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AUDITOR GENERAL  
SOUTH AFRICA

30 NOV 2023



**Sunday's River Valley Local Municipality**

(Registration number EC106)

**Unaudited Annual financial statements  
for the year ended 30 June 2023**

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### General Information

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**Legal form of entity**

Municipality

**Nature of business and principal activities**

Local Government

The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

**Municipal Council**

Executive Committee

Cllr. SH Rune

Ald. K Smith

Cllr. MC Payi

Mayor

Cllr. SH Rune

Speaker

Cllr. SC Nodonti

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 municipal Council for the upper limits for Councillors**

Grade 3 Local Municipality

**Grading of remuneration of municipal manager and senior managers**

Grade 3 Local Municipality

**Wage curve categorisation**

Grade 3 Local Municipality

**Accounting Officer**

Mr T Klaas

Mr S Fadi

**Chief Finance Officer (CFO)**

H Krapohl

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### General Information

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<b>Registered office</b>	23 Middle Street Kirkwood 6120
<b>Business address</b>	23 Middle Street Kirkwood 6120
<b>Postal address</b>	PO Box 47 Kirkwood 6120
<b>Bankers</b>	First National Bank Limited
<b>Auditors</b>	Auditor General - South Africa
<b>Attorneys</b>	Pumeza Bono Incorporated Le Roux Inc Attorneys Karsans Incorporated B Mashile 1st Attorneys
<b>Municipal demarcation code</b>	EC-106
<b>Website</b>	<a href="https://test.srvn.gov.za/">https://test.srvn.gov.za/</a>



## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

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

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## Sunday's River Valley Local Municipality

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#### Abbreviations used:

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

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SOUTH AFRICA  
30 NOV 2023

## **Sunday's River Valley Local Municipality**

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### **Accounting Officer's Responsibilities and Approval**

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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 unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the unaudited 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 unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited 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 unaudited 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team ,external auditors and other oversight governance structures of Council.

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

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The unaudited annual financial statements set out on page 6 - 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**Mr T Klaas**  
**Accounting Officer**  
**31 August 2023**

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June 2023.

#### 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 unaudited annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 19,635,661 (2022: surplus R 31,067,019).

#### 2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 953,653,014 and that the municipality's total assets exceed its liabilities by R 953,653,014.

The unaudited 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 unaudited annual financial statements prepared in accordance with the 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.

#### 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 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 unaudited annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by.

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**Sunday's River Valley Local Municipality**

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

**Accounting Officer's Report**

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**Mr T Klaas**  
**Accounting Officer**

LIAN LABO RETIROS  
ACONTE, 1 2023

**Sunday's River Valley Local Municipality**

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

**Statement of Financial Position as at 30 June 2023**

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	11	473,923	288,502
Receivables from exchange transactions	12&15	11,077,772	8,273,291
Receivables from non-exchange transactions	13&15	12,103,119	9,909,965
VAT receivable	14	11,895,773	-
Cash and cash equivalents	16	4,324,077	20,272,532
		<b>39,874,664</b>	<b>38,744,290</b>
<b>Non-Current Assets</b>			
Investment property	3	32,277,237	31,675,405
Property, plant and equipment	4	1,037,108,027	991,444,572
Intangible assets	5	2,421,570	3,682,669
Heritage assets	6	322,483	322,483
		<b>1,072,129,317</b>	<b>1,027,125,129</b>
<b>Total Assets</b>		<b>1,112,003,981</b>	<b>1,065,869,419</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation		(284,339)	-
Payables from exchange transactions	7	97,391,609	68,487,138
VAT payable	8	-	6,049,497
Consumer deposits	9	80,237	80,248
Employee benefit obligation	10	852,709	753,861
Unspent conditional grants and receipts	17	4,921,046	6,603,815
Provisions	18	3,249,261	1,763,755
		<b>106,210,523</b>	<b>83,738,314</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	10	5,858,291	5,112,139
Provisions	18	46,282,153	43,001,610
		<b>52,140,444</b>	<b>48,113,749</b>
<b>Total Liabilities</b>		<b>158,350,967</b>	<b>131,852,063</b>
<b>Net Assets</b>		<b>953,653,014</b>	<b>934,017,356</b>
Accumulated surplus		953,653,014	934,017,356
<b>Total Net Assets</b>		<b>953,653,014</b>	<b>934,017,356</b>

\* See Note 49

AUDITOR GENERAL  
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**Sunday's River Valley Local Municipality**

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

**Statement of Financial Performance**

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	45,747,489	44,640,196
Rental of facilities and equipment	21	65,769	15,425
Agency services	23	2,359,530	2,688,698
Licences and permits	24	1,167,276	1,676,910
Other income	27	692,536	1,012,036
Investment revenue	28	11,218,688	6,812,731
<b>Total revenue from exchange transactions</b>		<b>61,251,288</b>	<b>56,845,996</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	49,221,502	64,165,924
Licences and Permits (Non-exchange)	25	12,177	16,621
Interest, Dividends and Rent on Land	26	8,931,372	7,245,130
<b>Transfer revenue</b>			
Government grants & subsidies	31	184,905,052	173,791,521
Public contributions and donations	32	-	696,680
Fines, Penalties and Forfeits	22	108,890	1,466,999
<b>Total revenue from non-exchange transactions</b>		<b>243,178,993</b>	<b>247,382,875</b>
<b>Total revenue</b>	19	<b>304,430,281</b>	<b>304,228,871</b>
<b>Expenditure</b>			
Employee related costs	33	(90,756,971)	(86,053,358)
Remuneration of councillors	34	(8,253,438)	(7,125,130)
Depreciation and amortisation	35	(27,204,764)	(25,771,033)
Finance costs	37	(12,392,351)	(4,028,320)
Debt Impairment	39	(17,673,381)	(42,301,172)
Bad debts written off		(14,356,240)	(26,598,529)
Bulk purchases	41	(30,985,625)	(33,888,611)
Contracted services	42	(37,987,376)	(23,527,021)
Transfers and Subsidies	30	(10,000)	-
General Expenses	40	(39,750,074)	(25,340,724)
<b>Total expenditure</b>		<b>(279,370,220)</b>	<b>(274,633,898)</b>
<b>Operating surplus</b>		<b>25,060,061</b>	<b>29,594,973</b>
Fair value adjustments		601,833	1,100,690
Impairment loss	36	(6,127,482)	-
Inventories losses/write-downs		101,249	371,356
		<b>(5,424,400)</b>	<b>1,472,046</b>
<b>Surplus for the year</b>		<b>19,635,661</b>	<b>31,067,019</b>

\* See Note 49

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	790,221,243	790,221,243
Adjustments		
Prior year adjustments 49	112,729,094	112,729,094
<b>Balance at 01 July 2021 as restated*</b>	<b>902,950,337</b>	<b>902,950,337</b>
Changes in net assets		
Surplus for the year	31,067,019	31,067,019
Total changes	31,067,019	31,067,019
Opening balance as previously reported	838,727,638	838,727,638
Adjustments		
Prior year adjustments 49	95,289,715	95,289,715
<b>Restated* Balance at 01 July 2022 as restated*</b>	<b>934,017,353</b>	<b>934,017,353</b>
Changes in net assets		
Surplus for the year	19,635,661	19,635,661
Total changes	19,635,661	19,635,661
<b>Balance at 30 June 2023</b>	<b>953,653,014</b>	<b>953,653,014</b>

Note(s)

**AUDITOR GENERAL**  
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\* See Note 49

## Sunday's River Valley Local Municipality

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### Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		55,971,897	66,948,642
Sale of goods and services		24,771,432	50,744,999
Grants		183,222,282	180,169,945
Interest income		1,482,708	888,837
		<b>265,448,319</b>	<b>298,752,423</b>
<b>Payments</b>			
Employee costs		(98,165,410)	(93,219,490)
Suppliers		(94,336,859)	(115,202,397)
Finance costs		(12,392,351)	(4,028,320)
		<b>(204,894,620)</b>	<b>(212,450,207)</b>
<b>Net cash flows from operating activities</b>	<b>43</b>	<b>60,553,699</b>	<b>86,302,216</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(76,217,814)	(72,715,948)
<b>Cash flows from financing activities</b>			
Finance lease payments		(284,339)	(44,766)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15,948,454)</b>	<b>13,541,502</b>
Cash and cash equivalents at the beginning of the year		20,272,532	6,731,030
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>4,324,078</b>	<b>20,272,532</b>

