



Sundays River Valley Municipality
Unaudited Annual financial statements
for the year ended 30 June 2020

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998). The municipality's operations are governed by: - Municipal Finance Management Act (No 56 of 2003) - Municipal Structures Act (No 117 of 1998) - Municipal Systems Act (No 32 of 2000) and various other acts and regulations.
Nature of business and principal activities	The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community.
Mayoral committee	
Executive Mayor	NG Bixa
Councillors	SH Rune- Speaker F Adams- Portfolio Head: Technical Services N Jack- Portfolio Head: Community Services K Smith- Portfolio Head: IDP and LED Services MW Kebe- MPAC Chairperson (Appointed on 04 October 2019) A Dancey L Erasmus NG Kausele M Bosman SC Nodonti MC Payi LE Baka ZA Tom A Ndawo TH Blowu
Grading of local authority	2
Acting Municipal Manager	Thembekile Machelesi mm@srvn.gov.za
Acting Chief Finance Officer (CFO)	Ncediwe Joko ncediwej@srvn.gov.za
Registered office	30 Middle Street Kirkwood 6120
Postal address	P.O. Box 47 Kirkwood 6120
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Pumeza Bono Incorporated Le Roux Inc Attorneys Karsans Incorporated B Mashile 1st Attorneys

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Works Programme
FMG	Financial Management Grant
MSIG	Municipal Systems Improvement Grant
WSIG	Water Services Infrastructure Grant
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
IAS	International Accounting Standards
GRAP	Generally Recognised Accounting Practise
DSRAC	Department of Sports, Recreation, Arts and Culture
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
PAYE	Pay As You Earn
SARS	South African Revenue Services
TMT	Traffic Management Technologies

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer 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 were 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 Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer 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 Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of its operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

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

The unaudited annual financial statements set out on page 6 to 81 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2020 and were signed on its behalf by:

Thembekile Machelesi
Accounting Officer

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting officer's Report

The Accounting Officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is a South African Category B.

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

Net surplus of the municipality was R 53,322,564 (2019: restated deficit R 35,751,603).

2. Going concern

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. Auditors

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	8	220,333	311,718
Receivables from exchange transactions	9&11	58,887,248	68,044,200
Receivables from non-exchange transactions	10&11	4,741,364	9,779,073
Cash and cash equivalents	12	2,436,947	626,163
		66,285,892	78,761,154
Non-Current Assets			
Investment property	3	104,059,000	26,918,700
Property, plant and equipment	4	693,123,131	676,744,121
Intangible assets	5	4,664,880	4,718,388
Heritage assets	6	322,483	322,483
		802,169,494	708,703,692
Total Assets		868,455,386	787,464,846
Liabilities			
Current Liabilities			
Finance lease obligation	13	695,854	1,054,545
Payables from exchange transactions	17	78,344,634	59,073,097
VAT payable	18	8,956,245	10,158,742
Consumer deposits	19	74,923	63,246
Employee benefit obligation	7	622,000	532,605
Unspent conditional grants and receipts	14	3,751,506	368,069
Borrowings	16	3,480,629	-
		95,925,791	71,250,304
Non-Current Liabilities			
Finance lease obligation	13	45,939	408,479
Employee benefit obligation	7	4,910,000	4,778,343
Provisions	15	40,726,202	37,502,834
		45,682,141	42,689,656
Total Liabilities		141,607,932	113,939,960
Net Assets		726,847,454	673,524,886
Accumulated surplus		726,847,454	673,524,886

* See Note 55 & 54

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Sale of property, plant & equipment	21	148,160	-
Service charges	22	44,041,555	38,090,320
Rental of facilities and equipment	23	24,642	52,894
Interest earned - outstanding debtors		2,259,986	3,227,850
Agency services	25	2,528,417	3,553,968
Licences and permits	26	1,281,078	1,467,906
Other income	30	702,657	689,954
Interest earned - external investment	31	355,179	1,573,089
Fair value adjustments	3	77,140,300	-
Inventories water gains		718	11,350
Total revenue from exchange transactions		128,482,692	48,667,331
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	39,077,967	36,821,353
Licences and permits	27	20,741	13,305
Interest earned - Property Rates	29	1,052,080	2,485,419
Transfer revenue			
Government grants & subsidies	34	150,801,458	149,840,693
Public contributions and donations	35	-	1,295,882
Fines, Penalties and Forfeits	24	2,068,590	6,688,633
Total revenue from non-exchange transactions		193,020,836	197,145,285
Total revenue	20	321,503,528	245,812,616
Expenditure			
Employee related costs	36	(78,739,172)	(69,919,809)
Remuneration of councillors	37	(7,182,198)	(7,025,581)
Depreciation and amortisation	38	(29,395,545)	(26,587,700)
Impairment losses	39	(18,840,906)	(5,659,552)
Finance costs	40	(5,803,239)	(5,257,765)
Lease rentals	28	(1,010,405)	(1,014,786)
Debt Impairment	41	(38,117,433)	(89,297,302)
Bulk purchases	42	(31,012,342)	(21,798,443)
Contracted services	43	(27,513,754)	(23,301,125)
Loss disposal of assets	49	(1,792,648)	-
General Expenses	44	(28,773,322)	(31,702,156)
Total expenditure		(268,180,964)	(281,564,219)
Surplus (deficit) for the year		53,322,564	(35,751,603)

* See Note 55 & 54

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	654,420,624	654,420,624
Adjustments		
Correction of errors	54,855,865	54,855,865
Restated reported balance as at 30 June 2018	709,276,489	709,276,489
Changes in net assets		
Surplus for the year	(35,751,603)	(35,751,603)
Total changes	(35,751,603)	(35,751,603)
Restated* Balance at 01 July 2019	673,524,890	673,524,890
Changes in net assets		
Surplus for the year	53,322,564	53,322,564
Total changes	53,322,564	53,322,564
Balance at 30 June 2020	726,847,454	726,847,454
Note(s)		

