



Sundays River Valley Municipality
(Registration number EC106)
Audited Annual Financial Statements
for the year ended 30 June 2022

Sundays River Valley Municipality

(Registration number EC106)

Audited Annual Financial Statements for the year ended 30 June 2022

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
Municipal Council	
Mayor	Cllr. SH Rune
Speaker	Cllr. SC Nodonti
Executive Committee	Cllr. SH Rune Ald. K Smith Cllr. MC Payi
Ward Councillors	Cllr. MC Payi Cllr. N Langbooi Cllr. XJ Jonas Cllr. LE Baka Cllr. Z Qusheka Cllr. NR Baxana Cllr. AM Ndawo Cllr. PN Ncambele
Proportional Representative Councillors	Cllr. S Nodonti Cllr. SH Rune Cllr. H Jagers Ald. K Smith Cllr. M Bosman Cllr. B Daries Cllr. B Dyantyi Cllr. HS Hendricks
Grading of local authority	Grade 3 Local Municipality In term of Remuneration of Public Office Bearers Acts, Act 20 of 1998
Chief Finance Officer (CFO)	J Krapohl cfo@srvm.gov.za
Accounting Officers	AP Kondile mm@srvm.gov.za S Fadi mm@srvm.gov.za Contract ended 30 September 2022
Registered office	30 Middle Street Kirkwood 6120
Postal address	P.O. Box 47

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General Information

Kirkwood
6120

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General Information

Bankers

First National Bank

Auditors

Auditor General South Africa

Attorneys

Pumeza Bono Incorporated

Le Roux Inc Attorneys

Karsans Incorporated

B Mashile 1st Attorneys

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Abbreviations used:

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

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Accounting officer's Responsibilities and Approval

The accounting officers 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 officers 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 Standards of Generally Recognised Accounting Practice (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 officers 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 officers to meet these responsibilities, the accounting officer 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 officers 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 audited annual financial statements set out on pages 6 - 110 , which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2022 and were signed on its behalf by:

AP Kondile
Accounting Officer (Acting)

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting officer's Report

The accounting officers submit their report for the year ended 30 June 2022.

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.

Net surplus of the municipality was R 48 506 394 (2021: surplus R 28 723 877).

2. Going concern

I draw attention to the fact that at 30 June 2022, the municipality had an accumulated Surplus of R 839 021 446 and that the municipality's total assets exceed its liabilities by R 839 021 446.

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 officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The Accounting Officer does not have an interest in contracts.

5. 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.

6. Bankers

First National Bank will continue to provide banking services to the municipality.

7. Auditors

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

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Accounting officer's Report

8. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

In terms of section 71 (1) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month. During the financial year, the municipality did not comply with the required legislation as reports were submitted late.

The audited annual financial statements set out on pages 6 to 110, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2022 and were signed on its behalf by:

AP Kondile
Accounting Officer (Acting)

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	298 731	272 383
Receivables from exchange transactions	9&12	11 388 801	21 901 314
Receivables from non-exchange transactions	10&12	8 821 490	5 427 894
VAT receivable	11	7 997 394	1 736 971
Cash and cash equivalents	13	20 272 553	6 731 030
		48 778 969	36 069 592
Non-Current Assets			
Investment property	3	22 609 323	21 865 883
Property, plant and equipment	4	891 862 911	838 552 842
Intangible assets	5	1 466 440	2 853 360
Heritage assets	6	322 483	322 483
		916 261 157	863 594 568
Total Assets		965 040 126	899 664 160
Liabilities			
Current Liabilities			
Employee benefit obligation	7	753 861	891 000
Finance lease obligation	14	-	44 766
Unspent conditional grants and receipts	15	6 603 815	225 391
Provisions	16	6 422 668	4 023 245
Payables from exchange transactions	17	66 146 823	57 766 062
Consumer deposits	18	2 636 677	2 634 027
		82 563 844	65 584 491
Non-Current Liabilities			
Employee benefit obligation	7	5 112 139	5 016 000
Provisions	16	38 342 697	38 548 617
		43 454 836	43 564 617
Total Liabilities		126 018 680	109 149 108
Net Assets		839 021 446	790 515 052
Accumulated surplus		839 021 446	790 515 052
Total Net Assets		839 021 446	790 515 052

* See Note 50

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Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	44 640 196	41 429 762
Rental of facilities and equipment	21	15 425	2 990
Agency services	23	2 688 698	2 934 161
Licences and permits	24	1 676 910	1 272 582
Other income	28	1 012 036	1 522 514
Interest earned	29	6 812 731	2 997 699
Total revenue from exchange transactions		56 845 996	50 159 708
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	64 165 924	50 984 884
Licences and permits	25	16 621	6 688
Interest earned - Property Rates	27	7 245 130	1 886 659
Transfer revenue			
Government grants & subsidies	31	173 791 521	152 830 459
Public contributions and donations	32	696 680	5 636 235
Fines, Penalties and Forfeits	22	1 466 999	2 695 602
Total revenue from non-exchange transactions		247 382 875	214 040 527
Total revenue	19	304 228 871	264 200 235
Expenditure			
Employee related costs	33	(86 053 358)	(83 769 851)
Remuneration of councillors	34	(7 125 130)	(8 406 210)
Depreciation and amortisation	35	(33 495 476)	(31 138 955)
Finance costs	37	(4 663 988)	(3 964 759)
Lease rentals on operating lease	26	-	(399 812)
Debt Impairment	38	(54 906 263)	(22 495 603)
Bulk purchases	39	(31 576 013)	(27 834 249)
Contracted services	40	(23 164 221)	(23 581 499)
General Expenses	41	(19 038 829)	(21 903 449)
Total expenditure		(260 023 278)	(223 494 387)
Operating surplus		44 205 593	40 705 848
Fair value adjustments	42	743 440	941 593
Reversal of impairments (Impairment loss)	36	11 760 396	(9 398 712)
Inventories losses/write-downs		(8 203 035)	(3 551 266)
Loss on disposal of assets		-	26 414
		4 300 801	(11 981 971)
Surplus for the year		48 506 394	28 723 877

* See Note 50

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	716 587 804	716 587 804
Adjustments		
Prior year adjustments	45 203 371	45 203 371
Balance at 01 July 2020 as restated*	761 791 175	761 791 175
Changes in net assets		
Surplus for the year	28 723 877	28 723 877
Total changes	28 723 877	28 723 877
Opening balance as previously reported	761 761 719	761 761 719
Adjustments		
Prior year adjustments 50	28 753 333	28 753 333
Restated* Balance at 01 July 2021 as restated*	790 515 052	790 515 052
Changes in net assets		
Surplus for the year	48 506 394	48 506 394
Total changes	48 506 394	48 506 394
Balance at 30 June 2022	839 021 446	839 021 446
Note(s)		

* See Note 50

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Audited Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxation		39 876 272	42 712 129
Service charges		60 381 452	47 189 948
Grants		180 169 945	149 304 344
Interest income		888 836	341 913
		281 316 505	239 548 334
Payments			
Employee costs		(93 219 490)	(91 801 063)
Suppliers		(100 646 572)	(100 139 801)
		(193 866 062)	(191 940 864)
Net cash flows from operating activities	44	87 450 443	47 607 470
Cash flows from investing activities			
Additions of property, plant and equipment	4	(73 864 147)	(39 119 859)
Cash flows from financing activities			
Movement in other liability		-	(3 480 629)
Finance lease payments		(44 766)	(712 899)
Net cash flows from financing activities		(44 766)	(4 193 528)
Net increase/(decrease) in cash and cash equivalents		13 541 530	4 294 083
Cash and cash equivalents at the beginning of the year		6 731 030	2 436 947
Cash and cash equivalents at the end of the year	13	20 272 560	6 731 030

* See Note 50

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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	52 944 494	(993 548)	51 950 946	44 640 196	(7 310 750)	Please refer below for reasons.
Rental of facilities and equipment	6 701	3 177	9 878	15 425	5 547	Please refer below for reasons.
Interest earned - outstanding debtors	4 438 079	3 486 839	7 924 918	-	(7 924 918)	Please refer below for reasons.
Agency services	3 268 209	-	3 268 209	2 688 698	(579 511)	Please refer below for reasons.
Licences and permits	1 441 000	1 022 000	2 463 000	1 676 910	(786 090)	Please refer below for reasons.
Other income	610 038	754 018	1 364 056	1 012 036	(352 020)	Please refer below for reasons.
Interest earned - external investment	275 314	630 516	905 830	6 812 731	5 906 901	Please refer below for reasons.
Total revenue from exchange transactions	62 983 835	4 903 002	67 886 837	56 845 996	(11 040 841)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	54 589 999	12 882 720	67 472 719	64 165 924	(3 306 795)	Please refer below for reasons.
Licences and Permits (Non-exchange)	-	-	-	16 621	16 621	Please refer below for reasons.
Interest earned - Property rates	-	-	-	7 245 130	7 245 130	Please refer below for reasons.
Transfer revenue						
Government grants & subsidies	101 561 003	-	101 561 003	173 791 521	72 230 518	Please refer below for reasons.
Public contributions and donations	-	-	-	696 680	696 680	Please refer below for reasons.
Fines, Penalties and Forfeits	2 463 157	-	2 463 157	1 466 999	(996 158)	Please refer below for reasons.

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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						
Total revenue from non-exchange transactions	158 614 159	12 882 720	171 496 879	247 382 875	75 885 996	
Total revenue	221 597 994	17 785 722	239 383 716	304 228 871	64 845 155	
Expenditure						
Employee related costs	(88 715 605)	3 126 746	(85 588 859)	(86 053 358)	(464 499)	Please refer below for reasons.
Remuneration of councillors	(7 664 556)	764 650	(6 899 906)	(7 125 130)	(225 224)	Please refer below for reasons.
Depreciation and amortisation	-	(40 451 406)	(40 451 406)	(33 495 476)	6 955 930	Please refer below for reasons.
Finance costs	(4 947 523)	(500 000)	(5 447 523)	(4 663 988)	783 535	Please refer below for reasons.
Debt Impairment	(41 562 494)	(6 612 544)	(48 175 038)	(54 906 263)	(6 731 225)	Please refer below for reasons.
Bulk purchases	(26 544 464)	(1 867 217)	(28 411 681)	(31 576 013)	(3 164 332)	Please refer below for reasons.
Contracted Services	(28 941 093)	847 531	(28 093 562)	(23 164 221)	4 929 341	Please refer below for reasons.
Inventory consumed	-	(11 827 000)	(11 827 000)	-	11 827 000	
General expenses	(26 621 000)	(3 738 000)	(30 359 000)	(19 038 829)	11 320 171	Please refer below for reasons.
Total expenditure	(224 996 735)	(60 257 240)	(285 253 975)	(260 023 278)	25 230 697	
Operating surplus	(3 398 741)	(42 471 518)	(45 870 259)	44 205 593	90 075 852	
Fair value adjustments	-	-	-	743 440	743 440	Please refer below for reasons.
Loss on disposal of assets	-	7 565 977	7 565 977	-	(7 565 977)	Please refer below for reasons.
Impairment loss/ Reversal of impairments	-	-	-	11 760 396	11 760 396	Please refer below for reasons.
Inventories losses/write-downs	-	-	-	(8 203 035)	(8 203 035)	
	-	7 565 977	7 565 977	4 300 801	(3 265 176)	
Surplus before taxation	(3 398 741)	(34 905 541)	(38 304 282)	48 506 394	86 810 676	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(3 398 741)	(34 905 541)	(38 304 282)	48 506 394	86 810 676	

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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	197 511	2 381	199 892	298 731	98 839	Please refer below for reasons.
Other financial assets	6 583 617	6 583 617	13 167 234	-	(13 167 234)	Please refer below for reasons.
Receivables from exchange transactions	99 171 135	(51 189 000)	47 982 135	11 388 801	(36 593 334)	Please refer below for reasons.
Receivables from non-exchange transactions	-	157 027 019	157 027 019	8 821 490	(148 205 529)	Please refer below for reasons.
VAT receivable	-	-	-	7 997 394	7 997 394	Please refer below for reasons.
Call investment deposits	63 613 385	(84 803 434)	(21 190 049)	-	21 190 049	Please refer below for reasons.
Cash and cash equivalents	40 250 841	4 662 726	44 913 567	20 272 553	(24 641 014)	Please refer below for reasons.
	209 816 489	32 283 309	242 099 798	48 778 969	(193 320 829)	
Non-Current Assets						
Investment property	108 538 200	4 479 200	113 017 400	22 609 323	(90 408 077)	Please refer below for reasons.
Property, plant and equipment	742 539 000	(4 468 000)	738 071 000	891 862 911	153 791 911	Please refer below for reasons.
Intangible assets	1 414 996	(2 399 884)	(984 888)	1 466 440	2 451 328	Please refer below for reasons.
Heritage assets	-	-	-	322 483	322 483	
Other financial assets	35 757	-	35 757	-	(35 757)	Please refer below for reasons.
	852 527 953	(2 388 684)	850 139 269	916 261 157	66 121 888	
Total Assets	1 062 344 442	29 894 625	1 092 239 067	965 040 126	(127 198 941)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	60 976 094	8 976 094	69 952 188	66 146 823	(3 805 365)	Please refer below for reasons.
Consumer deposits	77 576	(7 347)	70 229	2 636 677	2 566 448	Please refer below for reasons.