\* See Note 49



**Sunday's River Valley Local Municipality**

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Unaudited Annual Financial Statements for the year ended 30 June 2023

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	57,705,941	-	57,705,941	45,747,489	(11,958,452)	NOTE 1
Rental of facilities and equipment	7,023	-	7,023	65,769	58,746	NOTE 2
Agency services	-	-	-	2,359,530	2,359,530	NOTE 3
Licences and permits	-	-	-	1,167,276	1,167,276	NOTE 4
Other income - (rollup)	679,931	-	679,931	692,536	12,605	
Interest received - investment	288,529	-	288,529	11,218,688	10,930,159	NOTE 5
<b>Total revenue from exchange transactions</b>	<b>58,681,424</b>	<b>-</b>	<b>58,681,424</b>	<b>61,251,288</b>	<b>2,569,864</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	43,574,308	-	43,574,308	49,221,502	5,647,194	NOTE 6
Licences and Permits (Non-exchange)	5,000	-	5,000	12,177	7,177	NOTE 7
Interest, Dividends and Rent on Land	2,037,437	-	2,037,437	8,931,372	6,893,935	NOTE 8
<b>Transfer revenue</b>						
Government grants & subsidies	150,952,432	3,996,964	154,949,396	184,905,052	29,955,656	NOTE 9
Fines, Penalties and Forfeits	2,581,389	-	2,581,389	108,890	(2,472,499)	NOTE 10
<b>Total revenue from non-exchange transactions</b>	<b>199,150,566</b>	<b>3,996,964</b>	<b>203,147,530</b>	<b>243,178,993</b>	<b>40,031,463</b>	
<b>Total revenue</b>	<b>257,831,990</b>	<b>3,996,964</b>	<b>261,828,954</b>	<b>304,430,281</b>	<b>42,601,327</b>	
<b>Expenditure</b>						
Personnel	(88,486,813)	10,000	(88,476,813)	(90,756,971)	(2,280,158)	
Remuneration of councillors	(7,303,314)	-	(7,303,314)	(8,253,438)	(950,124)	NOTE 11
Depreciation and amortisation	(11,905,200)	-	(11,905,200)	(27,204,764)	(15,299,564)	NOTE 12
Impairment loss/ Reversal of impairments	(3,268,266)	-	(3,268,266)	(6,127,482)	(2,859,216)	NOTE 13
Finance costs	(4,344,503)	-	(4,344,503)	(12,392,351)	(8,047,848)	NOTE 14
Debt Impairment	(25,897,948)	-	(25,897,948)	(17,673,381)	8,224,567	NOTE 15
Bad debts written off	-	-	-	(14,356,240)	(14,356,240)	NOTE 16
Bulk purchases	(32,085,151)	-	(32,085,151)	(30,985,625)	1,099,526	
Contracted Services	(12,774,800)	995,000	(11,779,800)	(37,987,376)	(26,207,576)	NOTE 17
Transfers and Subsidies	-	-	-	(10,000)	(10,000)	NOTE 18
General Expenses	(17,806,000)	(80,000)	(17,886,000)	(39,750,074)	(21,864,074)	NOTE 19
<b>Total expenditure</b>	<b>(203,871,995)</b>	<b>925,000</b>	<b>(202,946,995)</b>	<b>(285,497,702)</b>	<b>(82,550,707)</b>	
<b>Operating surplus</b>	<b>53,959,995</b>	<b>4,921,964</b>	<b>58,881,959</b>	<b>18,932,579</b>	<b>(39,949,380)</b>	
Fair value adjustments	-	-	-	601,833	601,833	
Inventories losses/write-downs	-	-	-	101,249	101,249	

# Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gains from transfer of functions between entities not under common control	(1,795,000)	-	(1,795,000)	-	1,795,000	
	(1,795,000)	-	(1,795,000)	703,082	2,498,082	
<b>Surplus before taxation</b>	<b>52,164,995</b>	<b>4,921,964</b>	<b>57,086,959</b>	<b>19,635,661</b>	<b>(37,451,298)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>52,164,995</b>	<b>4,921,964</b>	<b>57,086,959</b>	<b>19,635,661</b>	<b>(37,451,298)</b>	
<b>Reconciliation</b>						

# Sunday's River Valley Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	197,511	101,220	298,731	473,923	175,192	NOTE 22
Receivables from exchange transactions	62,785,707	(538,596)	62,247,111	11,077,772	(51,169,339)	NOTE 23
Receivables from non-exchange transactions	(21,760,158)	29,149,523	7,389,365	12,103,119	4,713,754	NOTE 24
VAT receivable	3,048,551	11,013,468	14,062,019	11,895,825	(2,166,194)	NOTE 25
Cash and cash equivalents	51,832,669	(12,725,902)	39,106,767	4,324,077	(34,782,690)	NOTE 26
	<b>96,104,280</b>	<b>26,999,713</b>	<b>123,103,993</b>	<b>39,874,716</b>	<b>(83,229,277)</b>	

##### Non-Current Assets

Investment property	108,538,200	(85,928,877)	22,609,323	32,277,237	9,667,914	NOTE 27
Property, plant and equipment	717,809,600	136,208,408	854,018,008	1,037,108,027	183,090,019	NOTE 28
Intangible assets	2,614,996	(1,148,556)	1,466,440	2,421,570	955,130	NOTE 29
Heritage assets	322,483	-	322,483	322,483	-	
	<b>829,285,279</b>	<b>49,130,975</b>	<b>878,416,254</b>	<b>1,072,129,317</b>	<b>193,713,063</b>	

#### Total Assets

**925,389,559**    **76,130,688**    **1,001,520,247**    **1,112,004,033**    **110,483,786**

#### Liabilities

##### Current Liabilities

Finance lease obligation	44,766	(44,766)	-	(284,339)	(284,339)	NOTE 30
Payables from exchange transactions	30,662,310	11,371,712	42,034,022	97,391,605	55,357,583	NOTE 31
VAT payable	8,469,356	(2,404,732)	6,064,624	-	(6,064,624)	NOTE 32
Consumer deposits	77,576	2,559,101	2,636,677	80,237	(2,556,440)	NOTE 33
Employee benefit obligation	891,000	(137,139)	753,861	852,709	98,848	NOTE 34
Unspent conditional grants and receipts	211,724	6,392,091	6,603,815	4,921,046	(1,682,769)	NOTE 35
Provisions	-	-	-	3,249,261	3,249,261	NOTE 36
	<b>40,356,732</b>	<b>17,736,267</b>	<b>58,092,999</b>	<b>106,210,519</b>	<b>48,117,520</b>	

##### Non-Current Liabilities

Employee benefit obligation	5,016,000	96,139	5,112,139	5,858,291	746,152	NOTE 37
Provisions	48,113,374	(3,348,009)	44,765,365	46,282,153	1,516,788	
	<b>53,129,374</b>	<b>(3,251,870)</b>	<b>49,877,504</b>	<b>52,140,444</b>	<b>2,262,940</b>	

#### Total Liabilities

**93,486,106**    **14,484,397**    **107,970,503**    **158,350,963**    **50,380,460**

#### Net Assets

**831,903,453**    **61,646,291**    **893,549,744**    **953,653,070**    **60,103,326**

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	831,903,453	61,646,291	893,549,744	953,653,014	60,103,270	NOTE 38
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**Sunday's River Valley Local Municipality**

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Unaudited Annual Financial Statements for the year ended 30 June 2023

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

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

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The accounting policies on pages 16 to 42 and the notes on pages 43 to 102 form an integral part of the unaudited annual financial statements.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

Figures in Rand



Note(s)

2023

2022

#### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

##### 1.1 Basis of preparations

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

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

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.