* See Note 55 & 54

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		65,093,635	66,734,515
Grants		150,433,389	151,080,309
Interest income		355,179	1,573,089
Other receipts		4,558,253	5,778,027
		<u>220,440,456</u>	<u>225,165,940</u>
Payments			
Employee costs		(85,921,370)	(76,945,390)
Suppliers		(65,695,316)	(72,530,080)
Finance costs		(2,464,525)	(776,479)
		<u>(154,081,211)</u>	<u>(150,251,949)</u>
Net cash flows from operating activities	47	<u>66,359,245</u>	<u>74,913,991</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(62,250,058)	(83,754,612)
Purchase of other intangible assets	5	(1,725,332)	(2,246,550)
Proceeds from sale of PPE		148,160	-
		<u>(63,827,230)</u>	<u>(86,001,162)</u>
Net cash flows from investing activities		<u>(63,827,230)</u>	<u>(86,001,162)</u>
Cash flows from financing activities			
Finance lease payments		(721,231)	(900,719)
		<u>(721,231)</u>	<u>(900,719)</u>
Net increase/(decrease) in cash and cash equivalents		1,810,784	(11,987,890)
Cash and cash equivalents at the beginning of the year		626,163	12,614,053
Cash and cash equivalents at the end of the year	12	<u>2,436,947</u>	<u>626,163</u>

* See Note 55 & 54

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	148,160	148,160	63.1
Service charges	51,883,130	5,000,000	56,883,130	44,041,555	(12,841,575)	63.2
Rental of facilities and equipment	58,156	-	58,156	24,642	(33,514)	63.3
Interest earned - Service charges	8,400,930	(6,107,855)	2,293,075	2,259,986	(33,089)	
Agency services	3,007,202	-	3,007,202	2,528,417	(478,785)	63.4
Licences and permits	1,803,937	-	1,803,937	1,281,078	(522,859)	63.5
Other income	597,322	112,017	709,339	702,657	(6,682)	
Interest earned - external investment	1,359,916	(964,700)	395,216	355,179	(40,037)	
Total revenue from exchange transactions	67,110,593	(1,960,538)	65,150,055	51,341,674	(13,808,381)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	42,153,854	-	42,153,854	39,077,967	(3,075,887)	63.6
Licences and Permits (Non-exchange)	26,870	-	26,870	20,741	(6,129)	
Interest earned - Property rates	2,837,156	(1,046,588)	1,790,568	1,052,080	(738,488)	63.7
Transfer revenue						
Government grants & subsidies	154,985,018	(52,320)	154,932,698	150,801,458	(4,131,240)	63.8
Fines, Penalties and Forfeits	3,328,227	4,000,000	7,328,227	2,068,590	(5,259,637)	63.9
Total revenue from non-exchange transactions	203,331,125	2,901,092	206,232,217	193,020,836	(13,211,381)	
Total revenue	270,441,718	940,554	271,382,272	244,362,510	(27,019,762)	
Expenditure						
Personnel	(81,843,485)	1,380,000	(80,463,485)	(78,739,172)	1,724,313	63.10
Remuneration of councillors	(7,441,310)	-	(7,441,310)	(7,182,198)	259,112	
Depreciation and amortisation	(26,366,444)	(5,743,542)	(32,109,986)	(29,395,545)	2,714,441	
Impairment loss/ Reversal of impairments	-	-	-	(18,840,906)	(18,840,906)	63.11
Finance costs	(2,829,771)	(743,307)	(3,573,078)	(5,803,239)	(2,230,161)	63.12
Lease rentals on operating lease	-	-	-	(1,010,405)	(1,010,405)	63.13
Debt Impairment	(13,453,842)	(250,814)	(13,704,656)	(38,117,433)	(24,412,777)	63.14
Bulk purchases	(29,522,539)	(1,981,870)	(31,504,409)	(31,012,342)	492,067	
Contracted Services	(40,771,405)	9,114,589	(31,656,816)	(27,513,754)	4,143,062	63.15
Inventory consumed	(8,081,554)	3,606,517	(4,475,037)	-	4,475,037	
Loss on disposal of assets	-	-	-	(1,792,647)	(1,792,647)	
General Expenses	(33,479,760)	2,929,607	(30,550,153)	(28,773,322)	1,776,831	
Total expenditure	(243,790,110)	8,311,180	(235,478,930)	(268,180,963)	(32,702,033)	
Operating deficit	26,651,608	9,251,734	35,903,342	(23,818,453)	(59,721,795)	

Sundays River Valley Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	77,140,300	77,140,300	
Inventories write-downs	-	-	-	718	718	
	-	-	-	77,141,018	77,141,018	
Surplus before taxation	26,651,608	9,251,734	35,903,342	53,322,565	17,419,223	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	26,651,608	9,251,734	35,903,342	53,322,565	17,419,223	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	215,540	-	215,540	220,333	4,793	
Receivables from non-exchange transactions	-	31,345,155	31,345,155	4,741,364	(26,603,791)	
Consumer debtors	85,067,737	(24,678,411)	60,389,326	58,887,248	(1,502,078)	
Cash and cash equivalents	7,763,276	(681,897)	7,081,379	2,436,947	(4,644,432)	
	93,046,553	5,984,847	99,031,400	66,285,892	(32,745,508)	
Non-Current Assets						
Investment property	29,250,200	-	29,250,200	104,059,000	74,808,800	
Property, plant and equipment	705,622,810	24,196,593	729,819,403	693,123,131	(36,696,272)	
Intangible assets	6,143,795	1,355,276	7,499,071	4,664,880	(2,834,191)	
Heritage assets	322,483	-	322,483	322,483	-	
	741,339,288	25,551,869	766,891,157	802,169,494	35,278,337	
Total Assets	834,385,841	31,536,716	865,922,557	868,455,386	2,532,829	
Liabilities						
Current Liabilities						
Finance lease obligation	3,478,166	(2,158,166)	1,320,000	695,854	(624,146)	
Payables from exchange transactions	36,237,118	1,845,000	38,082,118	78,344,634	40,262,516	
VAT payable	-	-	-	8,956,245	8,956,245	
Consumer deposits	56,392	-	56,392	74,923	18,531	
Employee benefit obligation	-	-	-	622,000	622,000	
Unspent conditional grants and receipts	-	-	-	3,751,506	3,751,506	
Borrowings	-	-	-	3,480,629	3,480,629	
	39,771,676	(313,166)	39,458,510	95,925,791	56,467,281	
Non-Current Liabilities						
Finance lease obligation	6,956,331	(3,383,469)	3,572,862	45,939	(3,526,923)	
Employee benefit obligation	-	-	-	4,910,000	4,910,000	
Provisions	26,221,623	-	26,221,623	40,726,202	14,504,579	
	33,177,954	(3,383,469)	29,794,485	45,682,141	15,887,656	
Total Liabilities	72,949,630	(3,696,635)	69,252,995	141,607,932	72,354,937	
Net Assets	761,436,211	35,233,351	796,669,562	726,847,454	(69,822,108)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	761,436,211	35,233,351	796,669,562	726,847,454	(69,822,108)	