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Audited Annual Financial Statements for the year ended 30 June 2022

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						
Employee benefit obligation	-	-	-	753 861	753 861	Please refer below for reasons.
Unspent conditional grants and receipts	-	-	-	6 603 815	6 603 815	Please refer below for reasons.
Provisions	51 194 372	(43 011 897)	8 182 475	6 422 668	(1 759 807)	Please refer below for reasons.
	112 248 042	(34 043 150)	78 204 892	82 563 844	4 358 952	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	5 112 139	5 112 139	Please refer below for reasons.
Provisions	5 016 000	16 207 462	21 223 462	38 342 697	17 119 235	Please refer below for reasons.
	5 016 000	16 207 462	21 223 462	43 454 836	22 231 374	
Total Liabilities	117 264 042	(17 835 688)	99 428 354	126 018 680	26 590 326	
Net Assets	945 080 400	47 730 313	992 810 713	839 021 446	(153 789 267)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	945 080 400	47 730 313	992 810 713	839 021 446	(153 789 267)	Please refer below for reasons.

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Audited Annual Financial Statements for the year ended 30 June 2022

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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates taxation	38 213 000	-	38 213 000	39 876 272	1 663 272	Please refer below for reasons.
Service charges	34 413 921	39 028 548	73 442 469	60 381 452	(13 061 017)	Please refer below for reasons.
Grants	169 437 003	127 886 972	297 323 975	180 169 945	(117 154 030)	Please refer below for reasons.
Interest income	-	83 389 614	83 389 614	888 836	(82 500 778)	Please refer below for reasons.
Other receipts	5 572 301	(1 165 887)	4 406 414	-	(4 406 414)	Please refer below for reasons.
	247 636 225	249 139 247	496 775 472	281 316 505	(215 458 967)	
Payments						
Employee costs	(96 380 161)	3 891 396	(92 488 765)	(93 219 490)	(730 725)	Please refer below for reasons.
Suppliers	(80 915 423)	(11 709 493)	(92 624 916)	(100 646 572)	(8 021 656)	Please refer below for reasons.
Finance costs	-	(5 447 523)	(5 447 523)	-	5 447 523	Please refer below for reasons.
	(177 295 584)	(13 265 620)	(190 561 204)	(193 866 062)	(3 304 858)	
Net cash flows from operating activities	70 340 641	235 873 627	306 214 268	87 450 443	(218 763 825)	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	-	(73 864 147)	(73 864 147)	
Cash flows from financing activities						
Finance lease payments	-	-	-	(44 766)	(44 766)	
Net increase/(decrease) in cash and cash equivalents	70 340 641	235 873 627	306 214 268	13 541 530	(292 672 738)	
Cash and cash equivalents at the beginning of the year	-	-	-	6 731 030	6 731 030	
Cash and cash equivalents at the end of the year	70 340 641	235 873 627	306 214 268	20 272 560	(285 941 708)	

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

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						
Category	Reason					
Revenue						
Service Charges	An anticipation of new township establishments gave rise to the projection as it would be assumed that the more township extensions we have, the more households we have, increase in services rendered, billing would also increase as a result.					
Rental of Facilities	The projection was made on the basis that, for the preceding financial period, the municipality had witnessed an increase in the number of occasions held which meant that revenue would have to be increased. The municipality, encountered a decline in terms of hall rentals for the 2022 financial period, thus decrease in the income from rental of facilities.					
Other Income	This relates to revenue received from sources which are not within the control of the municipality. The increase was due to increase in connection fees, tender deposits and cemetery fees. All this revenue is not within the control of the municipality, thus it is normally advisable to keep the budget at a minimal.					
Interest earned- external investment	The increase is directly linked to the inclusion of interest on outstanding debtors for exchange transactions which is disclosed separately in the budget.					
Agency services	Due to less vehicle registrations than anticipated during the year under review.					
Licences and permits	Due to the the licensing station was closed for 4 months due to renovations.					
Interest earned - outstanding debtors	Over-estimate of projections for interest on overdue debtors as it forms part of interest projections. The basis used for budgeting of interest earned on debtors was incorrect and this will be corrected in the following financial year. This was due to weak budgeting processes which will be rectified in the next financial year.					
Property rates	Change of MPRA - resulting in government properties being billed on usage and not on standard rate.					
Interest earned - Property rates	The basis used for budgeting of interest earned on debtors was incorrect and this will be corrected in the following financial year. This was due to weak budgeting processes which will be rectified in the next financial year.					
Licences and Permits (Non exchange)	Due to the credit control measures put in place by the municipality, less interest was charged on consumer debtors.					
Government grants & Subsidies	The increase was due to unspent conditional grants at year end whereas the budget never estimated that rollover will be applicable at year end, thus differences noted.					
Public contributions and donations	The line item was not budgeted for as no public contributions or donations were anticipated by the municipality. contributions or donations were anticipated by the municipality. The amount disclosed were identified through the process of AFS preparation, thus the material difference identified. There was PPE infrastructure capitalised as funded by government and included as part of public contributions and donations.					
Fines, Penalties and Forfeits	Fewer fines issued this year due to lack of speed traffic equipment as DOT took back equipment loaned to SRVM.					
Expenditure						

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

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						
Employee related costs					The following reasons attributed mainly to the decrease in personnel costs: '- the projections on the budget had accounted for vacant positions which were filled during the financial year - Appointments of employees, contracts of employees	
Remuneration of Councillors					The budget was based on an inflation increase in the remuneration of councillors, however, no increase was received by means of determination of upper limits, thus a saving in the actual remuneration of councillors.	
Depreciation and amortization					The line item was under budgeted. Furthermore, depreciation is calculated at the end of the year and various corrections were made on PPE thus the under budget for the depreciation.	
Finance costs					The variance is mainly due to the increasing Eskom debt, and Department of Water Affairs accounts and outstanding balances, amongst others.	
Debt impairment					The line item incorrectly budgeted, thus the increase. The municipality anticipated that more debt would be written off due to increase in non-payments by the consumers. The municipality introduced incentive schemes to encourage consumers to pay their accounts, thus less debt was written as the municipality opted for the incentive scheme to encourage consumers to settle their accounts.	
Bulk Purchases					The budget for bulk purchases was not in line with the actual spent. The budget was not correctly accounted for as it was under budgeted. This was due to weak budgeting processes which will be rectified in the next financial year.	
Contracted Services					Cashflow management and procurement delays resulted in projects not being implemented hence the difference noted.	
General Expenses					The municipality implemented cost cutting measures during the year as the cash flow position of the municipality is still in a dire situation which resulted in an underspending for the year.	
Operating Deficit						
Loss on disposal of assets and liabilities					No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year.	
Fair value adjustments					No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year.	
Actuarial gains / losses					No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year.	
Reversal of impairments (Impairment loss)					The line item was not budgeted for. This was due to weak budgeting processes which will be rectified in the next financial year.	
Statement of Financial Position						
Current Assets						
Inventory					There were more stock on hand in comparison with the budgeted figure as less stock items used and water stock were appropriately accounted for.	
Other financial assets					The line item was not budgeted for. This was due to weak budgeting processes which will be rectified in the next financial year.	

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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						
Call Investment Deposits					The line was incorrectly budget for. The budget figure is a negative balance, thus the material difference noted with the actual balance as per AFS. This was due to weak budgeting processes which will be rectified in the next financial year.	
Receivables from exchange transactions					The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was due to weak budgeting processes which will be rectified in the next financial year.	
Receivables from non exchange transactions					The municipal debtors book is dominated mainly by exchange transactions, thus, this could have been as a result of misjudgement in projecting.	
Vat Receivables					Insufficient provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year.	
Cash and Cash Equivalents					The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was due to weak budgeting processes which will be rectified in the next financial year.	
Non-Current Assets						
Investment Property					The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was due to weak budgeting processes which will be rectified in the next financial year.	
Property, plant and equipment					The increase can be attributed to the following factors: '- when the budget was set, the municipality did not project accurately the changes to the PPE which include additions to PPE. - the changes to the PPE were identified by the AFS consultants, thus the changes identified by the consultants were not factored in during the budget process.	
Intangible assets					The municipality anticipated to acquire software upgrades to the financial system of the municipality. Due to the financial constraints, the municipality was unable to fulfil the planned acquisition.	
Other financial assets					The line item was not budgeted for. This was due to weak budgeting processes which will be rectified in the next financial year.	
Heritage Assets					No provision was made in the Annual budget for heritage assets. The line item was not budgeted for. This was an error from the budget department. This was due to weak budgeting processes which will be rectified in the next financial year.	
Current Liabilities						
Payables from Exchange transactions					The budget was not accurately set. Incorrect base for the budget was used. The municipality is currently experiencing serious financial constraints and are not able to pay creditors impacting creditors to materially increase and significant amounts of interest charged. Furthermore, the municipality has been struggling with debt collection, thus were not able to settle their creditors.	
Consumer deposits					The difference is attributed to the new deposits for new connections in the current year. The movement is within the budget is it is not far off.	

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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						
Unspent conditional grants and receipts						The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants.
Employee Benefit obligation						Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior year amounts.
Provisions						The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was also due to weak budget processes which will be rectified in the next following year.
Non-Current Liabilities						
Employee benefit obligation						Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.
Provisions						The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This was also due to weak budget processes which will be rectified in the next following year.
Accumulated surplus						Accumulated surplus is only performed at year end, thus the movement was unknown during the budget process.
Cash flows from operating activities						
Property rates taxation						There were collection on the area accounts. Debt collect was prioritised in the year under review.
Service charges						More customers payment agreements entered into with the customers. Debt collect was prioritised in the year under review.
Grants						Numerically error in the B Schedule
Interest income						Numerically error in the B Schedule
Other receipts						Due COVID there was an increase in collections as more customers coming from different towns to make use of services at the municipality.
Employee costs						Appointments of positions that were not originally included in the budget.
Suppliers						Unauthorised expenditure as a result of poor planning.
Finance costs						Timely payment due to fixed commitments with suppliers.
Purchase of property, plant and equipment						Budget schedule failed to populate figures correctly.
Finance lease payments						Budget schedule failed to populate figures correctly.
Net increase/(decrease) in cash and cash equivalents						Inaccurate budgeting for cashflow resulted in higher than expected movement of cash and cash equivalents.

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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.

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 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.

Revenue recognition

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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.

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Critical judgements, estimates and assumptions (continued)

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.

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 16 - Provisions.

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Critical judgements, estimates and assumptions (continued)

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.

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 60.

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 Statement of Comparison of Budget and Actual Amounts.

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Critical judgements, estimates and assumptions (continued)

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..

1.4 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.

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.

Sundays River Valley Municipality

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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.

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).

1.5 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.

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Audited Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the 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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

1.6 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.

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Accounting Policies

1.6 Intangible assets (continued)

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.

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.

1.7 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.

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Accounting Policies

1.8 Financial instruments

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

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.

Classification

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

Class	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
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.

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1.8 Financial instruments (continued)

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.
- 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.

1.9 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

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Accounting Policies

1.9 Statutory receivables (continued)

- 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

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.

1.10 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).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.11 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.

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Accounting Policies

1.11 Leases (continued)

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

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.

1.12 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.

1.13 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).

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1.13 Impairment of cash-generating assets (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.

1.14 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised,
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

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.

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Accounting Policies

1.16 Employee benefits

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

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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 municipality 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 municipality 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 municipality provides post-employment benefits for one or more employees.

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

Post-employment benefits: Defined contribution plans

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

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

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

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1.16 Employee benefits (continued)

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

Post-employment benefits: Defined benefit plans

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

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

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

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measures the resulting asset at the lower of:

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

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

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

The municipality 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 municipality 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:

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1.16 Employee benefits (continued)

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

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

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.

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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 1.13 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.

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1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

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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.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

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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.

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1.23 Comparative information

Where necessary, comparative information have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification is disclosed.

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

1.24 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).

1.25 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).

1.26 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).

1.27 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).

Reportable segments are the actual segments which are reported on in the segment report. Refer to note 59 on Segment reporting for more information.

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Accounting Policies

1.27 Segment reporting information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Considering all above the entity defined segment reporting as the link between the organisational structure and defined votes, as per the latest budget policy, as the level of segment reporting. Expenditure (operational and capital), revenue and performance management reports is prepared in this manner.

1.28 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 2021/07/01 to 2022/06/30.

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.

1.29 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.

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Accounting Policies

1.30 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.

1.31 Contingent assets and contingent liabilities

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in note 47 to the Annual Financial Statements.

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2022

2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	30 June 2022	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	30 June 2022	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Not expected to impact results but may result in additional disclosure

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 25 (as revised): Employee Benefits	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 108: Statutory Receivables	30 June 2022	Unlikely there will be a material impact

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3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	175 248 700	(152 639 377)	22 609 323	174 505 260	(152 639 377)	21 865 883
Total	175 248 700	(152 639 377)	22 609 323	174 505 260	(152 639 377)	21 865 883

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	21 865 883	743 440	22 609 323
	21 865 883	743 440	22 609 323

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	20 924 290	941 593	21 865 883
	20 924 290	941 593	21 865 883

Fair value of investment properties	743 440	941 593
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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.