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

These accounting policies are consistent with the previous period.

##### 1.2 Presentation currency

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

##### 1.3 Going concern assumption

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

##### 1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

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

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

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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

##### Trade receivables

The municipality assesses its trade 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 calculation of the impairment of trade receivables is based on a payment percentage assessment of the individual debtors of the municipality. If an individual debtor has a payment percentage of 100%, impairment is not considered. In instances where the payment percentage is less than 100%, the individual debtor is impaired based on the actual non-payment percentage of the outstanding debt.

##### Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock 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 inventory note.

##### Fair value estimation

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

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

##### Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

##### Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norms or technical advice. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

##### Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

##### Allowance for impairment

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.

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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

##### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

##### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 64.

##### Segment reporting

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to Management.

#### 1.6 Investment property

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

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

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

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

Investment property is initially recognised at cost. 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.



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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.6 Investment property (continued)

##### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the unaudited annual financial statements (see note 3). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the unaudited annual financial statements (see note 3). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

#### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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



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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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.

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

The depreciation 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.

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

#### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

#### 1.9 Intangible assets

An asset is identifiable if it either:

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

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.

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.9 Intangible assets (continued)

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

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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:

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

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Intangible assets are derecognised:

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

#### 1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.10 Heritage assets (continued)

##### Recognition

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

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

##### 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.

##### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

##### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

#### 1.11 Financial instruments

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

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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.11 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.



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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.11 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants arising from contractual agreements (not statutory grants)	Financial liability measured at amortised cost

#### 1.12 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.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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#### 1.12 Statutory receivables (continued)

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

##### Recognition

The municipality recognises statutory receivables as follows:

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

##### Initial measurement

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.

##### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

##### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

##### 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.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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#### 1.12 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred 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 third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

#### 1.13 Leases

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

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

#### Finance leases - lessor

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

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



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#### 1.13 Leases (continued)

##### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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.

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

##### Operating leases - lessor

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

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

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

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

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

##### 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.

#### 1.14 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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;

- 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.

Housing inventory relates to the land on which low cost houses are still in the process of construction or completed and not yet distributed to beneficiaries.

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#### 1.14 Inventories (continued)

The cost of inventories is assigned using the weighted average cost 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.

#### 1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 1.16 Impairment of cash and non-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.

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

A cash-generating unit is the smallest identifiable group of assets managed 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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows:

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of non-cash-generating assets.

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#### 1.16 Impairment of cash and non-cash-generating assets (continued)

##### Identification

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

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

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

##### Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

##### Depreciated replacement cost approach

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

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

##### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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#### 1.16 Impairment of cash and non-cash-generating assets (continued)

##### Reversal of an impairment loss

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

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

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

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

##### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### 1.17 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

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#### 1.17 Employee benefits (continued)

##### Short-term employee benefits

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

Short-term employee benefits include items such as: • wages, salaries and social security contributions; • short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; 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 municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service: • as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and • as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

##### Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 10.

##### Multi-employer plans and/or State plans and/or Composite social security programmes

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.

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan. Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.



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#### **1.17 Employee benefits (continued)**

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service: • as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and • as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

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#### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts: • the present value of the defined benefit obligation at the reporting date; • minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly; • plus any liability that may arise as a result of a minimum funding requirement

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset: • current service cost; • interest cost; • actuarial gains and losses; • past service cost; and • the effect of any curtailments or settlements.

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

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

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#### 1.17 Employee benefits (continued)

##### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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.

#### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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



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#### 1.18 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

#### 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 1.16 .

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.

#### 1.19 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

#### 1.20 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. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.20 Revenue from exchange transactions (continued)

##### 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

##### Interest, royalties and dividends

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

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

Interest is recognised 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 1.21 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.

## Sunday's River Valley Local Municipality

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### Accounting Policies

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

Control of an asset arises 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.

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.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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

##### 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.

##### Availability charges

The municipality recognise revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

##### Fines

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

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.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

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

##### Bequests

Bequests that satisfy the definition of an asset 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.

##### Gifts and donations, including goods in-kind

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

##### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### 1.22 Investment income

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

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.23 Borrowing costs

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

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

#### 1.24 Comparative figures

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

#### 1.25 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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

#### 1.26 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

#### 1.27 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 excludes unauthorised expenditure.

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

Irregular expenditure is disclosed inclusive of VAT.

#### 1.28 Segment information

A segment is an activity of an entity:

- 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.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.



## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.28 Segment 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.

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.

#### 1.29 Budget information

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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

The annual financial statements and the budget are on the same accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

A difference of 10% or more, and if the amount exceeds R3 million, between budgeted and actual amounts is regarded as material.

#### 1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

#### 1.31 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).

## **Sunday's River Valley Local Municipality**

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### **Accounting Policies**

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#### **1.31 Events after reporting date (continued)**

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.

#### **1.32 Value Added Tax**

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.

#### **1.33 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.



## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Notes to the Unaudited Annual Financial Statements

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#### 2. New standards and interpretations

##### 2.1 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 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

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## Sunday's River Valley Local Municipality

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### Notes to the Unaudited Annual Financial Statements

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#### 3. Investment property

	2023	2022
	Fair Value	Fair Value
Investment property	32,277,237	31,675,405

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	31,675,405	601,833	32,277,237

#### Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	30,574,715	1,100,690	31,675,405

#### Pledged as security

No 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.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Notes to the Unaudited Annual Financial Statements

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#### 3. Investment property (continued)

##### Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by WRCON (Pty) Ltd. Mr PH Venter was the valuer at WRCON (Pty) Ltd to perform the valuations. Mr Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

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**Sunday's River Valley Local Municipality**

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**Notes to the Unaudited Annual Financial Statements**

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**4. Property, plant and equipment**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	24,942,661	-	24,942,661	24,942,661	-	24,942,661
Buildings	60,692,989	(24,506,600)	36,186,389	60,485,040	(23,341,543)	37,143,497
Plant and machinery	3,351,259	(2,576,374)	774,885	3,091,961	(2,435,960)	656,001
Furniture and fixtures	4,575,536	(3,301,411)	1,274,125	4,435,970	(3,188,123)	1,247,847
Motor vehicles	21,632,593	(7,620,579)	14,012,014	15,691,970	(5,840,478)	9,851,492
IT equipment	7,624,213	(4,338,582)	3,285,631	6,385,785	(4,361,245)	2,024,540
Infrastructure - Road network	342,024,607	(69,124,360)	272,900,247	301,454,264	(62,245,366)	239,208,898
Community	64,682,346	(27,283,042)	37,399,304	64,682,346	(24,690,780)	39,991,566
Infrastructure - Electricity network	116,265,704	(16,118,149)	100,147,555	116,265,704	(13,466,254)	102,799,450
Landfill Site Asset	32,394,379	(9,160,742)	23,233,637	30,877,591	(8,226,850)	22,650,741
Solid Waste Disposal	23,794	(13,041)	10,753	23,794	(12,513)	11,281
Wastewater network	356,211,384	(109,346,201)	246,865,183	356,194,500	(99,793,136)	256,401,364
Water network	254,986,632	(77,343,746)	177,642,886	254,965,206	(71,059,432)	183,905,774
Work-in-Progress	98,432,758	-	98,432,758	70,609,460	-	70,609,460
<b>Total</b>	<b>1,387,840,854</b>	<b>(350,732,827)</b>	<b>1,037,108,027</b>	<b>1,310,106,252</b>	<b>(318,661,680)</b>	<b>991,444,572</b>

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**Sunday's River Valley Local Municipality**

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Unaudited Annual Financial Statements for the year ended 30 June 2023

**Notes to the Unaudited Annual Financial Statements**

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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2023**