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	36,122,915	6,423,247	42,546,162	-	(42,546,162)	
Sale of goods and services	44,460,227	9,578,746	54,038,973	65,093,635	11,054,662	
Grants	154,985,020	(52,320)	154,932,700	150,433,389	(4,499,311)	
Interest income	1,359,916	2,914,761	4,274,677	355,179	(3,919,498)	
Other receipts	5,493,488	7,073,831	12,567,319	4,558,253	(8,009,066)	
	242,421,566	25,938,265	268,359,831	220,440,456	(47,919,375)	
Payments						
Employee costs	(89,284,795)	1,380,000	(87,904,795)	(85,921,370)	1,983,425	
Suppliers	(60,263,823)	(37,922,591)	(98,186,414)	(65,695,316)	32,491,098	
Finance costs	(500,000)	(3,073,077)	(3,573,077)	(2,464,525)	1,108,552	
	(150,048,618)	(39,615,668)	(189,664,286)	(154,081,211)	35,583,075	
Net cash flows from operating activities	92,372,948	(13,677,403)	78,695,545	66,359,245	(12,336,300)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(84,289,529)	7,796,040	(76,493,489)	(63,975,390)	12,518,099	
Proceeds from sale of property, plant and equipment	-	148,160	148,160	148,160	-	
Repayment of loans from economic entities	(4,458,616)	3,138,616	(1,320,000)	(721,231)	598,769	
Net cash flows from investing activities	(88,748,145)	11,082,816	(77,665,329)	(64,548,461)	13,116,868	
Net increase/(decrease) in cash and cash equivalents	3,624,803	(2,594,587)	1,030,216	1,810,784	780,568	
Cash and cash equivalents at the beginning of the year	4,138,473	(3,512,310)	626,163	626,163	-	
Cash and cash equivalents at the end of the year	7,763,276	(6,106,897)	1,656,379	2,436,947	780,568	

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	42,153,854	-	42,153,854	-	-	42,153,854	39,077,967	-	(3,075,887)	93 %	93 %
Service charges	51,883,130	5,000,000	56,883,130	-	-	56,883,130	44,041,555	-	(12,841,575)	77 %	85 %
Investment revenue	1,359,916	(964,700)	395,216	-	-	395,216	355,179	-	(40,037)	90 %	26 %
Transfers recognised - operational	86,565,020	(52,320)	86,512,700	-	-	86,512,700	86,442,771	-	(69,929)	100 %	100 %
Other revenue	20,059,800	(3,042,425)	17,017,375	-	-	17,017,375	87,227,369	-	70,209,994	513 %	435 %
Total revenue (excluding capital transfers and contributions)	202,021,720	940,555	202,962,275	-	-	202,962,275	257,144,841	-	54,182,566	127 %	127 %
Employee costs	(81,843,485)	1,380,000	(80,463,485)	-	-	(80,463,485)	(78,739,172)	-	1,724,313	98 %	96 %
Remuneration of councillors	(7,441,310)	-	(7,441,310)	-	-	(7,441,310)	(7,182,198)	-	259,112	97 %	97 %
Debt impairment	(13,453,842)	(250,813)	(13,704,655)	-	-	(13,704,655)	(38,117,433)	-	(24,412,778)	278 %	283 %
Depreciation and asset impairment	(26,366,444)	(5,743,542)	(32,109,986)	-	-	(32,109,986)	(48,236,451)	-	(16,126,465)	150 %	183 %
Finance charges	(2,829,771)	(743,307)	(3,573,078)	-	-	(3,573,078)	(5,803,239)	-	(2,230,161)	162 %	205 %
Materials and bulk purchases	(37,604,093)	1,624,647	(35,979,446)	-	-	(35,979,446)	(31,012,342)	-	4,967,104	86 %	82 %
Contracted services	(40,771,405)	9,114,589	(31,656,816)	-	-	(31,656,816)	(27,513,754)	-	4,143,062	87 %	67 %
Other expenditure	(33,479,760)	2,929,607	(30,550,153)	-	-	(30,550,153)	(31,576,375)	-	(1,026,222)	103 %	94 %
Total expenditure	(243,790,110)	8,311,181	(235,478,929)	-	-	(235,478,929)	(268,180,964)	-	(32,702,035)	114 %	110 %
Surplus/(Deficit)	(41,768,390)	9,251,736	(32,516,654)	-	-	(32,516,654)	(11,036,123)	-	21,480,531	34 %	26 %

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	68,419,998	-	68,419,998	-		68,419,998	64,358,687		(4,061,311)	94 %	94 %
Surplus (Deficit) after capital transfers and contributions	26,651,608	9,251,736	35,903,344	-		35,903,344	53,322,564		17,419,220	149 %	200 %
Surplus/(Deficit) for the year	26,651,608	9,251,736	35,903,344	-		35,903,344	53,322,564		17,419,220	149 %	200 %
Capital expenditure and funds sources											
Total capital expenditure	85,019,529	(8,526,040)	76,493,489	-		76,493,489	66,242,999		(10,250,490)	87 %	78 %
Sources of capital funds											
Transfers recognised - capital	67,139,400	-	67,139,400	-		67,139,400	64,358,687		(2,780,713)	96 %	96 %
Borrowing	8,950,129	(8,950,129)	-	-		-	-		-	DIV/0 %	- %
Internally generated funds	8,930,000	424,089	9,354,089	-		9,354,089	1,884,312		(7,469,777)	20 %	21 %
Total sources of capital funds	85,019,529	(8,526,040)	76,493,489	-		76,493,489	66,242,999		(10,250,490)	87 %	78 %