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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Thursday, 30 June 2022. Revaluations were performed by an independent valuer, West Rand Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

The fair value of investment property was calculated as follows:

2022

As recommend by GRAP 16.45 An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Thus a professional valuator was appointed to value the cost of land per square meter according to the location, region and recent sales history.

All valuation was done as per the available report of the professional valuator. And in cases were necessary the the 2019 valuation roll fair value was applied and indicated by the register

All SG parcels were considered, and after ownership was tested and applied, the rate per square meter was assigned to determine the 2022 fair value for each property.

The HPI (house price indicase) for 2022 had a positive growth of 3.4%.

Valuation was conducted per property at 30 June 2022 by a profesional valuator.

Impairment:

In 2020 properties where control was deemed to be lost in terms of IGRAP 18 was impaired.

The municipality inspected each property to determine if the property is vacant as per the initial assumption of the valuator or is now occupied. In total R 152 639 377.42 properties was impaired as control could not be confirmed. The fact that control is lost does not constitute in a disposal of the property, as the correct legal process was not followed.

Until the legal process has been formalised, or the property is vacated due to any reason, these properties will be acounted for but impaired.

No Fair value adjustment was applied to impaired properties

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4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	22 898 664	-	22 898 664	22 898 664	-	22 898 664
Buildings	83 393 520	(42 049 675)	41 343 845	83 058 992	(40 099 885)	42 959 107
Plant and machinery	637 476	(544 465)	93 011	612 528	(529 558)	82 970
Furniture and fixtures	6 566 365	(5 695 784)	870 581	5 887 576	(4 926 927)	960 649
Motor vehicles	8 600 295	(1 969 808)	6 630 487	2 471 508	(1 654 324)	817 184
IT equipment	6 177 156	(5 285 116)	892 040	5 920 091	(5 001 228)	918 863
Roads & Stormwater network	296 942 162	(106 238 639)	190 703 523	295 236 958	(102 102 980)	193 133 978
Community	64 523 219	(35 447 217)	29 076 002	64 523 219	(34 022 607)	30 500 612
Electricity network	101 609 675	(24 716 986)	76 892 689	49 185 757	(22 329 685)	26 856 072
Landfill Site Asset	30 241 923	(8 226 850)	22 015 073	30 447 843	(7 305 956)	23 141 887
Wastewater network	322 455 954	(96 075 697)	226 380 257	306 378 295	(91 269 817)	215 108 478
Water network	264 473 862	(83 762 852)	180 711 010	264 452 362	(79 755 664)	184 696 698
Work-in-Progress	93 355 729	-	93 355 729	96 477 680	-	96 477 680
Total	1 301 876 000	(410 013 089)	891 862 911	1 227 551 473	(388 998 631)	838 552 842

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	22 898 664	-	-	-	-	-	-	22 898 664
Buildings	42 959 107	-	243 981	-	(2 400 785)	-	541 542	41 343 845
Machinery and equipment	82 970	24 947	-	-	(18 287)	-	3 381	93 011
Furniture and office equipment	960 649	103 037	-	-	(264 663)	-	71 558	870 581
Transport assets	817 184	6 128 787	-	-	(431 381)	-	115 897	6 630 487
Computer equipment	918 863	257 065	-	-	(429 513)	-	145 625	892 040
Roads & Stormwater network	193 133 978	-	1 705 204	-	(11 163 729)	-	7 028 070	190 703 523
Community	30 500 612	-	-	-	(2 020 204)	-	595 594	29 076 002
Electricity network	26 856 072	-	52 423 918	-	(1 439 979)	(1 294 746)	347 424	76 892 689
Landfill Site Asset	23 141 887	-	-	(205 920)	(920 894)	-	-	22 015 073
Wastewater network	215 108 478	263 696	15 813 963	-	(6 642 352)	(60 071)	1 896 543	226 380 257
Water network	184 696 698	21 500	-	-	(6 376 770)	-	2 369 582	180 711 010
Work-in-Progress	96 477 680	67 065 115	(70 187 066)	-	-	-	-	93 355 729
	838 552 842	73 864 147	-	(205 920)	(32 108 557)	(1 354 817)	13 115 216	891 862 911

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	22 898 664	-	-	-	-	-	-	-	22 898 664
Buildings	44 649 795	-	334 528	-	-	(2 403 639)	(31 707)	410 130	42 959 107
Machinery and equipment	79 567	27 108	-	-	-	(18 690)	(10 409)	5 394	82 970
Furniture and office equipment	1 140 910	18 927	-	-	-	(266 579)	(4 462)	71 853	960 649
Transport assets	500 905	630 435	-	-	-	(189 855)	(171 307)	47 006	817 184
Computer equipment	917 280	418 816	-	-	-	(468 065)	(142 303)	193 135	918 863
Roads & Stormwater network	124 163 017	-	90 885 711	-	-	(9 638 787)	(14 682 202)	2 406 239	193 133 978
Community	31 836 071	-	-	203 931	-	(2 004 090)	(64 517)	529 217	30 500 612
Electricity network	27 818 486	-	-	-	-	(1 346 385)	-	383 971	26 856 072
Landfill Site Asset	23 514 538	-	-	-	532 148	(904 799)	-	-	23 141 887
Wastewater network	187 340 374	-	33 925 790	-	-	(6 062 257)	(2 166 242)	2 070 813	215 108 478
Water network	167 208 726	23 608	21 988 194	-	-	(6 114 977)	(373 219)	1 964 366	184 696 698
Work-in-Progress	205 847 704	37 968 130	-	(147 338 154)	-	-	-	-	96 477 680
	837 916 037	39 087 024	147 134 223	(147 134 223)	532 148	(29 418 123)	(17 646 368)	8 082 124	838 552 842

Pledged as security

No assets were pledged as security during the financial year.

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4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Wastewater Network	13 142 248	9 282 356
Roads	40 844 565	25 783 736
Community	6 542 559	652 882
Buildings	79 824	79 824
Electricity	17 435 802	51 959 456
Water Network	15 310 731	8 719 426
	93 355 729	96 477 680

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Upgrading of Gravel Roads Project4 - Emsengeni - Phase 1	23 003 202	23 003 202
The inability of the municipality to settle outstanding amounts due to the contractor.		
Upgrading of Addo Waste Water Treatment Works - Phase 3	902 501	902 501
Contractor abandoned the project and project is still ongoing. New contractor still has to be appointed to complete the work.		
Fencing for Kirkwood, Sunland & Paterson	79 824	79 824
Ongoing dispute between the municipality and the contractor.		
	23 985 527	23 985 527

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	96 477 680	96 477 680
Additions/capital expenditure	67 065 115	67 065 115
Transferred to completed items	(70 187 066)	(70 187 066)
	93 355 729	93 355 729

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	205 847 704	205 847 704
Additions/capital expenditure	37 968 130	37 968 130
Transferred to completed items	(147 338 154)	(147 338 154)
	96 477 680	96 477 680

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	67 429	50 600
Electricity Network	200 737	623 123
Computer Equipment	-	900 000
Motor vehicles	400 805	354 700
Wastewater Network	709 842	660 903
Water Network	139 749	544 624
Unspecified assets	33 541	576 769
	1 552 103	3 710 719

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.

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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8 176 325	(6 709 885)	1 466 440	8 176 325	(5 322 965)	2 853 360
Total	8 176 325	(6 709 885)	1 466 440	8 176 325	(5 322 965)	2 853 360

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	2 853 360	(1 386 920)	1 466 440
	2 853 360	(1 386 920)	1 466 440

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Impairment reversal	Total
Computer software, other	4 375 823	(1 720 832)	198 369	2 853 360
	4 375 823	(1 720 832)	198 369	2 853 360

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6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70 975	-	70 975	70 975	-	70 975
Historical buildings	251 508	-	251 508	251 508	-	251 508
Total	322 483	-	322 483	322 483	-	322 483

Reconciliation of heritage assets 2022

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

Reconciliation of heritage assets 2021

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

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7. Employee benefit obligations

Defined benefit plan

It is the policy of the municipality to provide retirement benefits to all its employees who elect to participate in the different available schemes. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. The majority of employees belong to three benefit retirement funds. One fund is administered by the Provincial Pension Fund. These benefit funds are multi-employer funds and as such they are treated as contribution plans in terms of exemption included in GRAP 25.

The last actuarial valuation was dated 30 June 2022.

Post retirement medical aid plan

NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years assumptions shown for comparison, are summarised below:

Assumption	30 June 2022	30 June 2021
Discount Rate (D)	11.50 %	9.06 %
Consumer price inflation (CPI)	6.87 %	6.87 %
Health care cost inflation (H = 1.50% + CPI)	8.37 %	6.26 %
Net discount rate $((1+D)/(1+H)-1)$	2.89 %	2.64 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 5.80 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 11.50% per annum, and the yield on the inflation-linked bonds of a similar term was about 2.82% per annum, implying an underlying expectation of inflation of 6.71% per annum $([1 + 11.50\% - 0.5\%] / [1 + 3.86\%] - 1)$.

A healthcare cost inflation rate of 8.21% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

All post-employment subsidies are subject to a maximum of R 5,007 as at 1 July 2022. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	Continuation Pensioners 30 June 2022	Continuation Pensioners 30 June 2021
Age difference between spouses	Exact ages	Exact ages
Proportion married	Actual marital status	Actual marital status
Mortality	PA (90) - 1 with a 1% mortality improvement p.a from 2010	PA (90) - 1 with a 1% mortality improvement p.a from 2010

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7. Employee benefit obligations (continued)

POST EMPLOYMENT MEDICAL SUBSIDY:

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Sundays River Valley is committed to pay subsidies broadly as follows:

In-service members are not eligible to receive the post employment medical subsidy.

All continuation members and their eligible dependants receive a 60% subsidy. As at the valuation date none of the continuation pensioners had a spouse.

All post-employment subsidies are subject to a maximum of R 5,007 as at 1 July 2022. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

Long service award liability

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

Table below describes the benefits awarded.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	4.0%	$(5 / 250 + 2\%) \times$ annual earnings
10	7.0%	$(10 / 250 + 3\%) \times$ annual earnings
15	10.0%	$(15 / 250 + 4\%) \times$ annual earnings
20	11.0%	$(15 / 250 + 5\%) \times$ annual earnings
25, 30, 35, 40, 45	12.0%	$(15 / 250 + 6\%) \times$ annual earnings

Notes to above Table:

-Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Phumelela advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

-The amount of the gift is assumed to stay level, consistent with the assumption at the previous valuation.

VALUATION ASSUMPTIONS:

NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	2022/06/30	2021/06/30
Discount Rate	10.02 %	9.13 %
CPI	6.65 %	4.77 %
Salary increase rate	7.65 %	5.77 %
Net discount rate	2.20 %	3.18 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

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7. Employee benefit obligations (continued)

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 5.44 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 10.02% per annum, and the yield on inflation-linked bonds of a similar term was about 2.60% per annum. This implies an underlying expectation of inflation of 6.56% per annum $([1 + 9.83\% - 0.5\%] / [1 + 2.60\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 7.65% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.20% per annum $([1 + 10.02\%] / [1 + 7.65\%] - 1)$.

PROMOTIONAL SALARY INCREASE RATES

In addition to the normal salary inflation rate, we have assumed promotional salary increases consistent with the prior actuary. The rates are reflected in the table below:

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 44	0.0%

DEMOGRAPHIC AND DECUREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	2021/06/30	2020/06/30
Normal retirement age (years)	65	65
Average retirement age (years)	62	62
Mortality	SA85-90	SA85-90

The average retirement age for all active employees was assumed to be 62 years to implicitly allow for ill-health and early retirements

The following withdrawal assumptions were applicable over the prior and current valuation periods

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	0.09	0.09
25	0.08	0.08
30	0.06	0.06
35	0.05	0.05
40	0.05	0.05
45	0.04	0.04
50	0.03	0.03
55+	-	-

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Figures in Rand	2022	2021
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 - Post employment benefit plan	(4 148 00)	(3 998 000)
Present value of the defined benefit obligation - Long service awards	(1 718 000)	(1 909 000)
	(5 866 000)	(5 907 000)
Non-current liabilities	(5 112 139)	(5 016 000)
Current liabilities	(753 861)	(891 000)
	(5 866 000)	(5 907 000)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(5 907 000)	(5 532 000)
Actuarial gains	501 000	(126 000)
Net expense recognised in the statement of financial performance	(460 000)	(249 000)
	(5 866 000)	(5 907 000)
Net expense recognised in the statement of financial performance		
Current service cost	(571 000)	(472 000)
Interest cost	(499 000)	(399 000)
Benefits paid	610 000	622 000
	(460 000)	(249 000)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Long service awards	329 000	(295 000)
Actuarial (gains) losses – Post employment benefit plan	172 000	169 000
	501 000	(126 000)

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7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.05	9.06 %
Health care cost inflation rate	8.37 %	6.26 %

Sensitivity Analysis for Post Employment benefit plan:

	1% decrease R's	2022/06/30 Valuation basis R's	1% increase R's
Medical inflation rate			
Employer's accrued liability	1 574 000.00	1 718 000.00	1 883 000.00
Employer's service cost	-	-	-
Employer's interest cost	173 000.00	190 000.00	208 000.00
Discount Rate			
Employer's accrued liability	1 871 000.00	1 718 000.00	1 587 000.00
Employer's service cost (year following)	-	-	-
Employer's interest cost (year following)	189 000.00	190 000.00	189 000.00

As per the table above, a 1% increase in the medical inflation rate results in a 9.60% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 8.38% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 7.63% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 8.91% increase in the accrued liability.