	Opening balance	Difference	Additions	WIP additions	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	24,942,661	-	-	-	-	-	-	-	24,942,661
Buildings	37,143,497	-	207,949	-	-	(1,050,761)	(326,332)	212,036	36,186,389
Plant and machinery	656,001	-	259,298	-	-	(128,370)	(54,576)	42,532	774,885
Furniture and fixtures	1,247,847	-	139,566	-	-	(207,033)	(11,121)	104,866	1,274,125
Motor vehicles	9,851,492	-	5,940,623	-	-	(1,656,742)	(123,359)	-	14,012,014
IT equipment	2,024,540	-	1,238,428	-	-	(415,835)	(98,597)	537,095	3,285,631
Infrastructure - Road network	239,208,898	-	-	40,570,343	-	(6,863,284)	(25,274)	9,564	272,900,247
Community	39,991,566	-	-	-	-	(1,132,602)	(1,855,181)	395,521	37,399,304
Infrastructure - Electricity network	102,799,450	-	-	-	-	(1,033,361)	(1,618,534)	-	100,147,555
Landfill Site Asset	22,650,741	-	-	-	1,516,788	(933,892)	-	-	23,233,637
Solid Waste Disposal	11,281	-	-	-	-	(704)	(1,322)	1,498	10,753
Wastewater network	256,401,364	-	16,884	-	-	(7,000,186)	(2,630,781)	77,902	246,865,183
Water network	183,905,774	-	21,426	-	-	(5,520,895)	(827,362)	63,943	177,642,886
Work-in-Progress	70,609,460	-	68,393,641	(40,570,343)	-	-	-	-	98,432,758
	<b>991,444,572</b>		<b>76,217,815</b>	<b>-</b>	<b>1,516,788</b>	<b>(25,943,665)</b>	<b>(7,572,439)</b>	<b>1,444,957</b>	<b>1,037,108,027</b>

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**Sunday's River Valley Local Municipality**

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**Notes to the Unaudited Annual Financial Statements**

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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	WIP additions	Other changes, movements	Depreciation	Total
Land	24,942,661	-	-	-	-	24,942,661
Buildings	38,183,106	8,200	-	-	(1,047,809)	37,143,497
Plant and machinery	705,481	54,947	3,952	-	(109,379)	656,001
Furniture and fixtures	1,382,693	64,837	-	-	(199,683)	1,247,847
Motor vehicles	4,932,466	5,811,987	-	-	(892,961)	9,851,492
IT equipment	2,091,820	257,065	-	-	(324,345)	2,024,540
Infrastructure - Road network	245,897,125	-	-	-	(6,688,227)	239,208,898
Community	41,124,169	-	-	-	(1,132,603)	39,991,566
Infrastructure - Electricity network	84,986,649	-	18,793,737	-	(980,936)	102,799,450
Landfill Site Asset	23,141,887	-	-	429,748	(920,894)	22,650,741
Communication equipment	2,071	-	-	(2,071)	-	-
Solid Waste Disposal	11,986	-	-	-	(705)	11,281
Wastewater network	246,837,965	217,696	16,206,410	-	(6,860,707)	256,401,364
Water network	183,564,744	21,500	5,671,215	-	(5,351,685)	183,905,774
Work-in-Progress	45,005,056	66,277,644	(40,673,240)	-	-	70,609,460
	<b>942,810,879</b>	<b>72,713,876</b>	<b>2,074</b>	<b>427,677</b>	<b>(24,509,934)</b>	<b>991,444,572</b>

State objective and purpose

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Buildings	79,824	79,824
Infrastructure - Roads network	3,544,159	41,373,994
Community	32,830,995	6,542,559
Infrastructure - Electricity network	13,298,365	751,408
Wastewater network	33,495,713	13,142,248
Infrastructure - Water network	15,183,701	8,719,426
	<b>98,432,757</b>	<b>70,609,459</b>

<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Upgrading of Addo waste water treatment works - phase 3	902,501	902,501
The project was abandoned due to financial constraints experienced by the municipality. The facility was also vandalised and no further funding has been made available to refurbish the plan		
Fencing for Kirkwood, Sunland and Paterson	79,824	79,824
Project started and subsequently vandalised		
	<b>982,324</b>	<b>982,324</b>

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	64,066,900	6,542,559	-	70,609,459
Additions/capital expenditure	42,105,205	26,288,436	-	68,393,641
Transferred to completed items	(40,570,343)	-	-	(40,570,343)
	<b>65,601,762</b>	<b>32,830,995</b>	<b>-</b>	<b>98,432,757</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	44,352,173	652,882	-	45,005,055
Additions/capital expenditure	60,387,967	5,889,677	-	66,277,644
Transferred to completed items	(40,673,240)	-	-	(40,673,240)
	<b>64,066,900</b>	<b>6,542,559</b>	<b>-</b>	<b>70,609,459</b>

#### 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

Contracted services	3,750,565	2,397,581
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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**

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8,176,325	(5,754,755)	2,421,570	8,176,325	(4,493,656)	3,682,669

**Reconciliation of intangible assets - 2023**

	Opening balance	Amortisation	Total
Computer software, other	3,682,669	(1,261,099)	2,421,570

**Reconciliation of intangible assets - 2022**

	Opening balance	Amortisation	Total
Computer software, other	4,943,768	(1,261,099)	3,682,669

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**6. Heritage assets**

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70,975	-	70,975	70,975	-	70,975
Historical buildings	251,508	-	251,508	251,508	-	251,508
<b>Total</b>	<b>322,483</b>	<b>-</b>	<b>322,483</b>	<b>322,483</b>	<b>-</b>	<b>322,483</b>

**Reconciliation of heritage assets 2023**

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

**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
	<b>322,483</b>	<b>322,483</b>

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**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
<b>7. Payables from exchange transactions</b>		
Accrued bonus	2,351,913	2,323,508
Accrued leave pay	4,875,767	6,562,631
Accrued salary expense	1,815,055	1,100,022
Motor Registration	303,876	204,855
Other payables	77,115	110,495
Payments received in advanced - contract in process	8,918,148	3,353,768
Retention	8,293,731	6,608,248
Trade payables	70,087,159	48,142,320
Unknown deposits	668,845	81,291
	<b>97,391,609</b>	<b>68,487,138</b>

**8. VAT payable**

Tax refunds payables	-	6,049,493
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**9. Consumer deposits**

Consumer deposits	80,237	80,248
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

**10. Employee benefit obligations**

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

**Non-current employee benefits**

Post-Retirement Medical Aid benefits	(2,434,000)	(1,578,000)
Long-service awards benefits	(3,424,291)	(3,534,139)
	<b>(5,858,291)</b>	<b>(5,112,139)</b>

**Current employee benefits**

Post-Retirement Medical Aid benefits	(216,000)	(140,000)
Long-service awards benefits	(636,709)	(613,861)
	<b>(852,709)</b>	<b>(753,861)</b>

**Total employee benefits**

Post-Retirement Medical Aid benefits	(2,650,000)	(1,718,000)
Long-service awards benefits	(4,061,000)	(4,148,000)
	<b>(6,711,000)</b>	<b>(5,866,000)</b>

Non-current liabilities	(5,858,291)	(5,112,139)
Current liabilities	(852,709)	(753,861)
	<b>(6,711,000)</b>	<b>(5,866,000)</b>

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Unaudited Annual Financial Statements for the year ended 30 June 2023

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
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**10. Employee benefit obligations (continued)****Post employment health care benefits**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by D T Mureriwa of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Continuation members (Retirees)	6	4
<b>Total members</b>	<b>6</b>	<b>4</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health

Samwumed

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	-	-
In-service non-members (Employees)	-	-
Continuation members (Retirees)	2,650,000	1,718,000
<b>Total liability</b>	<b>2,650,000</b>	<b>1,718,000</b>
Non-current	2,434,000	1,578,000
Current	216,000	140,000
	2,650,000	1,718,000

The principal assumptions used for the purposes of the actuarial valuations were as follow:

**Rates of interest**

Discount rate	11.75 %	11.50 %
Health care cost inflation rate	7.54	8.37
Net effective discount rate	3.91 %	2.89 %

**Normal retirement age**

The average retirement age for all active employees was assumed to be 62 years.