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	92,372,948	(13,677,403)	78,695,545	-		78,695,545	66,359,245		(12,336,300)	84 %	72 %
Net cash from (used) investing	(84,289,529)	7,944,200	(76,345,329)	-		(76,345,329)	(63,827,230)		12,518,099	84 %	76 %
Net cash from (used) financing	(4,458,616)	3,138,616	(1,320,000)	-		(1,320,000)	(721,231)		598,769	55 %	16 %
Net increase/(decrease) in cash and cash equivalents	3,624,803	(2,594,587)	1,030,216	-		1,030,216	1,810,784		780,568	176 %	50 %
Cash and cash equivalents at the beginning of the year	4,138,473	(3,512,310)	626,163	-		626,163	626,163		-	100 %	15 %
Cash and cash equivalents at year end	7,763,276	(6,106,897)	1,656,379	-		1,656,379	2,436,947		(780,568)	147 %	31 %

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited 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 unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern

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

1.3 Comparative figures

Prior year comparatives

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

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

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

Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.4 Critical judgements, estimates and assumptions

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited 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 unaudited annual financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are set out below:

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

Management determine the selling prices and direct cost to sell on certain inventory items. In determining the fair value inventories are written down to the lower of cost or net realisable value. The write down/ inventory gain is included in the surplus/ (deficit).

Fair value estimation

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are tested on an annual basis for impairment. If there are indications that impairment may have occurred, estimates are prepared of the carrying value of assets.

Provisions

Provisions are raised and management determines an estimate based on the information available.

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

Provision for rehabilitation of landfill sites

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

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

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Critical judgements, estimates and assumptions (continued)

Allowance for doubtful debts

On receivables 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 carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of receivables

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

1.5 Investment property

Investment property is property (land) held to earn rentals or for capital appreciation or both, rather than for:

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

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.

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.

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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Investment property (continued)

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property. The municipality classifies its land as investment property with an indefinite useful life.

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

1.6 Property, plant and equipment

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

Recognition

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

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

Initial Measurement

plant and equipment is initially measured at cost

Property,

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

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

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

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

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.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

progress

Work-in

Work-in progress

is stated at historical cost. Depreciation only commences when the asset is ready for use.

Impairment

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

Depreciation

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
Lease	Straight line	3 years
Plant and machinery	Straight line	3 - 5 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	4 - 5 years
Infrastructure	Straight line	3 - 80 years
Community	Straight line	25 -30 years
Other property, plant and equipment	Straight line	3 - 5 years

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

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

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

1.7 Intangible assets

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

An asset is identifiable if it either:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Intangible assets (continued)

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

1.8 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

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).

1.9 Financial instruments

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Classification

Class

Receivables from exchange transactions
Receivables from non exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Class

Finance lease obligation
Payables from exchange transactions
Payables from non-exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

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

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the 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.

1.12 Impairment of cash-generating assets

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

1.13 Share capital / contributed capital

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

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Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

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

Sundays River Valley Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality 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 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 contribution in the cost of an asset.

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

Sundays River Valley Municipality

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Accounting Policies

1.14 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 municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

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

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

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

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

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.15 Provisions

Provisions are recognised when:

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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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Accounting Policies

1.15 Provisions (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test 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.

If the related asset is measured using the revaluation model:

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

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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Accounting Policies

1.16 Commitments (continued)

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or 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.

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1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

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.

Property Rates

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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

Debt forgiveness and assumption of liabilities

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

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

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.20 Vat Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

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

1.21 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.22 Finance costs

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

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

Sundays River Valley Municipality

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Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.26 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of a municipality:

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Accounting Policies

1.27 Segment information (continued)

- 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.

1.28 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

The municipality does not recognise a contingent liability or asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed when the inflow of economic benefit or service potential is probable.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

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

1.30 Related parties

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

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.30 Related parties (continued)

Remuneration of management includes remuneration derived for services rendered to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

Remuneration of management excludes consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

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

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).

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.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rands	2020	2019 Restated*
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	The impact of the is not material.
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact of the is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	The impact of the is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	The impact of the is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	The impact of the is not material.
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	The impact of the is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	The impact of the is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	The impact of the is not material.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	The impact of the is not material.
• GRAP 107: Mergers	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The impact of the is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	The impact of the is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the is not material.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

3. Investment property

	2020			2019 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	104,059,000	-	104,059,000	26,918,700	-	26,918,700

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	26,918,700	77,140,300	104,059,000

Reconciliation of investment property - 2019

	Restated Opening balance	Total
Investment property	26,918,700	26,918,700

Fair value of investment properties 77,140,300 -

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.

Investment Property was revalued during the 2019/2020 financial year using the new valuation.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	43,464,495	-	43,464,495	42,669,983	-	42,669,983
Buildings	52,340,765	(29,152,455)	23,188,310	49,597,349	(31,351,674)	18,245,675
Plant and machinery	783,731	(378,998)	404,733	835,839	(335,661)	500,178
Furniture and fixtures	7,126,111	(5,012,565)	2,113,546	7,039,387	(5,185,679)	1,853,708
Motor vehicles	8,621,424	(1,514,620)	7,106,804	9,356,159	(2,358,503)	6,997,656
IT equipment	4,945,609	(2,837,611)	2,107,998	5,154,587	(2,891,923)	2,262,664
Infrastructure	834,364,488	(482,253,001)	352,111,487	831,105,162	(449,861,111)	381,244,051
Community	60,426,066	(31,308,289)	29,117,777	61,596,425	(25,798,864)	35,797,561
Work-in-Progress	233,031,769	-	233,031,769	185,876,625	-	185,876,625
Leased office equipment	2,378,679	(1,902,467)	476,212	2,758,247	(1,462,227)	1,296,020
Total	1,247,483,137	(554,360,006)	693,123,131	1,195,989,763	(519,245,642)	676,744,121

