance	13 122 633	9 840 779

Sundays River Valley Municipality

(Registration number EC106)
 Trading as Sundays River Valley Municipality
 Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021 2020

55. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	2021	2020
Interest on overdue accounts	1 683 837	2 726 805
Construction of fencing	-	1 713 126
Claims and litigations lost/unfavorable	1 131 577	235 963
Employee cost - acting allowance	-	189 503
Employee cost - compensation	175 000	-
Advertising cost	29 160	-
	3 019 574	4 865 397

Disciplinary steps taken/criminal proceedings

None
 None
 None
 None
 None

The following expenditure was made in vain and would have been avoided had reasonable care been exercised by key management based on the following reasons:

- Claims and litigations : The municipality had unfavourable verdicts/judgements in litigation to the value disclosed due to poor management decision making.
- Employee cost - compensation : The courts ruled that employees be compensated damages as a result of unwarranted litigations
- Advertising cost - The municipality had numerous erratums published due to negligence of municipal employees executing functions.

Sundays River Valley Municipality

(Registration number EC106)
Trading as Sundays River Valley Municipality
Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

55. Fruitless and wasteful expenditure (continued)

Amounts written-off

Still under investigation - awaiting outcome of council committee.

Recoverability steps taken/criminal proceedings

Still under investigation - awaiting outcome of council committee.

Disciplinary steps taken/criminal proceedings

Still under investigation - awaiting outcome of council committee.

56. Irregular expenditure

Opening balance as previously reported

Opening balance as restated

Add: Irregular Expenditure - current

Less: Amount written off - current

Closing balance

298 211 697	263 406 799
298 211 697	263 406 799
29 563 458	34 804 898
(38 939 562)	-
288 835 593	298 211 697

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 38 939 562 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount need not be recoverable and value for money was received.

Recoverability steps taken/criminal proceedings

Still under investigation - awaiting outcome of council committee.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
56. Irregular expenditure (continued)		
Disciplinary steps taken/criminal proceedings		
Still under investigation - awaiting outcome of council committee.		
57. In-kind donations and assistance		
The municipality received the following in-kind assistance for the 2020/21 financial year :		
a. COGTA assisted with reference to long outstanding creditor paymentst , namely Auditor General of South Africa and Eskom to the sum value of R5 million.		
b. Sarah Baartman District Municipality donated a fire truck and equipment with the equivalent value of R630 435		
c. LA Consulting donated furniture to the value of R5 800		
d. Sarah Baartman seconded its Municipal Manager at no cost during the financial year to act as Municipal Manager for the remainder of the suspension period as from Novemeber 2020.		
58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	1 082 485	866 783
Current year subscription / fee	8 250	1 859 230
Amount paid - current year	-	(776 745)
Amount paid - previous years	-	(866 783)
	1 090 735	1 082 485
Audit fees		
Opening balance	4 243 840	909 891
Current year subscription / fee	3 612 769	5 488 196
Amount paid - current year	(1 930 937)	(1 244 356)
Amount paid - previous years	(4 243 840)	(909 891)
	1 681 832	4 243 840
PAYE and UIF		
Opening balance	809 591	1 652 584
Current year subscription / fee	11 871 812	10 876 432
Amount paid - current year	(12 546 120)	(10 066 841)
Amount paid - previous years	809 591	(1 652 584)
	944 874	809 591
Pension and Medical Aid Deductions		
Opening balance	4 187 893	965 200
Current year subscription / fee	18 633 372	16 843 543
Amount paid - current year	(16 955 344)	(12 655 650)
Amount paid - previous years	(4 187 893)	(965 200)
	1 678 028	4 187 893

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

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

VAT

VAT receivable	(5 420 805)	(3 204 149)
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

Reflected balances below agree to customer statements as at 30 June 2021 however the following receipts have not been allocated to the Councillors customer accounts for the reporting period:

Councillor Hawu - R5 000
Councillor Smith - R30 000

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Adams - 001005601	3 638	2 549	6 187
Councillor Baka - 013104400	1 491	9 215	10 706
Councillor Dancey - 033403319	2 068	59 770	61 838
Councillor Hawu - 009183400	115	5 739	5 854
Councillor Smith - 001016802	37 688	29 170	66 858
Councillor Nodonti - 045125300	111	76 353	76 464
Councillor Kebe - 008062200	813	5 554	6 367
Councillor Rune - 045189400	1 954	12 762	14 716
	47 878	201 112	248 990
30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Adams - 001005601	3 707	10 607	14 314
Councillor Baka - 013104400	1 448	37 325	38 773
Councillor Dancey - 033403319	2 052	52 139	54 191
Councillor Hawu - 009194600	1 019	3 665	4 684
Councillor Smith - 001027403	4 372	216	4 588
Councillor Smith - 001016802	19 257	117 384	136 641
Councillor Rune - 045189400	1 903	133 795	135 698
Councillor Tom - 009183600	1 774	44	1 818
Councillor Jack - 013165700	78	7 390	7 468
Councillor Payi - 008071500	711	-	711
	36 321	362 565	398 886

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations and deviations from supply chain regulations

No non-compliance in terms of Regulation 9(1) of the Preferential Procurement Regulations were identified. This Regulation relates to the awarding of bids with reference to local production and content.