## Sunday's River Valley Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

### Notes to the Unaudited Annual Financial Statements

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#### 10. Employee benefit obligations (continued)

Amounts recognised in the statement of financial position

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

<b>Present value of unfunded obligations</b>	<b>2,650,000</b>	<b>1,718,000</b>
----------------------------------------------	------------------	------------------

Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost	-	-
Interest cost	190,000	165,000
Actuarial loss/ (gain) recognised in the year	992,560	(172,000)
	<b>1,182,560</b>	<b>(7,000)</b>

#### Movements in the present value of the defined benefit obligation

Opening balance	1,718,000	1,909,000
Current service cost	-	-
Interest cost	190,000	165,000
Actual employer benefit payments	(250,560)	(184,000)
Actuarial loss/ (gain) recognised in the year	992,560	(172,000)
<b>Present value of fund obligation at the end of the year</b>	<b>2,650,000</b>	<b>1,718,000</b>

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

#### Present value of unfunded defined benefit

2023	2,650,000
2022	1,718,000
2021	1,909,000
2020	2,137,000
2019	2,254,644

#### Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Health care inflation	1	-	208,000	-	-
	(1)	-	173,000	-	-
Discount rate	1	-	189,000	-	-
	(1)	-	189,000	-	-

#### Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	In-service	Continuation	Total	% change
Health care inflation	1	-	330,000	330,000	0.10 %
	(1)	-	272,000	272,000	(0.09)%
Discount rate	1	-	297,000	297,000	(0.01)%
	(1)	-	299,000	299,000	-
Post retirement mortality	1	-	290,000	290,000	-
	(1)	-	308,000	308,000	-

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#### 10. Employee benefit obligations (continued)

Discount rate: 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 2022 the duration of liabilities was 8.27 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.75% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.91% per annum, implying an underlying expectation of inflation of 6.04% per annum  $([1 + 11.75\% - 0.5\%] / [1 + 4.91\%] - 1)$ . A healthcare cost inflation rate of 7.54% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary. However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.91% per annum  $([1 + 11.75\%] / [1 + 7.54\%] - 1)$ . This year's valuation basis is consistent with the previous year's basis from a discount rate perspective.

#### Mortality Rates

PA (90) - 1 with a 1% mortality improvement per annum from the year 2010.

#### Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2023.

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Accrued Liability	(2,650,000)	(1,718,000)	(1,909,000)	(2,137,000)	(2,254,644)
<b>Surplus / (Deficit)</b>	<b>2,650,000</b>	<b>1,718,000</b>	<b>1,909,000</b>	<b>2,137,000</b>	<b>2,254,644</b>

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Liabilities: (Gain) / Loss	992,560	(172,000)	169,000	86,113	5,450
	<b>992,560</b>	<b>(172,000)</b>	<b>169,000</b>	<b>86,113</b>	<b>5,450</b>

#### Long-service awards benefits

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by 1 Pangaea Expertise and Solutions Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Additional text

At year end 242 (2022: 253) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	10.60 %	10.02 %
General Salary inflation	6.32 %	7.65 %
Net effective discount rate	4.03 %	2.20 %

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### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2023	2022
<b>10. Employee benefit obligations (continued)</b>		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	4,061,000	4,148,000
Amounts recognised in the statement of financial performance		
The amounts recognised in the statement of financial performance are as follow:		
Current service cost	569,072	571,000
Interest cost	448,591	334,000
Actuarial losses / (gains) recognised	(683,791)	(329,000)
<b>Total expense included in employee related costs</b>	<b>333,872</b>	<b>576,000</b>
Opening balance	4,148,000	3,998,000
Current service cost	569,072	571,000
Interest cost	448,591	334,000
Actual employer benefit payments	(420,872)	(426,000)
Actuarial loss/ (gain) recognised in the year	(683,791)	(329,000)
	<b>4,061,000</b>	<b>4,148,000</b>

Liability History	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Accrued Liability	(4,061,000)	(4,148,000)	(3,998,000)	(3,395,000)	(3,056,304)
<b>Surplus / (Deficit)</b>	<b>4,061,000</b>	<b>4,148,000</b>	<b>3,998,000</b>	<b>3,395,000</b>	<b>3,056,304</b>

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	2023/06/30	2022/06/30	2021/06/30	2020/06/30	2019/06/30
Liabilities: (Gain) / Loss	683,791	329,000	(295,000)	40,928	241,258
	<b>(683,791)</b>	<b>(329,000)</b>	<b>295,000</b>	<b>(40,928)</b>	<b>(241,258)</b>

### 11. Inventories

Consumable stores	210,251	126,559
Water for distribution	263,672	161,943
	<b>473,923</b>	<b>288,502</b>

#### Water for distribution

Opening balance	161,943	106,089
Water Purchased	11,493,777	10,311,982
Water Sold	(11,493,777)	(10,311,982)
Water losses (Inventories (write-downs))	101,729	55,854
<b>Closing balance</b>	<b>263,672</b>	<b>161,943</b>



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**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
<b>12. Receivables from exchange transactions</b>		
Sundry debtors	2,024,266	2,012,928
Electricity	5,003,901	3,648,322
Water	2,393,689	1,740,766
Waste water	239,412	89,865
Refuse	445,908	388,592
Regional services levies	970,596	392,818
	<b>11,077,772</b>	<b>8,273,291</b>

**Trade and other receivables pledged as security**

No Trade and other receivables from exchanges transactions were pledged as security

**Fair value of trade and other receivables**

Trade and other receivables	11,077,772	8,273,291
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**Reconciliation of provision for impairment of trade and other receivables**

Opening balance	108,557,249	102,513,822
Provision for impairment	16,409,082	6,043,427
	<b>124,966,331</b>	<b>108,557,249</b>

**13. Receivables from non-exchange transactions**

Fines	333,758	333,758
Government grants and subsidies	727,146	657,997
Levies	367,728	367,728
Other receivables	56,850	56,850
Prepayments	151,468	151,468
Consumer debtors - Rates	10,466,169	8,342,164
	<b>12,103,119</b>	<b>9,909,965</b>

**Statutory receivables included in receivables from non-exchange transactions above are as follows:**

Taxes	10,466,169	8,342,164
Fines	333,758	333,758
Grants	727,146	657,997
	<b>11,527,073</b>	<b>9,333,919</b>

<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>576,046</b>	<b>576,046</b>
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<b>Total receivables from non-exchange transactions</b>	<b>12,103,119</b>	<b>9,909,965</b>
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**Statutory receivables general information****Reconciliation of provision for impairment for statutory receivables**

Opening balance	89,839,998	52,898,438
Provision for impairment	3,279,991	36,941,560
	<b>93,119,989</b>	<b>89,839,998</b>

**Receivables from non-exchange transactions pledged as security**

No Trade and other receivables from non exchange from exchanges transactions were pledged as security

## Sunday's River Valley Local Municipality

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Receivables from non-exchange transactions (continued)</b>		
<b>Fair value of receivables from non-exchange transactions</b>		
Trade and other receivables from non exchange	12,103,119	9,909,965
<b>14. VAT receivable</b>		
VAT Receivable	11,895,773	-
The municipality is registered for VAT on the payment/ cash basis.		
VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 13.		
<b>15. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	97,867,829	92,463,832
Consumer debtors - Electricity	15,592,116	14,038,486
Consumer debtors - Water	60,161,380	51,101,147
Consumer debtors - Waste water	13,967,432	12,583,320
Consumer debtors - Refuse	30,765,346	25,094,315
Consumer debtors - Sundry	13,533,563	12,000,343
	<b>231,887,666</b>	<b>207,281,443</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(87,401,660)	(84,121,668)
Consumer debtors - Electricity	(10,588,215)	(10,390,164)
Consumer debtors - Water	(57,767,691)	(49,360,381)
Consumer debtors - Waste water	(13,728,020)	(12,493,455)
Consumer debtors - Refuse	(30,319,438)	(24,705,723)
Consumer debtors - Sundry	(12,562,967)	(11,607,525)
	<b>(212,367,991)</b>	<b>(192,678,916)</b>
<b>Net balance</b>		
Consumer debtors - Rates	10,466,169	8,342,164
Consumer debtors - Electricity	5,003,901	3,648,322
Consumer debtors - Water	2,393,689	1,740,766
Consumer debtors - Waste water	239,412	89,865
Consumer debtors - Refuse	445,908	388,592
Consumer debtors - Sundry	970,596	392,818
	<b>19,519,675</b>	<b>14,602,527</b>
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Consumer debtors - Rates	10,466,169	8,342,164
<b>Financial asset receivables included in consumer debtors above</b>	<b>9,053,506</b>	<b>6,260,363</b>
<b>Total consumer debtors</b>	<b>19,519,675</b>	<b>14,602,527</b>