PEMA Liability Reconciliation:

Opening Accrued Liability	(1 909 000)	(2 137 000)
-Current-service Cost	-	-
-Interest Cost	(165 000)	(174 000)
-Contributions (benefits paid)	184 000	233 000
Total Annual Expense	19 000	59 000
-Actuarial Loss / (Gain)	172 000	169 000
Closing Accrued Liability	(1 718 000)	(1 909 000)

LSA Liability Reconciliation:

Opening Accrued Liability	(3 998 000)	(3 395 000)
-Current-service Cost	(571 000)	(472 000)
-Interest Cost	(334 000)	(225 000)
-Contributions (benefits paid)	426 000	389 000
Total Annual Expense	(479 000)	(308 000)
-Actuarial Loss / (Gain)	329 000	(295 000)
Closing Accrued Liability	(4 148 000)	(3 998 000)

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7. Employee benefit obligations (continued)

Other disclosures

Summary of the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	(5 866 000)	(5 907 000)	(5 532 000)	(5 310 948)	(5 062 054)
Plan assets	-	-	-	-	-
Surplus (deficit)	5 866 000	5 907 000	5 532 000	5 310 948	5 062 054

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Accrued liability	(1 718 000)	(1 909 000)	(2 137 000)	(2 254 644)	(2 330 474)
Surplus / (deficit)	1 718 000	1 909 000	2 137 000	2 254 644	2 330 474

Summary of the experience adjustments for the current period and the previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2022 R	2021 R	2020 R	2019 R	2018 R
Liabilities: (Gain) / Loss	172 000	169 000	86 113	5 450	956 729

LSA Disclosure: Summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

	2022 R	2021 R	2020 R	2019 R	2018 R
Accrued liability	(4 148 000)	(3 998 000)	(3 395 000)	(3 056 304)	(2 731 580)
Surplus / (deficit)	4 148 000	3 998 000	3 395 000	3 056 304	2 731 580

Summary of the experience adjustments for the current and previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred

	2022 R	2021 R	2020 R	2019 R	2018 R
Liabilities: (Gain) / Loss	329 000	(295 000)	40 928	241 258	94 732

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8. Inventories		
Consumable stores	126 559	166 294
Water for distribution	172 172	106 089
	298 731	272 383

Water for distribution

Opening balance	106 089	24 748
Sold	66 083	81 341
Closing balance	172 172	106 089

9. Receivables from exchange transactions

Accrued Revenue	2 012 928	3 010 239
Consumer debtors - Electricity	4 805 102	8 530 778
Consumer debtors - Water	2 479 960	5 154 479
Consumer debtors - Waste water	129 732	1 044 715
Consumer debtors - Refuse	557 573	1 939 102
Consumer debtors - Other	1 403 506	2 222 001
	11 388 801	21 901 314

Trade and other receivables pledged as security

No consumer debtors were pledged as security.

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

Trade and other receivables	11 388 801	21 901 314
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Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 839 936 (2021: R (23 337 512)) were impaired and provided for.

The amount of the provision was R (101 673 886) as of 30 June 2022 (2021: R (102 513 822)).

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10. Receivables from non-exchange transactions		
Fines	333 758	333 757
Government grants and subsidies	657 997	657 997
Other receivables:MVR employee shortages	367 728	367 728
Other receivables	56 829	42 254
Prepayments	151 468	163 027
Other debtors: Property rates	7 253 710	3 863 131
	8 821 490	5 427 894
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Gross balance: Property rates	83 880 028	52 328 626
Gross balance: Fines	6 052 088	4 766 700
Allowance for impairment: Property rates	(76 626 318)	(48 465 495)
Allowance for impairment: Fines	(5 718 330)	(4 432 943)
Grants	657 997	657 997
	8 245 465	4 854 885
Financial asset receivables included in receivables from non-exchange transactions above	576 025	573 009
Total receivables from non-exchange transactions	8 821 490	5 427 894

Statutory receivables general information

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R(29 446 210) (2021: R(19 668 685)) were impaired and provided for.

The amount of the provision was R(82 344 648) as of 30 June 2022 (2021: R(52 898 438)).

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. VAT receivable

VAT	7 997 394	1 736 971
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Figures in Rand	2022	2021
12. Consumer debtors		
Gross balances		
Consumer debtors - Rates	83 880 028	52 328 626
Consumer debtors - Electricity	15 786 398	20 259 571
Consumer debtors - Water	47 021 128	50 560 847
Consumer debtors - Waste water	10 501 317	12 058 917
Consumer debtors - Refuse	23 420 320	23 723 545
Consumer debtors - Other	14 320 596	14 802 017
	194 929 787	173 733 523
Less: Allowance for impairment		
Consumer debtors - Rates	(76 626 318)	(48 465 495)
Consumer debtors - Electricity	(10 981 296)	(11 728 793)
Consumer debtors - Water	(44 541 168)	(45 406 368)
Consumer debtors - Waste water	(10 371 585)	(11 014 202)
Consumer debtors - Refuse	(22 862 747)	(21 784 443)
Consumer debtors - Other	(12 917 090)	(12 580 016)
	(178 300 204)	(150 979 317)
Net balance		
Consumer debtors - Rates	7 253 710	3 863 131
Consumer debtors - Electricity	4 805 102	8 530 778
Consumer debtors - Water	2 479 960	5 154 479
Consumer debtors - Waste water	129 732	1 044 715
Consumer debtors - Refuse	557 573	1 939 102
Consumer debtors - Other	1 403 506	2 222 001
	16 629 583	22 754 206
Rates		
Current (0 -30 days)	3 248 207	177 925
31 - 60 days	1 676 125	522 279
61 - 90 days	1 519 256	829 747
91 - 120 days	1 144 555	(95 545)
121 - 150 days	2 252 995	(190 225)
> 151 days & interest	74 038 889	51 084 445
Impairment for bad debts	(76 626 317)	(48 465 495)
	7 253 710	3 863 131
Electricity		
Current (0 -30 days)	1 324 811	2 063 964
31 - 60 days	168 297	330 300
61 - 90 days	87 989	565 170
91 - 120 days	18 184	(262 359)
121 - 150 days	34 730	200 398
> 151 days & interest	14 152 387	17 362 098
Impairment for bad debts	(10 981 296)	(11 728 793)
	4 805 102	8 530 778

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12. Consumer debtors (continued)		
Water		
Current (0 -30 days)	964 668	883 354
31 - 60 days	932 937	714 278
61 - 90 days	908 554	815 416
91 - 120 days	433 665	708 192
121 - 150 days	788 275	528 026
> 151 days & interest	42 993 029	46 911 581
Impairment for bad debts	(44 541 168)	(45 406 368)
	2 479 960	5 154 479
Waste water		
Current (0 -30 days)	213 114	215 161
31 - 60 days	205 493	125 479
61 - 90 days	203 376	230 873
91 - 120 days	149 171	167 705
121 - 150 days	197 844	224 195
> 151 days & interest	9 532 319	11 095 504
Impairment for bad debts	(10 371 585)	(11 014 202)
	129 732	1 044 715
Refuse		
Current (0 -30 days)	476 561	433 387
31 - 60 days	446 732	360 344
61 - 90 days	442 000	389 056
91 - 120 days	238 867	373 514
121 - 150 days	428 680	420 860
> 151 days & interest	21 387 480	21 746 384
Impairment for bad debts	(22 862 747)	(21 784 443)
	557 573	1 939 102
Other		
Current (0 -30 days)	-	(45 388)
31 - 60 days	42	741 585
61 - 90 days	-	347 133
91 - 120 days	-	331 694
121 - 150 days	-	336 366
> 151 days & interest	14 320 554	13 090 627
Impairment for bad debts	(12 917 090)	(12 580 016)
	1 403 506	2 222 001
Reconciliation of allowance for impairment		
Balance at beginning of the year	(150 979 317)	(112 406 064)
Contributions to allowance	(53 919 416)	(38 996 125)
Debt impairment written off against allowance	26 598 529	422 872
	(178 300 204)	(150 979 317)

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13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	11	11
Bank balances	1 616 366	4 583 228
Short-term deposits	18 656 176	2 147 791
	20 272 553	6 731 030

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
B+	20 272 543	6 731 019
	20 272 543	6 731 019

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
FNB BANK - Primary Account - 620-254-90856	1 085 425	4 404 965	1 165 443	1 083 100	4 287 001	1 156 439
FNB BANK - MVR Account - 626-987-54134	503 408	292 600	68 070	513 244	292 600	68 070
FNB BANK - Traffic Fines Account - 626-987-50009	24 280	3 627	3 586	24 280	3 627	3 586
FNB BANK - MIG Account - 620-812-28621	24 203	1 000	1 422	24 203	1 000	1 422
FNB BANK - FMG Account - 621-494-57708	11 479 648	1 000	2 000	11 479 648	1 000	2 000
FNB BANK - Integrated Zoning Account - 621-614-89086	3 613 135	1 417 304	3 000	3 613 135	1 417 304	3 000
FNB BANK - Town Planning Account - 621-789-42580	36 505	36 505	1 071	36 505	36 505	1 072
FNB BANK - INEP Account - 620-275-90589	913 518	1 000	150 508	913 518	1 000	150 508
FNB BANK - Salary Account - 620-849-69694	8 982	688 982	5 839	8 982	688 982	5 839
FNB BANK - EPWP Account - 623-874-75009	342 039	1 000	1 000	342 039	1 000	1 000
FNB BANK - Disaster Recovery Account - 623-940-71204	2 238 147	1 000	1 044 000	2 238 147	1 000	1 044 000
Total	20 269 290	6 848 983	2 445 939	20 276 801	6 731 019	2 436 936

14. Finance lease obligation

Minimum lease payments due

- within one year	-	46 430
	-	46 430
less: future finance charges	-	(1 664)
Present value of minimum lease payments	-	44 766

Present value of minimum lease payments due

- within one year	-	44 766
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15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 656 832	-
Small Town Revitalisation Grant	1 651 357	35 433
Expanded Public Works Programme Integrated Grant	5 308	13 666
Roads Infrastructure Grant	176 291	176 291
Local Government Financial Management Grant	2 672	-
Water Services Infrastructure Grant	2 238 147	-
Disaster Grant	-	1
Environmental District Grant	873 208	-
	6 603 815	225 391
Movement during the year		
Balance at the beginning of the year	225 391	3 751 506
Additions during the year	88 403 027	47 241 418
Income recognition during the year	(82 024 603)	(50 767 533)
	6 603 815	225 391

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.

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16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in provision	Finance Cost	Total
Environmental rehabilitation	42 571 862	(205 920)	2 399 423	44 765 365
	42 571 862	(205 920)	2 399 423	44 765 365

Reconciliation of provisions - 2021

	Opening Balance	Change in provision	Finance Cost	Total
Environmental rehabilitation	39 757 862	532 148	2 281 852	42 571 862
	39 757 862	532 148	2 281 852	42 571 862

Non-current liabilities			38 342 697	38 548 617
Current liabilities			6 422 668	4 023 245
			44 765 365	42 571 862

Environmental rehabilitation provision

Sundays Rivers Valley Local Municipality consists of three (3) towns (Kirkwood, Paterson and Sunland). Kirkwood, Paterson and Sunland are located in an area of agricultural significance and Kirkwood is the central business district of Sundays Rivers Valley Local Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Key assumptions used:

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2022 was 11.64% p.a.. The consumer price inflation of 7.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Discount rate (D) 11.64%
Consumer price inflation (C) 7.40%
Net discount rate 3.94%

Kirkwood Landfill Site:

The landfill site is situated approximately 630 meters from Moses Madiba. Moses Madiba is a township near Kirkwood. Kirkwood is a town in Eastern Cape, and it is situated on the banks of Sundays River. The Kirkwood landfill site is responsible for accommodating the solid waste of Kirkwood, Bontrug, Enon and Barsheba. The total population of the mentioned towns accumulates to 17 486 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

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16. Provisions (continued)

The site is accessed by a gravel road which is then linked to Moses Madiba township and its coordinates are 33.4011927°S 25.5013271°E. The estimated total footprint of the item is approximately 73 300 m² and the fully utilized area is approximately 22 900 m². A total 36 200 m² is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 35 797.09 m³.

The remaining life is calculated at 12 years, up to 2034 based on the annual population growth and available air space.