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals/write offs	Transfers	Depreciation	Impairment loss	Total
Land	42,669,983	-	-	794,512	-	-	43,464,495
Buildings	18,245,675	433,430	(325,585)	7,685,888	(1,802,521)	(1,048,577)	23,188,310
Machinery and equipment	500,178	24,435	(9,731)	-	-	(110,149)	404,733
Furniture and office equipment	1,853,708	199,996	(48,447)	575,752	(453,819)	(13,644)	2,113,546
Transport assets	6,997,656	586,594	(112,311)	-	(365,135)	-	7,106,804
Computer equipment	2,262,664	704,440	(166,317)	-	(675,649)	(17,140)	2,107,998
Infrastructure	381,244,051	-	(1,128,412)	6,038,763	(21,140,820)	(12,902,095)	352,111,487
Community	35,797,561	318,714	(1,390)	-	(2,247,807)	(4,749,301)	29,117,777
Work-in-Progress	185,876,625	62,250,057	-	(15,094,913)	-	-	233,031,769
Leased office equipment	1,296,020	111,596	(454)	-	(930,950)	-	476,212
	676,744,121	64,629,262	(1,792,647)	2	(27,616,701)	(18,840,906)	693,123,131

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	42,669,983	-	-	-	-	42,669,983
Buildings	19,147,861	48,500	-	(924,390)	(26,296)	18,245,675
Machinery and equipment	142,063	453,015	-	(85,618)	(9,282)	500,178
Furniture and office equipment	1,913,131	428,798	-	(429,981)	(58,240)	1,853,708
Transport assets	5,721,686	1,867,554	-	(349,528)	(242,056)	6,997,656
Computer equipment	1,513,900	1,439,726	-	(540,454)	(150,508)	2,262,664
Infrastructure	389,391,607	-	16,660,622	(21,012,207)	(3,795,971)	381,244,051
Community	37,720,271	921,776	-	(1,467,625)	(1,376,861)	35,797,561
Work-in-Progress	126,645,351	75,891,896	(16,660,622)	-	-	185,876,625
Leased office equipment	2,260,133	-	-	(964,113)	-	1,296,020
	627,125,986	81,051,265	-	(25,773,916)	(5,659,214)	676,744,121

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand 2020 2019

4. Property, plant and equipment (continued)

Pledged as security

The municipality did not pledge any of its assets. No restrictions apply to any of the property, plant and equipment of the municipality. At 30 June 2020 assets to the value of R18 730 757 (2019: R5 659 552) were considered to be impaired.

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	180,943,120	110,219	4,824,637	185,877,976
Additions/capital expenditure	57,938,721	-	4,311,338	62,250,059
Transferred to completed items	(6,038,763)	-	(9,056,151)	(15,094,914)
	232,843,078	110,219	79,824	233,033,121

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance previously reported	126,320,523	326,180	-	126,646,703
Additions/capital expenditure	70,476,372	590,887	4,824,637	75,891,896
Transferred to completed items	(15,853,775)	(806,848)	-	(16,660,623)
	180,943,120	110,219	4,824,637	185,877,976

Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	105,145	241,018
Furniture and office equipment	22,565	75,063
Motor vehicles	155,230	388,875
Electrical infrastructure	1,681,839	157,216
Water infrastructure	-	687,386
Waste water infrastructure	464,250	1,042,877
Waste infrastructure	1,049,705	589,188
Unspecified assets	245,601	397,867
	3,724,335	3,579,490

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.

5. Intangible assets

	2020			2019 Restated		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10,201,906	(5,537,026)	4,664,880	8,476,573	(3,758,185)	4,718,388

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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5. Intangible assets (continued)

Reconciliation of intangible assets - 2020

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

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	4,248,888	1,783,050	(1,313,550)	4,718,388

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand 2020 2019

6. Heritage assets

	2020			2019 Restated		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70,975	-	70,975	70,975	-	70,975
Historical buildings	251,508	-	251,508	251,508	-	251,508
Total	322,483	-	322,483	322,483	-	322,483

Reconciliation of heritage assets 2020

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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6. Heritage assets (continued)

Reconciliation of heritage assets 2019

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

7. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of the post retirement medical aid benefit plan and long service bonuses.

Post retirement medical aid plan

The municipality operates five accredited medical aid schemes, namely:

- 1) Bonitas
- 2) Key health
- 3) Hosmed
- 4) LA Health
- 5) Samwu med

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 for these qualifying employees. No other post-retirement benefits are provided to these employees.

At 30 June 2020, a total of 4 (2019:4) employees were eligible for post retirement medical aid plan.

The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out a GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2020 arising out of the post retirement medical aid plan awarded to qualifying employees.

Long service award

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

The long service bonus plans are defined benefit plans. As at 30 June 2020, a total 226 (2019: 222) employees were eligible for long-service awards.

The independent valuers, Arch Actuarial ("Arch"), have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2020 arising out of the long-service leave awarded to qualifying in-service employees.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
7. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(5,310,948)	(5,062,054)
Current service cost	(463,786)	(378,293)
Interest cost	(416,912)	(403,519)
Actuarial Gains/Losses	127,041	(246,708)
Expected benefit vesting	532,605	779,626
	(5,532,000)	(5,310,948)
Non-current liabilities	(4,910,000)	(4,778,343)
Current liabilities	(622,000)	(532,605)
	(5,532,000)	(5,310,948)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	5,310,948	5,062,054
Net expense recognised in the statement of financial performance	221,052	248,894
	5,532,000	5,310,948
Net expense recognised in the statement of financial performance		
Current service cost	463,786	378,293
Interest cost	416,912	403,519
Actuarial losses/Gains	(127,041)	246,708
Benefits Paid	(532,605)	(779,626)
	221,052	248,894
Assumptions used at reporting date		
Key assumptions for post retirement medical aid plan:		
Discount rate used	8.58 %	8.52 %
Expected rate of return on reimbursement rights	3.48 %	2.19 %
Medical cost trend rate	4.93 %	6.19 %
Key assumptions for long service award		
Discount rate used	7 %	8 %
General earning inflation rate	4 %	6 %
Net effective discount rate	3 %	2 %
Average retirement age (years)	62	62
8. Inventories		
Consumable stores	195,585	287,688
Water for distribution	24,748	24,030
	220,333	311,718

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
9. Receivables from exchange transactions		
Accrued Revenue	4,671,162	1,142,670
Consumer debtors - Electricity	10,249,085	8,996,058
Consumer debtors - Interest charges	9,682,110	6,951,300
Consumer debtors - Property Rentals	4,315	(22,750)
Consumer debtors - Refuse	9,554,121	15,301,442
Consumer debtors - Waste water	5,298,488	7,760,575
Consumer debtors - Water	19,427,967	27,914,905
	58,887,248	68,044,200

Trade and other receivables pledged as security

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

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of trade and other receivables

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

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

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 6,929,879 (2019: R4 379 126) were past due but not impaired.