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**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
<b>15. Consumer debtors disclosure (continued)</b>		
<b>Included in above is receivables from exchange transactions</b>		
Electricity	5,003,901	3,648,322
Water	2,393,689	1,740,766
Waste water	239,413	89,865
Refuse	445,908	388,592
Consumer debtors - Sundry	970,596	397,786
	<b>9,053,506</b>	<b>6,265,331</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	10,466,170	8,342,164
<b>Net balance</b>	<b>19,519,676</b>	<b>14,607,495</b>
<b>Rates</b>		
Current (0 -30 days)	2,971,372	3,721,779
31 - 60 days	1,870,767	1,862,638
61 - 90 days	1,721,903	2,088,726
91 - 120 days	1,661,014	1,537,812
120+ Days	89,642,772	83,252,876
Impairment	(87,401,660)	(84,121,668)
	<b>10,466,169</b>	<b>8,342,164</b>
<b>Consumer debtors - Electricity</b>		
Current (0 -30 days)	3,350,650	1,927,650
31 - 60 days	617,118	319,941
61 - 90 days	198,644	170,018
91 - 120 days	180,615	25,928
120+ Days	11,245,089	11,594,950
Impairment	(10,588,215)	(10,390,164)
	<b>5,003,901</b>	<b>3,648,322</b>
<b>Consumer debtors - Water</b>		
Current (0 -30 days)	1,365,630	1,531,224
31 - 60 days	1,189,930	1,340,913
61 - 90 days	1,030,359	1,239,892
91 - 120 days	1,037,237	633,125
120+ Days	55,538,224	46,355,993
Impairment	(57,767,691)	(49,360,381)
	<b>2,393,689</b>	<b>1,740,766</b>
<b>Consumer debtors - Waste water</b>		
Current (0 -30 days)	276,750	332,567
31 - 60 days	256,668	306,248
61 - 90 days	250,236	281,143
91 - 120 days	246,685	203,615
120+ Days	12,937,093	11,459,748
Impairment	(13,728,020)	(12,493,455)
	<b>239,412</b>	<b>89,865</b>

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**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
<b>15. Consumer debtors disclosure (continued)</b>		
<b>Consumer debtors - Refuse</b>		
Current (0 -30 days)	554,506	679,066
31 - 60 days	527,650	624,958
61 - 90 days	517,445	584,736
91 - 120 days	513,352	316,902
120+ Days	28,652,393	22,888,653
Impairment	(30,319,438)	(24,705,723)
	<b>445,908</b>	<b>388,592</b>
<b>Consumer debtors - Sundry</b>		
Current (0 -30 days)	4,382	10
31 - 60 days	0	42
61 - 90 days	2,273	8
91 - 120 days	36,736	-
120+ Days	13,490,171	12,000,282
Impairment	(12,562,967)	(11,607,525)
	<b>970,596</b>	<b>392,818</b>
<b>Summary of debtors by customer classification</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(192,678,917)	(150,979,317)
Contributions to allowance	(19,689,073)	(41,699,600)
	<b>(212,367,991)</b>	<b>(192,678,917)</b>
<b>16. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	11	11
Bank balances	93,857	1,616,345
Short-term deposits	4,230,209	18,656,176
	<b>4,324,077</b>	<b>20,272,532</b>
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
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:		
The credit rating was obtained from Moody's Investor Services Inc. Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.		
<b>Credit rating of financial institutions</b>		
Ba2	4,324,077	20,272,532

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Unaudited Annual Financial Statements for the year ended 30 June 2023

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand 2023 2022

**16. Cash and cash equivalents (continued)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK - Primary Account - 620-254-90856	(52,379)	1,085,425	4,404,965	(1,181,791)	1,083,100	4,287,001
FNB BANK - MVR Account - 626-987-54134	1,181,102	503,408	292,600	1,202,785	513,244	292,600
FNB BANK - Traffic FinesAccount - 626-987-50009	73,591	24,280	3,627	73,591	28,280	3,627
FNB BANK - MIG Account - 620-812-28621	1,000	24,203	1,000	1,000	24,203	1,000
FNB BANK - FMG Account - 621-494-57708	1,000	11,479,648	1,000	1,000	11,479,648	1,000
FNB BANK - Integrated ZoningAccount - 621-614-89086	1,000	3,613,135	1,417,304	1,000	3,613,135	1,417,304
FNB BANK - Town PlanningAccount - 621-789-42580	24,760	36,505	36,505	24,760	36,505	36,505
FNB BANK - INEP Account - 620-275-90589	3,346,667	913,518	1,000	3,346,667	913,518	1,000
FNB BANK - Salary Account - 620-849-69694	8,600	8,982	688,982	8,600	8,982	688,982
FNB BANK - EPWP Account - 623-874-75009	1,000	342,039	1,000	1,000	342,039	1,000
FNB BANK - Disaster RecoveryAccount - 623-940-71204	846,183	2,238,147	1,000	846,183	2,238,147	1,000
<b>Total</b>	<b>5,432,523</b>	<b>20,269,290</b>	<b>6,848,983</b>	<b>4,324,794</b>	<b>20,280,801</b>	<b>6,731,019</b>

**17. 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
Expanded Public Works Programme Integrated Grant	-	5,308
Roads Infrastructure Grant	-	176,291
Local Government Financial Management Grant	-	2,672
Water Services Infrastructure Grant	1,391,964	2,238,147
Integrated National Electrification Programme	3,242,212	-
Environmental District Grant	286,870	873,208
	<b>4,921,046</b>	<b>6,603,815</b>

**Movement during the year**

Balance at the beginning of the year	6,603,816	225,392
Additions during the year	85,825,870	88,403,027
Income recognition during the year	(87,508,640)	(82,024,603)
	<b>4,921,046</b>	<b>6,603,816</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

## Sunday's River Valley Local Municipality

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### Notes to the Unaudited Annual Financial Statements

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Figures in Rand	2023	2022
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#### 17. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 30 for reconciliation of grants from National/Provincial Government.

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

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#### 18. Provisions

##### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in provision	Finance cost	Total
Rehabilitation of landfill site	44,765,365	-	-	-	1,516,788	3,249,261	49,531,414

##### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in provision	Finance cost	Total
Rehabilitation of landfill site	42,571,862	-	-	-	429,750	1,763,753	44,765,365

Non-current liabilities	46,282,153	43,001,610
Current liabilities	3,249,261	1,763,755
	<b>49,531,414</b>	<b>44,765,365</b>

#### Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

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 cost parameters:

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 2023 was 12.31% p.a.. The consumer price inflation of 5.40% 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).