Paterson Landfill site:

The landfill site is situated approximately 85 meters from Paterson town. Paterson is a town in Eastern Cape, and it is situated approximately 80 km from Alexandria. The Paterson landfill site is responsible for accommodating the solid waste of Kirkwood, Bontrug, Enon and Barsheba. The total population of the mentioned towns accumulates to 17 486 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which is then linked to Moses Madiba township and its coordinates are 33.4011927°S 25.5013271°E. The estimated total footprint of the item is approximately 73 300 m² and the fully utilized area is approximately 22 900 m². A total 36 200 m² is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 35 797.09 m³.

The remaining life is calculated at 18 years, up to 2040 based on the annual population growth and available air space.

Sunland Landfill site:

The landfill site is situated approximately 12 km from Addo town. Sunland stretches from Addo in the south to Kirkwood that lies northwest of Sunland. The Sunland landfill site is responsible for accommodating the solid waste of Addo and Nomathamsanqa. The total population of the mentioned towns accumulates to 19 862 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by an asphalt road and its coordinates are 33°28'31" S 25°37'21" E. The estimated total footprint of the item is approximately 171 600 m² and the fully utilized area is approximately 17 100 m². A total 14 801.04 m² is partially utilized leaving room for further utilization. The total cubes of fill within the partially utilized area is 7 457.57 m³.

The remaining life is calculated at 41 years, up to 2063 based on the annual population growth and available air space.

17. Payables from exchange transactions

13th Cheque accrual	2 323 508	2 189 998
Accrued leave pay	6 562 631	6 420 307
Accrued salary expense	1 100 022	4 396 398
Motor Registration	204 855	-
Other payables	110 495	142 995
Payments received in advance	3 132 578	4 974 127
Retention	9 621 951	8 697 664
Trade payables	43 009 492	29 994 161
Unknown deposits	81 291	950 412
	66 146 823	57 766 062

18. Consumer deposits

Consumer deposits	2 636 677	2 634 027
	2 636 677	2 634 027

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Figures in Rand	2022	2021
19. Revenue		
Service charges	44 640 196	41 429 762
Rental of facilities and equipment	15 425	2 990
Agency services	2 688 698	2 934 161
Licences and permits	1 676 910	1 272 582
Other income	1 012 036	1 522 514
Interest received - investment	6 812 731	2 997 699
Property rates	64 165 924	50 984 884
Licences and Permits (Non-exchange)	16 621	6 688
Interest, Dividends and Rent on Land	7 245 130	1 886 659
Government grants & subsidies	173 791 521	152 830 459
Public contributions and donations	696 680	5 636 235
Fines, Penalties and Forfeits	1 466 999	2 695 602
	304 228 871	264 200 235

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

Service charges	44 640 196	41 429 762
Rental of facilities and equipment	15 425	2 990
Agency services	2 688 698	2 934 161
Licences and permits	1 676 910	1 272 582
Other income - (rollup)	1 012 036	1 522 514
Interest received - investment	6 812 731	2 997 699
	56 845 996	50 159 708

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	64 165 924	50 984 884
Licences or permits	16 621	6 688
Interest, Dividends and Rent on Land	7 245 130	1 886 659

Transfer revenue

Government grants & subsidies	173 791 521	152 830 459
Public contributions and donations	696 680	5 636 235
Fines, Penalties and Forfeits	1 466 999	2 695 602
	247 382 875	214 040 527

20. Service charges

Sale of electricity	25 792 226	23 620 254
Sale of water	10 627 484	11 846 861
Sewerage and sanitation charges	2 752 154	1 840 381
Refuse removal	5 468 332	4 122 266
	44 640 196	41 429 762

21. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	15 425	2 990
	15 425	2 990

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Figures in Rand	2022	2021
22. Fines, Penalties and Forfeits		
Court Traffic Fines	178 301	-
Illegal Connections Fines	-	12 623
Law Enforcement Fines	1 288 388	2 682 979
Overdue Books Fines	310	-
	1 466 999	2 695 602
23. Agency services		
Vehicle Registration	2 688 698	2 934 161
	2 688 698	2 934 161
24. Licences and permits		
Licences and permits	1 676 910	1 272 582
	1 676 910	1 272 582
25. Licences and permits		
Trading	16 621	6 688
	16 621	6 688
26. Lease rentals on operating lease		
Lease rentals on operating lease		
Contractual amounts	-	399 812
	-	399 812
27. Interest earned - Property Rates		
Interest - Property Rates	7 245 130	1 886 659
	7 245 130	1 886 659
28. Other income		
Valuation and clearance certificates	7 549	3 519
Tender documents	17 022	18 261
Staff recoveries	28 544	1 089 921
Photocopies	4 722	770
Insurance refunds	245 588	-
Valuation Services	-	515
Commission received	120 739	127 713
Prepaid meter sales	189 106	26 087
Cemetery and Burial	117 943	97 664
Building Plans Approval	280 823	158 064
	1 012 036	1 522 514

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Figures in Rand	2022	2021
29. Interest earned		
Interest revenue		
Bank	888 836	341 913
Interest charged on trade and other receivables from exchange	5 923 895	2 655 786
	6 812 731	2 997 699
30. Property rates		
Rates received		
Property rates	64 165 924	50 984 884
Valuations		
Public benefit organisations	25 449 000	25 449 000
Commercial	413 926 000	413 926 000
Municipal	399 131 000	399 131 000
Industrial	157 126 000	157 126 000
Public service infrastructure	24 125 000	24 125 000
Residential	668 850 000	668 850 000
Small holdings and farms	6 378 935 000	6 378 935 000
State owned	672 286 000	672 286 000
	8 739 828 000	8 739 828 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

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Figures in Rand	2022	2021
31. Government grants & subsidies		
Operating grants		
Equitable share	90 418 000	99 923 000
LGSETA Grant	148 918	112 527
Environmental Services Grant	-	827 398
Local Government Financial Management Grant	2 997 328	3 000 000
Expanded Public Works Programme Integrated Grant	1 245 359	986 334
Department of Economic Development, Environmental Affairs and Tourism Grant	2 605 000	-
Library Subsidy	1 200 000	1 200 000
Municipal Disaster Relief Grant	-	1 043 000
	98 614 605	107 092 259
Capital grants		
Municipal Infrastructure Grant	33 219 168	25 152 000
Small Town Revitalisation Grant	2 115 895	9 907 683
Energy Efficiency Demand Side Management Grant	3 000 000	-
Roads Infrastructure Grant	-	678 517
Water Services Infrastructure Grant	12 761 853	10 000 000
Integrated National Electrification Programme	16 500 000	-
Drought Relief Fund Grant	7 580 000	-
	75 176 916	45 738 200
	173 791 521	152 830 459
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	79 419 603	50 767 534
Unconditional grants received	94 371 918	102 062 925
	173 791 521	152 830 459
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 2022 financial year.		
Municipal Infrastructure Grant		
Current-year receipts	34 876 000	25 152 000
Conditions met - transferred to revenue	(33 219 168)	(25 152 000)
	1 656 832	-
Conditions still to be met - remain liabilities (see note 15).		
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	35 433	2 532 214
Current-year receipts	3 731 819	7 410 902
Conditions met - transferred to revenue	(2 115 895)	(9 907 683)
	1 651 357	35 433

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31. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

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.

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	13 666	-
Current-year receipts	1 237 000	1 000 000
Conditions met - transferred to revenue	(1 245 358)	(986 334)
	5 308	13 666

Conditions still to be met - remain liabilities (see note 15).

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	176 291
	176 291	176 291

Conditions still to be met - remain liabilities (see note 15).

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.

Local Government Financial Management Grant

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(2 997 328)	(3 000 000)
	2 672	-

Conditions still to be met - remain liabilities (see note 15).

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.

Water Services Infrastructure Grant

Current-year receipts	15 000 000	10 000 000
Conditions met - transferred to revenue	(12 761 853)	(10 000 000)
	2 238 147	-

Conditions still to be met - remain liabilities (see note 15).

The Water Services Infrastructure Grant are allocated to municipalities and focuses on the provision of secondary bulk either as a new or augmentation, source development such as boreholes, spring protection, refurbishment, water conservation and water demand management as well as on site sanitation.

LGSETA Grant

Current-year receipts	148 918	112 527
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Figures in Rand	2022	2021
31. Government grants & subsidies (continued)		
Conditions met - transferred to revenue	(148 918)	(112 527)
	-	-
Drought Relief Fund Grant		
Current-year receipts	7 580 000	-
Conditions met - transferred to revenue	(7 580 000)	-
	-	-
Integrated National Electrification Programme Grant		
Current-year receipts	16 500 000	-
Conditions met - transferred to revenue	(16 500 000)	-
	-	-
Department of Transport - Roads Grant		
Current-year receipts	-	678 517
Conditions met - transferred to revenue	-	(678 517)
	-	-
Disaster Relief Grant		
Balance unspent at beginning of year	1	1 043 001
Current-year receipts	-	(1 043 000)
Conditions met - transferred to revenue	(1)	-
	-	1
Environmental Services Subsidy		
Current-year receipts	-	827 398
Conditions met - transferred to revenue	-	(827 398)
	-	-
Library Subsidy		
Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	-	-
Energy Efficiency Demand Side Management Grant		
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-
Department of Economic Development, Environmental Affairs and Tourism Grant		
Current-year receipts	2 605 000	-
Conditions met - transferred to revenue	(2 605 000)	-
	-	-

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Figures in Rand	2022	2021
31. Government grants & subsidies (continued)		
Environmental District Grant		
Current-year receipts	873 208	-
Conditions still to be met - remain liabilities (see note 15).		
32. Public contributions and donations		
Donations received	696 680	636 235
CoGTA assistance	-	5 000 000
	696 680	5 636 235

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Figures in Rand	2022	2021
33. Employee related costs		
Basic	53 536 227	51 007 528
Bonus	4 643 512	4 156 768
Medical aid - company contributions	3 841 213	3 705 453
UIF	518 575	457 991
SDL	655 127	573 115
Other payroll levies	30 302	27 958
Leave pay provision charge	142 323	923 680
Defined contribution plans	(540 000)	649 560
Overtime payments	2 135 826	2 914 855
Acting allowances	435 201	1 063 092
Car allowance	4 635 793	4 284 196
Housing benefits and allowances	469 197	331 756
Pension	9 327 373	8 281 782
Cellular and telephone	558 514	556 966
Daily Allowance	12 300	-
Standby Allowance	610 018	538 386
Other Allowance	42 436	-
	81 053 937	79 473 086

Remuneration of Municipal Manager - S Fadi

Annual Remuneration	745 500	744 040
Car Allowance	180 000	180 000
Performance Bonuses	-	24 000
Contributions to UIF, Medical and Pension Funds	15 504	1 932
Cellphone Allowance	24 327	27 816
Housing Allowance	216 000	216 000
Rural Allowance	45 660	-
Back Pay	150 000	45 348
	1 376 991	1 239 136

Remuneration of Chief Financial Officer - J Krapohl

Annual Remuneration	666 307	489 205
Car Allowance	180 000	75 000
Performance Bonuses	-	16 000
Contributions to UIF, Medical and Pension Funds	10 931	1 089
Cellphone Allowance	24 000	22 440
Rural Allowance	33 852	22 568
	915 090	626 302

Remuneration of Director Community Services - N.A. Mbongwe

Annual Remuneration	305 454	-
Car Allowance	120 000	-
Contributions to UIF, Medical and Pension Funds	5 939	-
Cellphone Allowance	12 000	-
Housing Allowance	69 018	-
	512 411	-

Remuneration of Director Corporate Services - A.P. Kondile

Annual Remuneration	818 327	238 381
Car Allowance	150 000	48 000

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Figures in Rand	2022	2021
33. Employee related costs (continued)		
Performance Bonuses	-	40 000
Contributions to UIF, Medical and Pension Funds	13 088	634
Cellphone Allowance	24 000	23 929
Other	22 055	8 000
Housing Allowance	113 604	12 807
	1 141 074	371 751

Remuneration of Director Corporate Services - MR T Machelesi

Annual Remuneration	-	545 131
Car Allowance	-	220 000
Performance Bonuses	-	22 000
Contributions to UIF, Medical and Pension Funds	-	1 745
Leave Pay	-	45 647
Housing Allowance	-	132 000
Rural Allowance	-	35 638
Acting Allowance	-	9 149
	-	1 011 310

Remuneration of Director Infrastructure Planning Development - X.W. Mntonintshi

Annual Remuneration	858 428	873 472
Car Allowance	120 000	110 000
Performance Bonuses	-	24 000
Contributions to UIF, Medical and Pension Funds	12 290	1 932
Cellphone Allowance	24 000	-
Rural Allowance	39 137	38 862
	1 053 855	1 048 266

34. Remuneration of councillors

Mayor	859 191	945 533
Mayoral Committee Members	1 672 125	2 156 179
Speaker	695 866	763 647
Councillors	3 897 948	4 540 851
	7 125 130	8 406 210

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	32 108 557	29 418 123
Intangible assets	1 386 919	1 720 832
	33 495 476	31 138 955