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

1 month past due	2,420,587	902,851
2 months past due	2,345,600	1,722,624
3 months past due	2,163,691	1,753,652

10. Receivables from non-exchange transactions

Government grants and subsidies	657,997	1,847,347
Other Debtors: Fines	5	5
Other debtors: Property rates	3,714,174	7,874,387
Other receivables from non-exchange revenue	131,576	57,334
Prepayments	237,612	-
	4,741,364	9,779,073

Receivables from non-exchange transactions pledged as security

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
10. Receivables from non-exchange transactions (continued)		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
11. Consumer debtors		
Gross balances		
Consumer debtors - Rates	38,422,160	49,204,173
Consumer debtors - Electricity	19,882,700	18,513,749
Consumer debtors - Water	42,297,733	63,614,296
Consumer debtors - Waste water	10,034,348	17,371,723
Consumer debtors - Refuse	19,117,765	30,822,865
Consumer debtors - Property Rentals	4,315	(22,750)
Consumer debtors - Interest Charges	15,708,517	18,852,080
Other debtors - Fines	17,562,615	16,073,393
	163,030,153	214,429,529
Less: Allowance for impairment		
Consumer debtors - Rates	(34,707,986)	(41,329,786)
Consumer debtors - Electricity	(9,633,615)	(9,517,691)
Consumer debtors - Water	(22,869,766)	(35,699,391)
Consumer debtors - Waste water	(4,735,860)	(9,611,148)
Consumer debtors - Refuse	(9,563,644)	(15,521,423)
Consumer debtors - Interest Charges	(6,026,407)	(11,900,780)
Other debtors - Fines	(17,562,610)	(16,073,388)
	(105,099,888)	(139,653,607)
Net balance		
Consumer debtors - Rates	3,714,174	7,874,387
Consumer debtors - Electricity	10,249,085	8,996,058
Consumer debtors - Water	19,427,967	27,914,905
Consumer debtors - Waste water	5,298,488	7,760,575
Consumer debtors - Refuse	9,554,121	15,301,442
Consumer debtors - Property Rentals	4,315	(22,750)
Consumer debtors - Interest Charges	9,682,110	6,951,300
Other debtors - Fines	5	5
	57,930,265	74,775,922
Rates		
Current (0 -30 days)	1,112,103	1,577,338
31 - 60 days	756,530	1,073,015
61 - 90 days	577,510	819,104
91 - 120 days	245,395	348,053
121 - 365 days	1,022,636	4,056,877
	3,714,174	7,874,387
Electricity		
Current (0 -30 days)	2,530,550	2,221,171
31 - 60 days	1,024,085	898,883
61 - 90 days	962,816	845,105
91 - 120 days	495,053	434,529
121 - 365 days	5,236,581	4,596,370
	10,249,085	8,996,058

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
11. Consumer debtors (continued)		
Water		
Current (0 -30 days)	624,179	896,846
31 - 60 days	431,004	619,284
61 - 90 days	483,755	695,079
91 - 120 days	80,519	115,693
121 - 365 days	1,200,273	1,724,602
> 365 days	16,608,237	23,863,401
	19,427,967	27,914,905
Waste water		
Current (0 -30 days)	174,598	255,730
31 - 60 days	168,095	246,205
61 - 90 days	162,570	238,113
91 - 120 days	17,824	26,106
121 - 365 days	732,955	1,073,542
> 365 days	4,042,446	5,920,879
	5,298,488	7,760,575
Refuse		
Current (0 -30 days)	160,664	257,312
31 - 60 days	155,050	248,321
61 - 90 days	151,228	242,200
91 - 120 days	18,909	30,283
121 - 365 days	898,093	1,438,344
> 365 days	8,170,177	13,084,982
	9,554,121	15,301,442
Property rentals		
Current (0 -30 days)	4,315	(22,750)
Interest charge		
Current (0 -30 days)	477,439	921,631
31 - 60 days	460,757	889,428
61 - 90 days	449,399	867,504
91 - 120 days	56,189	108,466
121 - 365 days	1,459,820	2,816,983
> 365 days	6,778,506	1,347,288
	9,682,110	6,951,300
Fines		
> 365 days	5	5

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	11	5
Bank balances	1,228,095	256,822
Short-term deposits (call accounts)	1,208,841	369,336
	2,436,947	626,163

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB BANK - Primary Account - 62025490856	1,165,443	204,010	313,809	1,156,439	203,866	262,127
FNB BANK - MVR Account - 62698754134	68,070	21,614	236,338	68,070	21,614	245,578
FNB BANK - Traffic Fines Account - 62698750009	3,586	31,342	29,174	3,586	31,342	29,174
Cash on hand	-	-	-	11	5	700
FNB BANK - Roads and Public Works Account - 62071406542	-	-	1,000	-	-	1,000
FNB BANK - MSIG Account - 62072234041	-	-	1,000	-	-	1,000
FNB BANK - MIG Account - 62081228621	1,422	1,000	1,000	1,422	1,000	1,000
FNB BANK - Addo Call Account - 62134438284	-	-	1,803	-	-	1,803
FNB BANK - FMG Account - 62149457708	2,000	2,000	3,858	2,000	2,000	3,858
FNB BANK - Intergrated Zoning Scheme - 62161489086	3,000	3,000	1,000	3,000	3,000	1,000
FNB BANK - Town Planning Account - 62178942580	1,071	84,434	1,000	1,072	84,434	1,000
FNB BANK - Library Account - 62314004839	-	-	1,000	-	-	1,000
FNB BANK - INEP Account - 62027590589	150,508	1,000	1,000	150,508	1,000	1,000
FNB BANK - Salary Account - 62084969694	5,839	1,058	1,913	5,839	1,058	1,913
FNB BANK - EPWP Incentive Account - 62387475009	1,000	1,000	1,000	1,000	1,000	1,000
FNB BANK - TOA Account - 74539338646	-	274,843	12,058,900	-	274,843	12,058,900
FNB BANK - Establishment of Enon Account - 62408271211	-	-	1,000	-	-	1,000
FNB BANK - Disaster Recovery Account - 62394071204	1,044,000	1,001	1,000	1,044,000	1,001	1,000
Total	2,445,939	626,302	12,655,795	2,436,947	626,163	12,614,053