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**18. Provisions (continued)**

Consumer price inflation (C) 5.40% (2022: 7.40%)

Discount rate (D) 12.31% (2022: 11.64%)

The movement on each of the landfill site's provisions is:

	Opening balance	Change inprovision	Utilised during the year	Finance cost	Total
Kirkwood	19,051,959	458,525	-	1,369,743	20,880,227
Paterson	11,757,038	75,675	-	830,721	12,663,434
Sunland	13,956,368	982,588	-	1,048,797	15,987,753
	<u>44,765,365</u>	<u>1,516,788</u>	<u>-</u>	<u>3,249,261</u>	<u>49,531,414</u>

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Figures in Rand	2023	2022
<b>19. Revenue</b>		
Service charges	45,747,489	44,640,196
Rental of facilities and equipment	65,769	15,425
Agency services	2,359,530	2,688,698
Licences and permits	1,167,276	1,676,910
Other income	692,536	1,012,036
Investment revenue	11,218,688	6,812,731
Property rates	49,221,502	64,165,924
Licences and Permits (Non-exchange)	12,177	16,621
Interest, Dividends and Rent on Land	8,931,372	7,245,130
Government grants & subsidies	184,905,052	173,791,521
Public contributions and donations	-	696,680
Fines, Penalties and Forfeits	108,890	1,466,999
	<b>304,430,281</b>	<b>304,228,871</b>

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

Service charges	45,747,489	44,640,196
Rental of facilities and equipment	65,769	15,425
Agency services	2,359,530	2,688,698
Licences and permits	1,167,276	1,676,910
Other income	692,536	1,012,036
Investment revenue	11,218,688	6,812,731
	<b>61,251,288</b>	<b>56,845,996</b>

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

<b>Taxation revenue</b>		
Property rates	49,221,502	64,165,924
Licences or permits	12,177	16,621
Interest, Dividends and Rent on Land	8,931,372	7,245,130
<b>Transfer revenue</b>		
Government grants & subsidies	184,905,052	173,791,521
Public contributions and donations	-	696,680
Fines, Penalties and Forfeits	108,890	1,466,999
	<b>243,178,993</b>	<b>247,382,875</b>

**20. Service charges**

Sale of electricity	23,333,733	25,792,226
Sale of water	13,118,539	10,627,484
Sewerage and sanitation charges	3,174,178	2,752,154
Refuse removal	6,121,039	5,468,332
	<b>45,747,489</b>	<b>44,640,196</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

**21. Rental of facilities and equipment**

<b>Facilities and equipment</b>		
Rental of facilities	65,769	15,425

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Figures in Rand	2023	2022
<b>22. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	50,050	-
Law Enforcement Fines	-	1,288,388
Overdue Books Fines	-	310
Court Traffic Fines	58,840	178,301
	<b>108,890</b>	<b>1,466,999</b>
<b>23. Agency services</b>		
Vehicle Registration	2,359,530	2,688,698
<b>24. Licences and permits</b>		
Licences and permits	1,167,276	1,676,910
<b>25. Licences and permits (non-exchange)</b>		
Trading	12,177	16,621
<b>26. Interest, dividends and Rent on Land</b>		
Interest - Receivables from non-exchange	8,931,372	7,245,130
<b>27. Other income</b>		
Valuation and clearance certificates	16,773	7,549
Tender documents	14,348	17,022
Staff recoveries	752	28,544
Photocopies	7,591	4,722
Insurance refunds	265,195	245,588
Commission received	135,873	120,739
Prepaid meter sales	39,947	189,106
Cemetery and Burial	112,633	117,943
Building Plans Approval	99,424	280,823
	<b>692,536</b>	<b>1,012,036</b>
The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 19, 20 and 23 which are billed to or paid for by the users of the services as required according to approved tariffs.		
<b>28. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1,482,708	888,836
Interest charged on trade and other receivables	9,735,980	5,923,895
	<b>11,218,688</b>	<b>6,812,731</b>

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Figures in Rand	2023	2022
<b>29. Property rates</b>		
<b>Rates received</b>		
Property rates	49,221,502	64,165,924
<b>Valuations</b>		
Residential	668,850,000	668,850,000
Commercial	413,926,000	413,926,000
State owned	672,286,000	672,286,000
Municipal	399,131,000	399,131,000
Small holdings and farms	6,378,935,000	6,378,935,000
Public benefit organisations	25,449,000	25,449,000
Public service infrastructure	24,125,000	24,125,000
Industrial	157,126,000	157,126,000
	<b>8,739,828,000</b>	<b>8,739,828,000</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. 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.

**Municipal valuation threshold value**

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R200 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R75 000. The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R60 000 is a council reduction. The remaining R125 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

**Other rebates**

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.

**30. Transfer and subsidies****Other subsidies**

Donations	10,000	-
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### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	101,270,000	90,418,000
LGSETA Grant	138,264	148,918
Local Government Financial Management Grant	3,000,000	2,997,328
Expanded Public Works Programme Integrated Grant	1,206,000	1,245,359
Department of Economic Development, Environmental Affairs and Tourism Grant	-	2,605,000
Library Subsidy	1,200,000	1,200,000
	<b>106,814,264</b>	<b>98,614,605</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	38,785,000	33,219,168
Small Town Revitalisation Grant	-	2,115,895
Water Services Infrastructure Grant	25,000,000	12,761,853
Energy Efficiency Demand Side Management Grant	-	3,000,000
Integrated National Electrification Programme	14,305,788	16,500,000
Drought Relief Fund Grant	-	7,580,000
	<b>78,090,788</b>	<b>75,176,916</b>
	<b>184,905,052</b>	<b>173,791,521</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	82,296,788	79,419,603
Unconditional grants received	102,608,264	94,371,918
	<b>184,905,052</b>	<b>173,791,521</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day to day running of the municipality.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	1,656,832	-
Current-year receipts	38,785,000	34,876,000
Conditions met - transferred to revenue	(38,785,000)	(33,219,168)
Other	(1,656,832)	-
	-	<b>1,656,832</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Small Town Revitalization Grant</b>		
Balance unspent at beginning of year	1,651,357	35,433
Current-year receipts	-	3,731,819
Conditions met - transferred to revenue	-	(2,115,895)
Other	(1,651,357)	-
	-	<b>1,651,357</b>
Conditions still to be met - remain liabilities (see note 17).		

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Figures in Rand	2023	2022
<b>31. Government grants &amp; subsidies (continued)</b>		
<b>Expanded Public Works Programme Integrated Grant (EPWP)</b>		
Balance unspent at beginning of year	5,308	13,666
Current-year receipts	1,206,000	1,237,000
Conditions met - transferred to revenue	(1,206,000)	(1,245,358)
Other	(5,308)	-
	-	<b>5,308</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Roads Infrastructure Grant</b>		
Balance unspent at beginning of year	176,291	176,291
Other	(176,291)	-
	-	<b>176,291</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>Local Government Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	2,672	-
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(2,997,328)
Other	(2,672)	-
	-	<b>2,672</b>
<b>Water Services Infrastructure Grant (WSIG)</b>		
Balance unspent at beginning of year	2,238,147	-
Current-year receipts	25,000,000	15,000,000
Conditions met - transferred to revenue	(25,000,000)	(12,761,853)
Other	(846,183)	-
	<b>1,391,964</b>	<b>2,238,147</b>
<b>Integrated National Electrification Programme Grant</b>		
Current-year receipts	17,548,000	16,500,000
Conditions met - transferred to revenue	(14,305,788)	(16,500,000)
	<b>3,242,212</b>	-
<b>LGSETA Grant</b>		
Current-year receipts	-	148,918
Conditions met - transferred to revenue	-	(148,918)
	-	-
<b>Library Subsidy</b>		
Current-year receipts	1,200,000	1,200,000
Conditions met - transferred to revenue	(1,200,000)	(1,200,000)
	-	-

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Figures in Rand	2023	2022
<b>31. Government grants &amp; subsidies (continued)</b>		
<b>Drought Relief Fund Grant</b>		
Current-year receipts	-	7,580,000
Conditions met - transferred to revenue	-	(7,580,000)
	-	-
<b>Environmental District Grant</b>		
Balance unspent at beginning of year	873,208	-
Current-year receipts	286,870	873,208
Other	(873,208)	-
	<b>286,870</b>	<b>873,208</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>32. Public contributions and donations</b>		
Donations received	-	696,680