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Figures in Rand	2022	2021
36. Impairment loss (reversal of impairments)		
Impairments loss		
Property, plant and equipment	1 354 817	17 668 794
	1 354 817	17 668 794
Reversal of impairments		
Property, plant and equipment	(13 115 213)	(8 071 713)
Intangible assets	-	(198 369)
	(13 115 213)	(8 270 082)
Total impairment losses (recognised) reversed	(11 760 396)	9 398 712
37. Finance costs		
Interest Cost - Landfill site provision & Employee benefits	2 898 423	2 274 782
Finance leases	-	15 872
Interest on overdue accounts	1 765 565	1 674 105
	4 663 988	3 964 759
38. Debt impairment		
Debt impairment	28 307 734	22 072 731
Bad debts written off	26 598 529	422 872
	54 906 263	22 495 603
39. Bulk purchases		
Electricity - Eskom	29 423 456	25 175 241
Water	2 152 557	2 659 008
	31 576 013	27 834 249
Electricity losses		
Units purchased	16 252 538	16 418 538
Units sold	(12 909 370)	(13 325 969)
Total loss	3 343 168	3 092 569
Percentage Loss: Technical losses	21 %	19 %

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39. Bulk purchases (continued)

Water losses

Units purchased	7 164 478	8 295 418
Units sold	(1 091 382)	(1 381 434)
Total	6 073 096	6 913 984

Percentage Loss:

Technical losses	85 %	83 %
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Distribution losses - Electricity

Electricity losses for the financial year is 21%. The Rand value for the losses in the current financial year at R1.64/kWH is R 5 485 202.75. (2021: R 4 360 522.81)

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 85%. The Rand value of the losses in the current year at R1.99/kl is R 12 085 461.04. (2021: R 13 343 989.12)

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	8 097 728	6 820 631
Illegal Dumping	190 356	201 362
Meter Management	121 616	13 630
Personnel and Labour	3 915 335	953 671
Refuse Removal	3 035	-
Traffic Fines Management	6 527	6 649
Drivers Licence Cards	406 455	292 774
Water Takers	1 274 088	2 753 825

Consultants and Professional Services

Business and Advisory	1 193 062	377 820
Laboratory Services	-	101 490
Legal Cost	787 324	2 343 644

Contractors

Catering Services	152 781	51 428
Maintenance of Buildings and Facilities	219 128	335 317
Maintenance of Equipment	21 162	54 199
Maintenance of Unspecified Assets	2 111 291	2 936 523
Maintenance of Motor Vehicles	-	146 507
Maintenance of Water Infrastructure	-	161 587
Maintenance of Waste Infrastructure	-	427 127
Maintenance of Electricity Infrastructure	-	1 490 953
Transportation	129 048	19 500
Safeguard and Security	4 292 383	3 087 616
Maintenance of Waste Water Infrastructure	242 902	1 005 246

23 164 221 23 581 499

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Figures in Rand	2022	2021
41. General expenses		
Advertising	458 154	417 938
Auditors remuneration	3 135 469	2 040 767
Bank charges	564 118	1 241 711
Chemicals	1 603 030	1 935 420
Commission paid	-	484 780
Communications Promotions	-	173 830
Consumables	767 912	3 860 796
Electricity and Water Costs	1 446 025	2 304 753
Entertainment	4 582	-
Fuel and oil	1 105 835	34 608
Grants Expenditure	710 319	137 339
Hire	789 268	587 855
IT expenses	3 061 617	3 778 351
Insurance	1 063 021	1 103 946
Motor Vehicle Expenses	84 931	106 207
Postage, Rail and Telephone	3 201 183	2 736 650
Printing and stationery	262 143	210 410
Protective clothing	426 573	82 593
Samples and Specimens	4 563	171 852
Subscriptions and membership fees	-	16 612
Training	21 000	173 653
Travel and Subsistence	329 086	303 378
	19 038 829	21 903 449
42. Fair value adjustments		
Investment property (Fair value model)	743 440	941 593
	743 440	941 593
43. Auditors' remuneration		
Fees	3 135 469	2 040 767
	3 135 469	2 040 767

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44. Cash generated from operations		
Surplus	48 506 394	28 723 877
Adjustments for:		
Depreciation and amortisation	33 495 476	31 138 955
Fair value adjustments	(743 440)	(941 593)
Finance costs - Finance leases	-	15 872
Impairment	(11 760 396)	9 398 712
Debt impairment	54 906 263	22 495 603
Movements in retirement benefit assets and liabilities	(41 000)	375 000
Movements in provisions	2 193 503	2 814 000
Landfill site movement	205 920	(532 148)
Changes in working capital:		
Inventories	(26 348)	(52 050)
Receivables from exchange transactions	10 512 513	(5 578 250)
Consumer debtors	(54 906 263)	(22 495 603)
Other receivables from non-exchange transactions	(3 393 596)	4 996 576
Payables from exchange transactions	8 380 766	(18 172 887)
VAT	(6 260 423)	(1 055 131)
Unspent conditional grants and receipts	6 378 424	(3 526 115)
Consumer deposits	2 650	2 652
	87 450 443	47 607 470

45. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	11 388 801	11 388 801
Receivables from non-exchange transactions	8 821 490	8 821 490
Cash and cash equivalents	20 272 553	20 272 553
	40 482 844	40 482 844

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	66 146 823	66 146 823
Payables from non-exchange transactions	6 603 815	6 603 815
Consumer deposits	2 636 677	2 636 677
	75 387 315	75 387 315

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	21 901 314	21 901 314
Receivables from non-exchange transactions	5 427 894	5 427 894
Cash and cash equivalents	6 731 030	6 731 030
	34 060 238	34 060 238

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Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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45. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	57 766 062	57 766 062
Payables from non-exchange transactions	225 391	225 391
Consumer deposits	2 634 027	2 634 027
	60 625 480	60 625 480

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	79 674 522	60 469 305
	79 674 522	60 469 305

Total capital commitments

Already contracted for but not provided for	79 674 522	60 469 305
	79 674 522	60 469 305

This committed expenditure relates to various projects and will be financed by available bank facilities, unspent grants, existing cash resources, funds internally generated, etc.

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2022

2021

47. Contingencies

The following cases have been reported but not yet confirmed.

Name of entity/subsidiary	Management's description of matter (including current status, amount claimed and legal counsel's reference if known)	Management's estimate of the financial exposure (including costs and disbursements) 2022	Management's estimate of the financial exposure (including costs and disbursements) 2021	Legal counsel's remarks / Status
Ncume Labour Consulting	Disciplinary hearing of 2 employees.	154 060	-	No remarks
McWilliams & Elliott Incorporated	Sundays River Valley Municipality received a warrant of execution for the sale of the municipality's motorvehicles on 09 May 2022 to satisfy an amount of R 762,717.38 owed to Profusion Protection Services ("PPS"), according to an order made by judge in default on 14 June 2021.	962 717	-	The matter is currently active, however, it is imperative that client comply with the remainder of the court order.
Joubert Galpin Searle	Claim for R1,997,548.1 by Bartopart PTY LTD	2 097 548	-	The application will need to be dealt with a degree of urgency and substantially
Joubert Galpin Searle	Claim for R9,710,304.22 by Zama Zondo Construction.	9 960 304	-	The application will need to be dealt with a degree of urgency and substantially
Pumeza Bono	Court cases relating to prior appointed attorneys.	-	129 568	The litigation is pending and will not be resolved at year end. No trial date has been allocated
Pumeza Bono	Court cases relating to prior appointed attorneys.	-	277 071	Contesting the process followed in the CFO position - Uncertain but judgement is for 12/02/22.
Pumeza Bono	Court cases relating to prior appointed attorneys.	-	73 714	Disciplinary matter on the suspension of the MM - Accounting officer re-instated.
Pumeza Bono	Court cases relating to prior appointed attorneys.	-	130 935	Awaiting judgement
Nomzamo Stock Farmers Association vs SRVLM	Damages incurred in their property during excavation of municipal land	-	1 500 000	No remarks

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47. Contingencies (continued)

Jongosizwe Family Trust vs SRVLM	Claim for sewerage spill on their property resulting in loss of vegetation and profit thereof	-	9 000 000	No remarks
Zama Zondo Construction Services	Claim on standing time and damages to work-in-progress as a result the municipality's inability to settle outstanding financial transaction on previous work performed	-	12 000 000	No remarks
Qamasande Trading (Pty) Ltd	Alleged cancellation of a contract	-	30 000 000	No remarks
Thando Tsobo	Awaiting high court decision as petition has been filed	-	250 000	No remarks
Department of water and sanitation	Sueing for non-payment of invoices relating to water usage	-	5 000 000	No remarks
S Mfana and Others	Eviction	-	100 000	No remarks
SANPARKS and Others	Review application against Municipality	-	150 000	No remarks
David Konzani	The litigation is pending and will not be resolved at year end. No trial date has been allocated.	-	200 000	No remarks
		13 174 629	58 811 288	

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48. Related parties

Relationships

Accounting Officers

Councillors

Members of key management

Close family member of key management

Joint venture of key management

Associate of close family member of key management

Members of key management

Refer to accounting officers' report note

Refer to note 34

Refer to note 33

There were no transactions between close family members of key management

None

None

Mr J Krapohl - Chief Financial Officer

Mr X.W Mntonitshi - Director Infrastructure and Planning

Mr N.A. Mbongwe - Director Community Services

Mr A.P. Kondile - Director Corporate 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
Mayoral Committee Members	Good Governance structure	9
Mayor	Political Head	1
Councillors	Political Oversight Leadership	16
Municipal Managers	Administration Head	1

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48. Related parties (continued)

Remuneration of management

Management class: Executive management

2022

Name	Basic salary	Contributions and Other Allowances	Allowances	Total
Remuneration of Municipal Manager - S Fadi	895 500	15 504	465 987	1 376 991
Remuneration of Chief Financial Officer - J Krapohl	666 307	10 931	237 852	915 090
Remuneration of Director Community Services - N.A. Mbongwe	305 454	5 939	201 018	512 411
Remuneration of Director Corporate Services - A.P. Kondile	818 327	35 143	287 604	1 141 074
Remuneration of Director Infrastructure Planning Development - X.W. Mntonintshi	858 428	12 290	183 137	1 053 855
	3 544 016	79 807	1 375 598	4 999 421

2021

Name	Basic salary	Contributions and Other Allowances	Allowances	Total
Remuneration of Municipal Manager - S Fadi	813 388	1 932	423 816	1 239 136
Remuneration of Chief Financial Officer - J Krapohl	489 205	1 089	136 008	626 302
Remuneration of Director Infrastructure Planning Development - X.W. Mntonintshi	897 472	1 932	148 862	1 048 266
Remuneration of Director Corporate Services - A.P. Kondile	278 381	634	92 736	371 751
Remuneration of Director Corporate Services - MR T Machelesi	576 280	1 745	433 285	1 011 310
	3 054 726	7 332	1 234 707	4 296 765

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48. Related parties (continued)

Management class: Councillors

2022

Name	Basic salary	Contributions to Medical, Pension Funds, Skills and UIF	Travel Allowance	Housing Allowance	Cellphone Allowance	Total
Mayor - Bixa N G	306 784	3 101	-	-	15 809	325 694
Speaker - Rune S	221 430	2 564	-	-	15 809	239 803
Cllr. Adams F	230 090	2 459	24 000	-	15 809	272 358
Cllr. Baka L E	97 088	1 129	-	-	15 809	114 026
Cllr. Blowu TH	97 088	1 129	-	-	15 809	114 026
Cllr. Bosman M	97 088	1 129	-	-	15 809	114 026
Cllr. Dancey A	97 088	1 129	-	-	15 809	114 026
Cllr. Erasmus L	97 088	1 129	-	-	15 809	114 026
Cllr. Jack N	210 090	2 331	14 000	6 000	15 809	248 230
Cllr. Kausele N	97 088	979	-	-	15 809	113 876
Cllr. Kebe MW	124 594	1 404	-	-	15 809	141 807
Cllr. Ndawo A	97 088	1 129	-	-	15 809	114 026
Cllr. Nodonti S	69 088	947	16 000	12 000	15 809	113 844
Cllr. Payi M	73 088	1 104	12 000	12 000	15 809	114 001
Cllr. Smith K	230 090	2 459	-	-	15 809	248 358
Cllr. Tom Z	97 088	1 129	-	-	15 809	114 026
Ward committee members	264 000	2 640	-	-	-	266 640
Mayor - Rune SH	502 168	5 429	-	-	25 900	533 497
Speaker - Nodonti SC	401 735	4 079	-	-	26 250	432 064
Cllr. Baka LE	202 235	2 470	-	-	29 900	234 605
Cllr. Baxana NR	158 918	1 997	-	-	25 900	186 815
Cllr. Bosman M	158 918	1 997	-	-	25 900	186 815
Cllr. Daries B	158 918	1 997	-	-	26 485	187 400
Cllr. Dyantyi B	158 918	2 002	-	-	25 900	186 820
Cllr. Hendricks HS	158 918	1 997	-	-	26 485	187 400

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48. Related parties (continued)

Cllr.Jagers H	158 918	2 002	-	-	26 485	187 405
Cllr. Jonas XJ	158 918	2 002	-	-	25 900	186 820
Cllr. Langbooi N	158 918	1 997	-	-	25 900	186 815
Cllr. Ncambele PN	264 472	3 052	-	-	25 900	293 424
Cllr. Ndawo AM	158 918	1 997	-	-	25 900	186 815
Cllr. Payi SC	276 627	3 949	50 000	50 000	25 900	406 476
Cllr. Qusheka Z	158 918	1 997	-	-	25 900	186 815
Cllr. Smith K	376 627	4 174	-	-	25 900	406 701
Ward committee members	65 000	650	-	-	-	65 650
	6 184 002	71 679	116 000	80 000	673 449	7 125 130