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Class		
Emergency	711 525	84 473
Sole supplier	1 636 965	825 546
Exceptional case	2 179 662	957 044
	4 528 152	1 867 063

Non-compliance with the Municipal Finance Management Act

No matters existed at reporting date.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

59. Actual operating expenditure versus budgeted operating expenditure

Material variance above 10% are explained below for the comparison of actual operating expenditure versus budgeted expenditure.

58.1 - Rental of facilities and equipment: Lower than anticipated rentals due to COVID-19 restriction on social gathering

58.2 - Other Income: Greater income than budgeted due to recognition of staff recoveries during the financial year

58.3 - Interest earned: external investment: Lower investment held due to cashflow limitations

58.4 - Property rates: Change in values due to the implementation of new valuation roll

58.5 - Government grants and subsidies: Actual is lower than anticipated due to allocation of in-kind grants to donations and public contributions.

58.6 - Public contributions and donations: Actual is higher than budgeted as this item only included vehicle donation from Sarah Baartman District Municipality.

58.7 - Fines: More fines issued than anticipated

58.8 - Depreciation: No provision was made in the budget for depreciation

58.9 - Impairment loss: No provision was made in the budget for impairment loss

58.10 - Finance cost: Higher than anticipated interest on landfill site

58.11 - Debt impairment: Lower provision for debt impairment recorded than anticipated.

58.12 - Bulk purchases: Lower than anticipated based on prior year invoices used as basis for budgeted amount

58.13 - Contracted services: Effect of cashflow management due to the restriction of available cash to fund budgeted expenditure

58.14 - Loss on disposal: Budget omitted to make provision for loss on disposal based on verification performed at year end.

58.15 - FV adjustment: Budget did not make provision investment property assessment at year end as per municipal policy.

60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major trading services: electricity, water, sanitation and refuse services. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates in the Eastern Cape Province in three towns. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Sundays River Valley were sufficiently similar to warrant aggregation.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

60. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Segment 1	Electricity services
Segment 2	Water services
Segment 3	Sanitation services
Segment 4	Refuse services

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

Revenue

Revenue from non-exchange transactions

Revenue from exchange transactions

Total segment revenue

Interest revenue

Entity's revenue

Expenditure

Salaries and wages

Other expenses

Debt Impairment

Depreciation

Total segment expenditure

Total segmental surplus/(deficit)

Interest expense

Total revenue reconciling items

Entity's surplus (deficit) for the period

Assets

Segment assets

Total assets as per Statement of financial Position

	Electricity	Water	Sanitation	Refuse	Total
	7 586 786	17 065 720	8 053 794	13 909 282	46 615 582
	24 714 107	15 108 833	3 019 910	5 993 108	48 835 958
	32 300 893	32 174 553	11 073 704	19 902 390	95 451 540
					2 655 197
					98 106 737

	2 610 830	12 701 575	3 518 269	2 540 103	21 370 777
	28 514 380	15 541 613	1 339 304	936 136	46 331 433
	1 237 790	6 391 672	2 289 799	3 639 393	13 558 654
	1 103 077	6 990 627	5 965 615	2 332 870	16 392 189
	33 466 077	41 625 487	13 112 987	9 448 502	97 653 053
					(2 201 513)

					1 354 193
					2 655 197
					4 009 390

	15 360 157	166 025 384	157 458 106	15 444 775	354 288 422
					354 288 422

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

60. Segment information (continued)

Liabilities

Segment liabilities

Total liabilities as per Statement of financial Position

	Electricity	Water	Sanitation	Refuse	Total
	2 976 868	15 101 040	-	48 113 374	66 191 282
					66 191 282

Other information

Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)

	Water	Sanitation
	11 584 077	15 306 726

Information about geographical areas

The municipality's operations are in the Eastern Cape Province under Sarah Baartman District Municipality.

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

2021

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Sundays River Valley	46 615 582	48 835 958	81 260 864	323 222 213

61. Accounting by principals and agents

The municipality is a party to a principal-agent arrangements.

Sundays River Valley Municipality

(Registration number EC106)

Trading as Sundays River Valley Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

61. Accounting by principals and agents (continued)

Details of the arrangement(s) is/are as follows:

Department of Transport

The municipality is an agent for the Department of Transport. The Department of Transport is a principal in the agreement for collection of motor registration license revenue entered into with the municipality as it collects these monies on behalf of Provincial government.

The municipality receives commission of 19% on all motor registration transactions performed by the municipality. The aggregate amount of revenue recognised as compensation for the transactions carried out on behalf of the principal is R2 934 161 in the 2021 financial year. Refer to note 24

Resources held by the Licensing section for the effective execution of the function from the principal, remain theirs and have not been included in the financial statements of the municipality.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R2 934 161 (2020: R2 528 417).

Liabilities and corresponding rights of reimbursement recognised as assets

Money collected on behalf of the Department of Transport amounted to R12 578 217 for the reporting period. As at 30 June 2021, R116 628 withdrawal had not been paid to the principal as obligated. The amount does not reflect under Trade Payables as the financial transaction (payment) was recorded in the Motor Registration account but actually cash paid to the Department of Transport after year-end as per the Bank.

Entity as principal

62. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.