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
13. Finance lease obligation		
Minimum lease payments due		
- within one year	711,808	1,054,545
- in second to fifth year inclusive	47,687	1,105,341
	<u>759,495</u>	<u>2,159,886</u>
less: future finance charges	(17,702)	(283,574)
Present value of minimum lease payments	741,793	1,876,312
Present value of minimum lease payments due		
- within one year	695,854	908,015
- in second to fifth year inclusive	45,939	968,297
	<u>741,793</u>	<u>1,876,312</u>
Non-current liabilities	45,939	408,479
Current liabilities	695,854	1,054,545
	<u>741,793</u>	<u>1,463,024</u>

The finance lease obligation relates to office equipment acquired through leases. The average lease term is 3 years. All leases have linked to prime repayments and no arrangements have been entered into for contingent rent.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Disaster Grant	1,043,001	-
Financial Management Grant	-	1,442
Human Settlement Grant	-	123,555
Roads Infrastructure Grant	176,291	187,524
Small Town Revitalisation Grant	2,532,214	-
Water Service Infrastructure Grant	-	55,548
	<u>3,751,506</u>	<u>368,069</u>

Movement during the year

Balance at the beginning of the year	368,069	2,417,888
Additions during the year	72,924,820	78,241,384
Income recognition during the year	(69,541,383)	(80,291,203)
	<u>3,751,506</u>	<u>368,069</u>

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand 2020 2019

15. Provisions

Reconciliation of provisions - 2020

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

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	33,305,849	4,196,985	37,502,834

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2020 by a technical specialist, using the the average cost of borrowing interest rate. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. All three landfill sites have a remaining useful life of 5 years.

Cost	Rehabilitation
Kirkwood Landfill site	24 452 570
Paterson Landfill site	6 274 101
Sundland Landfill site	9 999 531

16. Borrowings

The borrowings relate to the loan which was received from the district municipality on 1 July 2020 amounting to R 3 480 629.04. The loan was used to remunerate municipal employees, it is interest free and will be repaid in three instalments as follows:

- An amount of R 1 392 251.62 no later than two days after the receipt of the first tranche of Equitable Share received.
- An amount of R 1 044 188.71 no later than two days after the receipt of the second tranche of Equitable Share received.
- An amount of R 1 044 188.71 no later than two days after the receipt of third tranche of Equitable Share received.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
17. Payables from exchange transactions		
Accrued 13th cheque	1,946,435	1,636,664
Accrued leave pay	5,768,792	5,244,658
Motor Registration	746,000	-
Other payables	142,160	136,061
Payments received in advance	2,390,379	1,934,581
Payroll Creditors	13,553,514	4,994,467
Retention	7,783,439	4,571,299
Trade payables	42,739,823	37,543,443
Unknown Deposit	3,274,092	3,011,924
	78,344,634	59,073,097

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

Accrued leave pay

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

Accrued bonus

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

Payroll creditors

The increase of payroll creditors from R4 994 467 to R13 553 514 was due to the following payroll related expenses that were incurred during the financial year but were not paid for at year end due to financial constraints:

- Amount of R 3 417 896 owed to SARS for a period of 4 months.
- Amount of R 3 650 561 relates to Pension fund for a period of 4 months.
- Amount of R 3 473 501 relates to June 2020 salaries.

18. VAT payable

VAT payable	8,956,245	10,158,742
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No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date. Municipality is claiming VAT when the money is paid to suppliers and the money is received from customers. This provision relates to income and expenditure that was invoiced and has not been paid to suppliers or received from customers.

19. Consumer deposits

Consumer deposits	74,923	63,246
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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 account. No interest is paid on consumer deposits held.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
20. Revenue		
Agency services	2,528,417	3,553,968
Fines, Penalties and Forfeits	2,068,590	6,688,633
Government grants & subsidies	150,801,458	149,840,693
Interest received - Property Rates	1,052,080	2,485,419
Interest received - Service charges	2,259,986	3,227,850
Interest received - investment	355,179	1,573,089
Licences and Permits (Non-exchange)	20,741	13,305
Licences and permits	1,281,078	1,467,906
Other income	702,657	689,954
Property rates	39,077,967	36,821,353
Public contributions and donations	-	1,295,882
Rental of facilities and equipment	24,642	52,894
Sale of property, plant & equipment	148,160	-
Service charges	44,041,555	38,090,320
	244,362,510	245,801,266

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

Agency services	2,528,417	3,553,968
Interest earned - Service charges	2,259,986	3,227,850
Interest earned - investment	355,179	1,573,089
Licences and permits	1,281,078	1,467,906
Other income	702,657	689,954
Rental of facilities and equipment	24,642	52,894
Sale of property, plant & equipment	148,160	-
Service charges	44,041,555	38,090,320
	51,341,674	48,655,981

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

Taxation revenue		
Property rates	39,077,967	36,821,353
Licences or permits	20,741	13,305
Interest earned - Property rates	1,052,080	2,485,419
Transfer revenue		
Fines, Penalties and Forfeits	2,068,590	6,688,633
Government grants & subsidies	150,801,458	149,840,693
Public contributions and donations	-	1,295,882
	193,020,836	197,145,285

21. Sale of property, plant & equipment

In July 2019, the municipality held an auction for municipal owned vehicles. The proceeds of the sale amount to the disclosed amount of R 148 160.