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48. Related parties (continued)

2021

Name	Basic salary	Contributions to Medical, Pension Funds, Skills and UIF	Travel Allowance	Housing Allowance	Cellphone Allowance	Total
Mayor - Bixa N G	799 216	7 167	94 752	-	44 400	945 535
Speaker - Rune S	640 971	6 276	72 000	-	44 400	763 647
Cllr. Adams F	668 407	6 019	-	-	44 400	718 826
Cllr. Baka L E	282 039	2 754	-	-	44 400	329 193
Cllr. Blowu TH	282 039	2 754	-	-	44 400	329 193
Cllr. Bosman M	282 913	2 640	-	-	44 400	329 953
Cllr. Dancey A	282 039	2 754	-	-	44 400	329 193
Cllr. Erasmus L	282 913	2 640	-	-	44 400	329 953
Cllr. Jack N	606 626	5 702	42 000	18 000	44 400	716 728
Cllr. Kausele N	310 809	2 565	-	-	44 400	357 774
Cllr. Kebe MW	357 464	3 384	-	-	44 400	405 248
Cllr. Ndawo A	282 913	2 640	-	-	44 400	329 953
Cllr. Nodonti S	198 913	2 260	48 000	36 000	44 400	329 573
Cllr. Payi M	210 043	2 694	36 000	36 000	44 400	329 137
Cllr. Smith K	670 481	5 750	-	-	44 400	720 631
Cllr. Tom Z	282 913	2 640	-	-	44 400	329 953
Ward committee members	805 000	6 720	-	-	-	811 720
	7 245 699	67 359	292 752	90 000	710 400	8 406 210

Refer to note "Remuneration of councillors"

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.

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48. Related parties (continued)

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

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 Property, plant and equipment were revised on 30 June 2022. Adjustments to the 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 live of the asset. The effect of this revision has increased the depreciation charges for the current and future periods by R 1 129 606

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50. 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

2021

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		36 243 218	(14 341 904)	21 901 314
Inventories		197 512	74 871	272 383
Receivables from non-exchange transactions		28 331 028	(22 903 134)	5 427 894
VAT receivable		-	1 736 971	1 736 971
Investment property		108 538 200	(86 672 317)	21 865 883
Property, plant and equipment		693 993 922	144 558 920	838 552 842
Intangible assets		2 614 996	238 364	2 853 360
Payables from exchange transactions		55 435 424	2 330 638	57 766 062
Consumer deposits		77 576	2 556 451	2 634 027
Unspent conditional grants and receipts		211 725	13 666	225 391
VAT payable		5 420 805	(5 420 805)	-
Provisions CL		-	4 023 245	4 023 245
Provisions NCL		48 113 374	(9 564 757)	38 548 617
Accumulated surplus		761 761 719	28 753 333	790 515 052
		1 740 939 499	45 383 542	1 786 323 041

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Service charges		46 154 673	(4 724 911)	41 429 762
Property rates		66 133 470	(15 148 586)	50 984 884
Taxation revenue - Interest		1 925 014	(38 355)	1 886 659
Government grants & subsidies		154 523 545	(1 693 086)	152 830 459
Employee related costs		(84 137 700)	367 849	(83 769 851)
Remuneration of councillors		(7 297 772)	(1 108 438)	(8 406 210)
Depreciation and amortisation		(28 420 184)	(2 718 771)	(31 138 955)
Finance costs		(5 094 238)	1 129 479	(3 964 759)
Debt Impairment		(26 307 572)	3 811 969	(22 495 603)
Bulk purchases		(28 565 989)	(2 825 996)	(31 391 985)
Contracted services		(22 393 660)	(1 187 839)	(23 581 499)
General expenditure		(28 457 352)	6 553 903	(21 903 449)
Fair value adjustments		(1 760 000)	2 701 593	941 593
Reversal of impairments (Impairment loss)		(1 997 466)	(7 401 246)	(9 398 712)
Loss on disposal of assets		(5 805 977)	5 832 391	26 414
Surplus for the year		28 498 792	(16 450 044)	12 048 748

Cash flow statement

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50. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Property rates taxation		-	41 910 173	41 910 173
Service charges		71 025 708	(3 616 859)	67 408 849
Grants		150 772 039	(1 467 695)	149 304 344
Interest income		341 913	2 655 786	2 997 699
Employee costs		(91 435 472)	(365 591)	(91 801 063)
Suppliers		(90 688 736)	(27 020 422)	(117 709 158)
Finance costs		(1 683 837)	(2 280 921)	(3 964 758)
		38 331 615	9 814 471	48 146 086
Cash flow from investing activities				
Purchase of property, plant and equipment		(39 079 440)	(594 909)	(39 674 349)

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50. Prior-year adjustments (continued)

Errors

The following prior period errors were identified and corrected during the year:

1. Investment Property:

During the verification of Investment properties occupancy testing was performed and all properties identified where the municipality are no longer the custodian have been disposed accordingly. Detailed reconciliation was performed on the remaining properties, and it was identified that the impairments calculation for the prior year was incorrectly calculated. All impairment calculations were reperformed and corrected accordingly.

Investment property	Accumulated Surplus/(Deficit)	89 373 910.84
	Investment property	-86 672 317.83
	Fair value adjustments	-2 701 593.01

2. Provisions:

Detailed analysis was performed on all landfill sites using 3D modelling imaging to accurately determine the actual waste per landfill site. The remaining useful life was then recalculated to accommodate the new calculations based on the 3D modelling performed. The provision was restated accordingly.

Provisions	Accumulated Surplus/(Deficit)	-1 695 910.29
	Provisions NCL	9 564 756.96
	Provisions CL	-4 023 245.00
	Property, plant and equipment	1 259 718.33
	Finance costs	-5 105 320.00

3. Intangible assets:

During verification/reconciliation of PPE certain assets were identified to be impaired, disposed and/or useful life calculation not correctly applied. | Additional assets that was identified during verification were correctly accounted for. Asset useful lives were reassessed during this period and where errors were identified corrections were made in line with the verification information obtained from the asset verification process that were done during the year.

Intangible assets	Accumulated Surplus/(Deficit)	289 057.54
	Depreciation and amortisation	-329 052.07
	Intangible assets	238 363.35
	Reversal of impairments (Impairment los	-198 368.82

4. Property, plant and equipment:

During verification/reconciliation of PPE certain assets were identified to be impaired, disposed and/or useful life calculation not correctly applied. | Additional assets that was identified during verification were correctly accounted for. Asset useful lives were reassessed during this period and where errors were identified corrections were made in line with the verification information obtained from the asset verification process that were done during the year. | Work in Progress was reconstructed to ensure all transactions were correctly accounted for, projects that were completed were transferred out and capitalised accordingly.

Property, plant and equipment	Accumulated Surplus/(Deficit)	-151 155 120.68
	Property, plant and equipment	143 299 202.70
	Finance costs	3 985 573.11
	Depreciation and amortisation	3 047 824.26
	Reversal of impairments (Impairment los	7 599 613.05
	Loss on disposal of assets	-5 832 391.05
	Contracted services	-11 128.33

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50. Prior-year adjustments (continued)

Payables from exchange transactions	-986 418.67
VAT payable	52 845.61

5. Unspent conditional grants and receipts:

Detailed reconciliation performed for conditional and unconditional grants for the prior periods, overspending identified that was raised as receivables were corrected accordingly.

Unspent conditional grants and receipts	Government grants & subsidies	1 693 086.54
	Unspent conditional grants and receipts	-13 666.23
	Receivables from non-exchange transac	-1 679 420.31

6. Employee related costs:

Reconciliation of employee costs to align with payroll reports for 2021 FY. | Reconciliation of remuneration of councillors to align with payroll reports for 2021 FY

Employee related costs	Payables from exchange transactions	-100 114.00
	Remuneration of councillors	1 041 078.00
	Employee related costs	-940 964.00

7. Payables from exchange transactions:

During the reconciliation of Creditors differences was identified between statements and the creditors listing for Trade creditors, Trade creditors have been reconciled back to the statements and Trace creditors have been restated accordingly. Department of Water and Sanitation was reconciled, Transactions relating to the prior year that was invoiced in the current year was correctly allocated to the previous financial year. Retentions in conjunction with WIP was reconstructed to ensure that we disclose the correct amounts withheld from the contractors.

Payables from exchange transactions	Accumulated Surplus/(Deficit)	3 036 169.54
	Finance costs	1 454.37
	Contracted services	1 198 966.67
	Payables from exchange transactions	-1 393 066.30
	VAT payable	180 222.18
	General Expenses	-4 719.18
	Bulk purchases	-3 019 027.28

8. Receivables from exchange transactions:

Detailed debors reconciliation was performed an all transactions to ensure all transactions was correctly accounted for alignment between general ledger and subledger was performed, Age analysis was recalculated. Prior year provisions was reversed and accounted for accordingly.

Receivables from exchange transactions	Accumulated Surplus/(Deficit)	8 911 745.42
	Receivables from exchange transactions	-14 341 905.35
	Payables from exchange transactions	148 529.67
	VAT payable	6 924 707.93
	Service charges	4 724 910.62
	Taxation revenue - Interest	-
	Debt Impairment	-3 811 969.77
	Consumer deposits	-2 556 451.30

9. Receivables from non-exchange transactions:

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50. Prior-year adjustments (continued)

Detailed debors reconciliation was performed on all transactions to ensure all transactions were correctly accounted for. Alignment between general ledger and subledger was performed, Age analysis was recalculated. Prior year provisions were reversed and accounted for accordingly.

Receivables from non-exchange transactions	Property rates	15 148 586.93
	Taxation revenue - Interest	38 354.53
	Receivables from non-exchange transactions	-21 223 713.18
	Accumulated Surplus/(Deficit)	6 036 771.72

10. Bulk purchases:

Department of Water and Sanitation was reconciled, Transactions relating to the prior year that were invoiced in the current year were correctly allocated to the previous financial year.

Bulk purchases	Finance costs	-11 187.04
	General Expenses	-482 839.21
	Bulk purchases	494 026.25

11. Inventories:

Correction of prior year water inventory calculation due to restatement of prior year bulk purchases.

Inventories	General Expenses	-74 871.06
	Inventories	74 871.06

Change in accounting policy

The following change in accounting policies occurred during the year under review.

The following change in accounting policies occurred:

Change 1

1.17 Commitments:

The policy was aligned to GRAP requirements, management have changed the disclosure to exclude operating commitments to only include capital commitments.

Reason why operating commitments were removed as it does not meet the definition of a commitment, the expense is only known once the transaction occurs and thus is no longer a commitment but rather an expense.

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51. Comparative figures

Certain comparative figures have been reclassified or restated.

The effects of the restatement are as follows:

Commitments have been restated from R47 670 487 to R57 469 305

Related parties - Remuneration of councillors have been restated from R7 297 772 to R8 406 210

Additional disclosure in terms of Municipal Finance Management Act - Councillors' arrear consumer accounts have been restated from R 248 990 to R259 293

Additional disclosure in terms of Municipal Finance Management Act - Supply chain management regulations and deviations from supply chain regulations:

1. Sole Supplier changed from R1 636 965 to R2 179 662 due to reclassification of expenses.
2. Exceptional Case changed from R2 179 662 to R1 636 965 due to reclassification of expenses.

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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, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2022				
Trade and other payables	66 146 823	-	-	-
At 30 June 2021				
Trade and other payables	57 766 062	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2022	2021
Receivables from non-exchange transactions	11 388 801	21 901 314
Receivables from exchange transactions	8 821 490	5 427 894
Bank balances	20 272 553	6 731 030

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52. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in market interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Deficit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

Post-tax municipality for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through municipality or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

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53. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated Surplus of R 839 021 446 and that the municipality's total liabilities exceed its assets by R 839 021 446.

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.

The municipality is experiencing some financial difficulties, indicators are as follows:

1. Suppliers are not paid within the legislative 30 days;
2. Employee benefit obligations are unfunded; refer note 7
3. High levels of distribution losses; refer note 39
4. Slow collection and low recoverability of outstanding consumer accounts; and
5. Unfavourable financial ratios.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

54. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

55. Unauthorised expenditure

Opening balance as previously reported	231 128 965	187 413 994
Add: Unauthorised expenditure - current	24 009 668	43 714 971
Closing balance	255 138 633	231 128 965

No write off's of amounts were proposed to council or approved by council for the period under review.