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Figures in Rand	2023	2022
<b>33. Employee related cost</b>		
<b>Municipal staff</b>	<b>90,756,972</b>	<b>86,053,358</b>
<b>Senior Management Costs</b>		
Annual Remuneration	4,751,540	3,835,627
Car Allowance	891,048	772,055
Contributions to UIF, Medical and Pension Funds	66,719	57,752
Housing Allowance	54,000	216,000
Non-pensionable allowance	15,039	45,987
Performance Bonuses	52,100	48,000
Phone allowance	6,000	24,000
	<b>5,836,446</b>	<b>4,999,421</b>
<b>Municipal staff costs</b>		
Acting allowances	556,538	435,201
Basic	55,492,995	53,536,227
Bonus	4,323,866	4,255,334
Car allowance	4,945,856	4,635,793
Cellular and telephone	650,745	558,514
Daily Allowance	8,352	12,300
Defined contribution plans	206,409	(540,000)
Housing benefits and allowances	488,404	469,197
Leave pay provision charge	(1,638,734)	142,323
Long-service awards	420,872	388,178
Medical aid - company contributions	4,096,596	3,841,213
Other Allowance	31,043	42,436
Other payroll levies	35,402	30,302
Overtime payments	3,516,358	2,135,826
Pension	9,638,724	9,327,373
SDL	815,941	655,127
Standby Allowance	823,216	610,018
UIF	507,942	518,575
	<b>84,920,525</b>	<b>81,053,937</b>
<b>Senior management costs Breakdown</b>		
<b>Remuneration of Municipal Manager - S Fadi</b>		
Basic Salary	348,465	895,500
Contribution to pension fund, UIF, SDL	16,892	15,504
Car allowance	45,000	180,000
Cellphone allowance	6,000	24,327
Leave	-	45,660
Housing allowance	54,000	216,000
	<b>470,357</b>	<b>1,376,991</b>
<b>Remuneration of Municipal Manager - T Klaas</b>		
Annual Remuneration	532,741	-
Contributions to UIF, Medical and Pension Funds	9,927	-
	<b>542,668</b>	<b>-</b>
<b>Remuneration of executive directors</b>		

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Figures in Rand	2023	2022
<b>33. Employee related cost (continued)</b>		
<b>Remuneration of Chief Financial Officer - J Krapohl</b>		
Annual Remuneration	857,244	666,307
Contributions to UIF, Medical and Pension Funds	49,820	10,931
Rural Allowance	-	33,852
Cellphone allowance	26,000	24,000
Car Allowance	195,000	180,000
	<b>1,128,064</b>	<b>915,090</b>
<b>Remuneration of Director Community Services - N.A. Mbongwe</b>		
Annual Remuneration	676,629	305,454
Contributions to UIF, Medical and Pension Funds	13,145	-
Rural Allowance	38,036	5,939
Housing Allowance	120,000	69,018
Cellphone allowance	24,000	12,000
Car Allowance	288,000	120,000
	<b>1,159,811</b>	<b>512,411</b>
<b>Remuneration of Director Corporate Services - A.P. Kondile</b>		
Annual Remuneration	976,320	818,327
Contributions to UIF, Medical and Pension Funds	14,858	13,088
Rural Allowance	45,071	22,055
Housing Allowance	78,000	113,604
Cellphone allowance	26,000	24,000
Car Allowance	162,500	150,000
	<b>1,302,749</b>	<b>1,141,074</b>
<b>Remuneration of Director Infrastructure Planning Development - X.W. Mntonintshi</b>		
Annual Remuneration	1,020,610	858,428
Contributions to UIF, Medical and Pension Funds	13,788	12,290
Rural Allowance	42,399	39,137
Cellphone allowance	26,000	24,000
Car Allowance	130,000	120,000
	<b>1,232,797</b>	<b>1,053,855</b>
<b>34. Remuneration of councillors</b>		
Executive Major	936,483	859,191
Executive committee	1,426,548	1,672,125
Speaker	757,128	695,866
Councillors	4,227,259	3,564,022
Ward Committees	906,020	333,926
	<b>8,253,438</b>	<b>7,125,130</b>

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<b>34. Remuneration of councillors (continued)</b>		
<b>Mayor</b>		
Basic salary	882,811	808,952
Cellphone allowance	40,800	41,709
Contributions to Medical, Pension Funds, Skills and UIF	9,272	8,530
Other allowance	3,600	-
	<b>936,483</b>	<b>859,191</b>
<b>Executive Committee</b>		
Basic salary	1,083,069	1,398,262
Travel allowance	120,000	76,000
Cellphone allowance	81,600	106,036
Contributions to Medical, Pension Funds, Skills and UIF	13,579	16,027
Other allowance	8,300	13,800
Housing allowance	120,000	62,000
	<b>1,426,548</b>	<b>1,672,125</b>
<b>Speaker</b>		
Basic salary	463,464	623,164
Travel allowance	120,000	24,000
Cellphone allowance	40,800	42,059
Contributions to Medical, Pension Funds, Skills and UIF	6,639	6,643
Other allowance	6,225	-
Housing allowance	120,000	-
	<b>757,128</b>	<b>695,866</b>
<b>Councillors</b>		
Basic salary	3,539,664	2,945,068
Travel allowance	60,000	28,000
Cellphone allowance	479,400	490,454
Contributions to Medical, Pension Funds, Skills and UIF	41,695	37,845
Other allowance	46,500	38,655
Housing allowance	60,000	24,000
	<b>4,227,259</b>	<b>3,564,022</b>
<b>Ward Committees</b>		
Basic salary	905,980	332,290
Contributions to Medical, Pension Funds, Skills and UIF	40	1,636
	<b>906,020</b>	<b>333,926</b>

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**34. Remuneration of councillors (continued)**

**35. Depreciation and amortisation**

Property, plant and equipment	25,943,665	24,509,934
Intangible assets	1,261,099	1,261,099
	<b>27,204,764</b>	<b>25,771,033</b>

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Figures in Rand	2023	2022
<b>36. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	6,557,775	-
<b>Reversal of impairments</b>		
Property, plant and equipment	(430,293)	-
<b>Total impairment losses (recognised) reversed</b>	<b>6,127,482</b>	<b>-</b>

The main classes of assets affected by impairment losses are:

*Buildings*

*Plant and machinery*

*Furniture and fixtures*

*Motor vehicles*

*IT equipment*

*Infrastructure - Road network*

*Community*

*Infrastructure - Electricity network*

*Solid Waste Disposal*

*Wastewater network*

*Water network*

The main classes of assets affected by reversals of impairment losses are:

*Buildings*

*Plant and machinery*

*Furniture and fixtures*

*Motor vehicles*

*IT equipment*

*Infrastructure - Road network*

*Community*

*Solid Waste Disposal*

*Wastewater network*

*Water network*

The main events and circumstances that led to the recognition of these impairment losses are as follows:

**Sunday's River Valley Local Municipality**

(Registration number EC106)

Unaudited Annual Financial Statements for the year ended 30 June 2023

**Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2023	2022
<b>36. Impairment loss (continued)</b>		
<i>Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.</i>		
<b>37. Finance costs</b>		
Interest Cost - Landfill site provision & Employee benefits	3,887,852	2,262,755
Interest on overdue accounts	8,504,499	1,765,565
	<b>12,392,351</b>	<b>4,028,320</b>
<b>38. Auditors' remuneration</b>		
Fees	8,412,477	3,135,469
<b>39. Debt impairment</b>		
Debt impairment	17,673,381	42,301,172
<b>40. General expenses</b>		
Advertising	1,842,522	458,154
Auditors remuneration	8,412,477	3,135,469
Bank charges	230,273	564,118
Chemicals	2,542,921	1,603,030
Commission paid	489,665	710,319
Conferences and seminars	15,417	21,000
Consumables	2,157,163	833,996
Entertainment	-	4,582
Fleet	301,715	84,931
Fuel and oil	2,071,659	1,105,835
Hire	938,769	789,268
IT expenses	3,874,276	3,061,617
Insurance	909,102	1,063,021
Lease rentals on operating lease	507,356	-
Municipal Services - Electricity & Water	7,568,447	7,681,835
Postage and courier	2,774,934	3,205,747
Printing and stationery	31,330	262,143
Promotions	1,357	-
Protective clothing	7,337	426,573
Subscriptions and membership fees	1,886,334	-
Transport and freight	159,253	-
Travel and Subsistence	3,027,767	329,086
	<b>39,750,074</b>	<b>25,340,724</b>
<b>41. Bulk purchases</b>		
Electricity - Eskom	22,453,722	23,187,647
Water	8,531,903	10,700,964
	<b>30,985,625</b>	<b>33,888,611</b>

AUDITOR GENERAL  
SOUTH AFRICA

30 NOV 2023



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