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

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56. Fruitless and wasteful expenditure		
Opening balance as previously reported	13 122 633	9 840 779
Add: Fruitless and wasteful expenditure identified - current	3 302 622	3 019 574
Add : Correction of prior year	-	262 280
Closing balance	16 425 255	13 122 633

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
Audit General SA	117 305	81 385
Crash Motors	-	98
Eskom Holdings	193 465	399 387
Greyvensteins	-	52 342
Lower Sundays River Water User Association	50 856	51 407
Telkom SA	42 954	114 708
Transport - Driving License Card Account	-	505
Water And Sanitation - National	1 202 119	1 165 067
WJ Milne Electrical	-	70
NJ Kerk	-	3 834
SARS	210 624	16 252
Pension And Provident	-	61 063
Sasfin - Copy Machines	1 022	-
WRCON	1 334 324	-
Claims And Litigations	126 727	1 131 577
Employee Cost -Compensation	-	175 000
Advertising Cost	23 226	29 160
	3 302 622	3 281 855

No write off's of amounts were proposed to council or approved by council for the period under review.

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

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57. Irregular expenditure

Opening balance as previously reported	311 203 216	298 211 697
Add: Irregular expenditure - current	21 058 799	29 563 458
Add: Correction of prior period error	-	22 367 623
Less: Amount written off - current	-	(38 939 562)
Closing balance	332 262 015	311 203 216

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
The supplier was directly appointed, without following SCM processes -no specification, evaluation and adjudication of the contract for security services.	4 696 142	4 794 040
Contract expired, however the municipality continued to acquire services from the respective service provider.	742 182	163 460
Service provider appointed without advertising for the period of 7 days	190 194	-
Service provider appointed by the Municipal Manger through a process which is contrary to MFMA SCM Regulation 36.	3 245 021	1 218 891
All SCM processes followed, however there was a deviation on appointment	1 655 957	2 936 049
No contract in place as evidence that proper procurement processes were followed due to the fire incident of September 2014.	4 485 345	11 274 102
Services were extended without following the proper procurement procedures in terms of the SCM Policy and MFMA SCM Regulations.	7 650	-
No SCM processes followed in terms of the SCM Policy and SCM Regulations in appointing the service provider.	1 977 396	22 367 623

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57. Irregular expenditure (continued)		
The service provider was directly appointed by the Municipal Manager long after the Bid appointment process was concluded by the previous Acting Municipal Manager.	2 478 649	-
The bid was advertised for less than 30 days, in excess of R10 million and no deviation memorandum for advertising for such period.	1 551 613	-
Poor planning-The requisition for catering services was sent to the SCM section in the afternoon of the day before the event	13 650	-
Supplier provider appointed withuot 3 quotes	15 000	-
Bid Adjudication Committee which was not properly constituted	-	1 601 540
Service provider was not in good standing with SARS for tax matters	-	413 695
The tender was advertised for less than 14 days without a explanatory deviation	-	7 047 744
The service provider was directly appointed without following official procurement processes in terms of Municipal SCM Policy and MFMA SCM Regulations - exceeding. the R30 000 threshold limit.	-	113 937
	21 058 799	51 931 081

No write off's of amounts were proposed to council or approved by council for the period under review.

Investigations will be conducted in the following financial reporting period to determine whether any amounts are recoverable or not.

Based of the above, no disciplinary steps or criminal proceedings were taken during the reporting period under review.

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58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	2 055 547	1 082 485
Current year subscription / fee	1 019 241	973 062
Amount paid - current year	(609 480)	-
	2 465 308	2 055 547
Audit fees		
Opening balance	1 681 832	4 243 840
Current year subscription / fee	3 723 094	2 431 252
Amount paid - current year	(3 864 761)	(3 993 259)
Amount paid - COGTA Subsidy	-	(1 000 000)
	1 540 165	1 681 833
PAYE and UIF		
Opening balance	1 396 958	809 591
Current year subscription / fee	11 731 284	11 731 284
Amount paid - current year	(13 128 242)	(11 143 917)
	-	1 396 958
Pension and Medical Aid Deductions		
Opening balance	1 678 028	4 187 893
Current year subscription / fee	19 994 699	18 459 851
Amount paid - current year	(21 672 727)	(20 969 716)
	-	1 678 028
VAT		
VAT receivable	7 997 394	1 736 971
	7 997 394	1 736 971

VAT output payables and VAT input receivables are shown in note 11.

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

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

Councillors' arrear consumer accounts

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bosman Johan David	64	-	64
Smith Karen	5 871	-	5 871
Smith Karen	1 264	1 254	2 518
Hendricks Hubert Sebastian Chesney	1 126	19 004	20 130
Mesani Victor Mphithizeli (Cllr Pay)	524	-	524
Langbooi Vivian Novandithini	1 198	11 602	12 800
Baka Tukayi Baka Niniwe (Cllr Baka)	1 440	13 339	14 779
Lwana Nimrod (Cllr Jack)	-	53	53
Mun Sundays River Valley (Cllr Happy Boy)	74	3 349	3 423
Jonas Zulile Nelson (Cllr Ncambele)	713	3 568	4 281
Mun Sundays River Valley (Cllr Nodonti)	499	4 487	4 986
Mun Sundays River Valley	732	30 443	31 175
Botha Lulama Catherine (Cllr Rune)	1 966	18 352	20 318
Dyantyi Vuyiswa Mavis	1 335	10 324	11 659
Baxana Zoleka Dorothy	667	1 795	2 462
	17 473	117 570	135 043

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Adams Frans , Adams Mary	4 935	1 296	6 231
Bosman Johan David	1 585	-	1 585
Smith Karen	37 588	29 270	66 858
Smith Karen	2 749	-	2 749
Nombulelo Grace Hawu	991	3 003	3 994
Mesani Victor Mphithizeli (Cllr Pay)	232	-	232
Lwana Nimrod (Cllr Jack)	-	52	52
Erasmus Gerrit & Laetitia	(136)	-	(136)
Dancey Anthony , Dancey Selina	2 798	59 039	61 837
Mun Sundays River Valley (Cllr Nodonti)	166	76 298	76 464
Mbulelo Welcome Kebe	1 103	5 264	6 367
Mun Sundays River Valley (Hawu)	173	5 681	5 854
Tom Sebenzile Louis (Cllr Tom)	(1 443)	-	(1 443)
Baka Tukayi , Baka Niniwe (Cllr Baka)	2 029	8 677	10 706
Mun Sundays River Valley (Cllr Happy Boy)	170	3 057	3 227
Botha Lulama Catherine (Cllr Rune)	2 651	12 065	14 716
	55 591	203 702	259 293

30 June 2022	Highest outstanding amount	Aging (in days)
Mun Sundays River Valley	28 601	365
Hendricks Hubert Sebastian Chesney	15 667	365
Botha Lulama Catherine (Cllr Rune)	13 568	365
Baka Tukayi Baka Niniwe (Cllr Baka)	9 788	365
Langbooi Vivian Novandithini	8 259	365
Dyantyi Vuyiswa Mavis	7 145	365

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Mun Sundays River Valley (Cllr Nodonti)	3 342	365
Mun Sundays River Valley (Cllr Happy Boy)	2 507	365
Jonas Zulile Nelson (Cllr Ncambele)	388	365
Lwana Nimrod (Cllr Jack)	52	365
Baxana Zoleka Dorothy	31	365
Smith Karen	306	180
	89 654	4 195

30 June 2021	Highest outstanding amount	Aging (in days)
Mun Sundays River Valley (Cllr Nodonti)	76 298	180
Dancey Anthony , Dancey Selina	57 583	180
Smith Karen	15 350	180
Botha Lulama Catherine (Cllr Rune)	10 676	180
Baka Tukayi , Baka Niniwe (Cllr Baka)	7 605	180
Mun Sundays River Valley (Hawu)	5 681	180
Mbulelo Welcome Kebe	4 618	180
Mun Sundays River Valley (Cllr Happy Boy)	3 057	180
Nombulelo Grace Hawu	2 356	180
Lwana Nimrod (Cllr Jack)	52	180
Adams Frans , Adams Mary	1 296	120
	184 572	1 920

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.

Incident

Sole Supplier	1 248 004	2 179 662
Exceptional Case	2 333 015	1 636 965
Emergency Case	350 706	711 525
	3 931 725	4 528 152

Non-compliance with the Municipal Finance Management Act

No matters existed at reporting date.

59. Segment information

General information

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59. Segment information (continued)

Identification of segments

For management purposes, the municipality is organised and operates in five key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

The five key business units comprise of:

- (a) Community services;
- (b) Corporate services;
- (c) Executive and Council
- (d) Finance
- (e) Technical Services

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community Services	Corporate Services	Executive and Council	Finance	Technical Services	Total
Revenue						
Revenue - Agency services	2 688 698	-	-	-	-	2 688 698
Revenue - Municipal - Licences and permits	1 676 910	-	-	-	-	1 676 910
Revenue - Rendering of services	-	1 762 808	-	-	42 877 388	44 640 196
Revenue - Rental of facilities and equipment	821	4 725	-	9 878	-	15 424
Revenue - Taxation revenue	16 621	71 411 054	-	-	-	71 427 675
Revenue - Transfer revenue	4 100 962	43 055 263	8 265 822	12 204 945	108 328 208	175 955 200
Revenue - Interest received - investment	-	874 737	-	-	-	874 737
Revenue - Other income	3 307	424 164	-	114 635	469 929	1 012 035
Revenue - Interest received	-	-	-	-	5 937 994	5 937 994
Total segment revenue	8 487 319	117 532 751	8 265 822	12 329 458	157 613 519	304 228 869
Revenue - Fair value adjustments						743 440
Revenue - Impairments						11 760 397
Total revenue reconciling items						12 503 837
Entity's revenue						316 732 706
Expenditure						
Expenses - Employee costs	28 633 218	11 493 899	14 945 116	13 432 767	24 673 489	93 178 489
Expenses - Finance costs	2 898 423	-	209 935	1 555 629	-	4 663 987
Expenses - General	6 906 443	11 097 310	4 041 204	68 874 939	37 765 434	128 685 330
Expenses - Depreciation and amortisation	2 020 204	3 787 704	-	12 514 136	15 173 433	33 495 477
Total segment expenditure	40 458 288	26 378 913	19 196 255	96 377 471	77 612 356	260 023 283
Total segmental surplus/(deficit)						44 205 586

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	Community Services	Corporate Services	Executive and Council	Finance	Technical Services	Total
59. Segment information (continued)						
Inventories losses/write-downs						(8 203 035)
Total revenue reconciling items						12 503 837
Entity's surplus (deficit) for the period						48 506 388
Assets						
Segment assets	22 783 959	1 466 440	-	72 776 034	868 013 691	965 040 124
Total assets as per Statement of financial Position						965 040 124
Liabilities						
Segment liabilities	-	-	-	126 018 685	-	126 018 685
Total liabilities as per Statement of financial Position						126 018 685

2021

	Community Services	Corporate Services	Executive and Council	Finance	Technical Services	Total
Revenue						
Revenue - Agency services	2 934 161	-	-	-	-	2 934 161
Revenue - Municipal - Licences and permits	1 272 582	-	-	-	-	1 272 582
Revenue - Rendering of services	2 036 277	-	-	(3 819 793)	43 213 279	41 429 763
Revenue - Rental of facilities and equipment	-	-	-	2 990	-	2 990
Revenue - Taxation revenue	6 688	64 834 394	-	(11 962 851)	-	52 878 231
Revenue - Transfer revenue	5 346 613	25 689 276	10 895 408	24 840 564	94 390 435	161 162 296
Revenue - Impairments	-	-	-	(9 398 711)	-	(9 398 711)
Revenue - Interest received	-	589	-	-	2 655 197	2 655 786
Revenue - Interest received - investment	-	316 713	-	25 199	-	341 912
Revenue - Other income	581	1 236 703	-	101 079	184 151	1 522 514
Total segment revenue	11 596 902	92 077 675	10 895 408	(211 523)	140 443 062	254 801 524

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59. Segment information (continued)

Revenue - Fair value adjustments						941 593
Revenue - Loss on disposal of assets						26 414
Total revenue reconciling items						968 007
Entity's revenue						255 769 531
Expenditure						
Expenses - Employee costs	27 673 571	10 817 376	15 868 144	14 853 719	22 963 253	92 176 063
Expenses - Finance costs	2 274 782	-	-	1 689 976	-	3 964 758
Expenses - General	8 206 100	9 999 545	3 903 555	33 192 584	40 912 828	96 214 612
Expenses - Depreciation and amortisation	-	2 403 639	-	14 736 574	13 998 743	31 138 956
Total segment expenditure	38 154 453	23 220 560	19 771 699	64 472 853	77 874 824	223 494 389
Total segmental surplus/(deficit)						31 307 135
Total revenue reconciling items						968 007
Inventories losses/write-downs						(3 551 266)
Entity's surplus (deficit) for the period						28 723 876
Assets						
Segment assets	21 915 403	3 051 728	-	61 259 094	813 437 934	899 664 159
Total assets as per Statement of financial Position						899 664 159
Liabilities						
Segment liabilities	-	-	-	109 149 108	-	109 149 108
Total liabilities as per Statement of financial Position						109 149 108

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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60. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement is as follow:

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 R 2 688 698 in the 2022 financial year. Refer to note 23.

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 688 698 (2021: R2 934 161).

Liabilities and corresponding rights of reimbursement recognised as assets

Money collected on behalf of the Department of Transport amounted to R11 008 388.88 for the reporting period. As at 30 June 2022, R30 312.07 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.