22. Service charges

Refuse removal	4,258,725	4,472,643
Sale of electricity	24,218,889	20,914,562
Sale of water	13,306,967	10,080,193
Sewerage and sanitation charges	2,256,974	2,622,922
	44,041,555	38,090,320

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of municipal community halls	24,642	52,894
24. Fines, Penalties and Forfeits		
Court Traffic Fines	557,599	819,474
Illegal Connections Fines	21,769	21,033
Law Enforcement Fines	1,489,222	5,848,126
	2,068,590	6,688,633
<u>Law Enforcement Fines</u>		
TMT service provider withdraw from the contract hence the decrease from prior year.		
25. Agency services		
Vehicle Registration	2,528,417	3,553,968
26. Licences and permits (exchange)		
Licences and permits	1,281,078	1,467,906
27. Licences and permits (non-exchange)		
Trading Certificates	20,741	13,305
28. Lease rentals		
Premises		
Contractual amounts	1,010,405	1,014,786
29. Interest Earned - outstanding debtors		
Interest - Receivables	1,052,080	2,485,419
30. Other income		
Building Plans Approval	80,318	311,007
Cemerty and Burial	72,580	65,765
Commission received	124,984	115,675
Discounts and early settlements	108,814	15,000
Insurance refunds	44,980	5,861
Photocopies	4,119	5,056
Prepaid meter sales	29,739	61,239
Staff recoveries	168,848	30,391
Tender documents	58,056	69,494
Valuation Services	237	493
Valuation and clearance certificates	9,982	9,973
	702,657	689,954

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
31. Investment revenue		
Bank	355,179	1,573,089
Interest revenue		
32. Property rates		
Rates received		
Commercial	140,262	(224,370)
Industrial	5,594,669	5,456,024
Municipal	635,577	(54,158)
Public Benefit Organisation	187,611	(5,050)
Public Service Infrastructure	462,530	202,024
Residential	3,818,187	3,845,259
Small holdings and farms	15,038,229	15,082,543
State	13,200,902	12,519,081
	39,077,967	36,821,353
Valuations		
Churches	59,457,220	59,457,220
Commercial	293,719,693	293,719,693
Exempt	33,588,362	33,588,362
Industrial	5,273,800	5,273,800
Public service infrastructure	35,401,868	35,401,868
Residential	880,606,340	880,606,340
Small holdings and farms	5,156,657,745	5,156,657,745
State	381,627,240	381,627,240
	6,846,332,268	6,846,332,268

Property rates are levied on the value of land and improvements, which valuation is performed every five years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on a continuous basis to take into account changes in the individual property values due to alterations and subdivisions. The municipality previously obtained an extension as the timeframe cycle was exceeded. The new valuation will be implemented on 1 July 2020.

Property Rates are levied on an a monthly basis to property owners accounts and payable at month end. Interest levied at a rate determined by council on outstanding rates amounts.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
33. Grants and subsidies paid		
34. Government grants and subsidies		
Operating grants		
EPWP Grant	1,056,357	1,000,000
Environmental Services Subsidy	1,386,700	1,627,600
Equitable share	79,776,990	71,971,000
Financial Management Grant	2,880,000	2,414,780
LGSETA Subsidy	125,279	131,846
Library Subsidy	1,200,000	1,200,000
SMME Subsidy	17,445	-
	86,442,771	78,345,226
Capital grants		
Drought Relief Grant	6,799,999	-
Human Settlement Grant	-	2,610,428
Integrated National Electrification Programme	15,000,000	16,731,000
Municipal Infrastructure Grant	25,612,000	20,538,602
Roads Infrastructure Grant	755,429	358,351
Small Town Revitalisation Grant	16,191,259	30,412,634
Water Service Infrastructure Grant	-	844,452
	64,358,687	71,495,467
	150,801,458	149,840,693
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	68,295,045	80,047,029
Unconditional grants received	82,506,413	74,930,446
	150,801,458	154,977,475
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All indigent households receive 6 kl water and 50 kWh electricity (indigents only) free every month. An amount of R56 990 was withheld due to the FMG and WSIG grant rollover not being approved for the 2018/19 financial year.		
All registered indigents receive a monthly subsidy of R 387 (2019: R 311), which is funded from the grant. The municipality has subsidies indigent households in the 2019/20 financial year. However the review of the indigent data base was not done in the current financial year. As development institution, the municipality needs to commit to supporting measures that assist and empower community. It is accepted that large sections of the community cannot exist without intervention and it is therefore the duty of the municipality to support and to ensure that citizens are able to access their constitutional right to have level of services.		
The municipality adopted an indigent support policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of services charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from indigence. The municipality had 2704 number of indigent households on its register as at 30 June 2020. Although indigent households needs to register and update their financial information each year with the municipality by way of sworn affidavits, there is still a risk that are deemed invalid applications can be processed.		
MIG Grant		
Balance unspent at beginning of year	-	269

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
34. Government grants and subsidies (continued)		
Current-year receipts	25,612,000	22,662,000
Conditions met - transferred to revenue	(25,612,000)	(20,538,602)
Other - transferred to revenue	-	(2,123,667)
	<u>-</u>	<u>-</u>

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

Small Town Revitalisation Grant

Balance unspent at beginning of year	-	54,030
Current-year receipts	20,570,821	31,524,372
Conditions met - transferred to revenue	(16,191,259)	(33,425,750)
Other -transferred to receivables	(1,847,348)	1,847,348
	<u>2,532,214</u>	<u>-</u>

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

The Small Town Revitalisation Grant is allocated to municipalities to facilitate the development of strategies designed to enhance development and ensure improved economic performance, as well as poverty reduction within small towns.

EPWP Grant

Balance unspent at beginning of year	-	5,688
Current-year receipts	1,019,000	1,000,000
Conditions met - transferred to revenue	(1,056,357)	(1,005,688)
Other - transferred to receivables	37,357	-
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme Grant was allocated to the municipality for empowering and creating job opportunities within the communities.

Roads Infrastructure Grant

Balance unspent at beginning of year	187,524	270,846
Current-year receipts	-	275,029
Conditions met - transferred to revenue	(11,233)	(358,351)
	<u>176,291</u>	<u>187,524</u>

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

The DPW Roads and Sarah Baartman district Municipality grant was allocated to municipalities to facilitate the upgrading and rectification of roads and stormwater. The funds are received on an ad hoc basis based on stage of completion.

FMG Grant

Balance unspent at beginning of year	1,442	1,222
Current-year receipts	2,880,000	2,415,000
Conditions met - transferred to revenue	(2,880,000)	(2,414,780)
Other- Rejected rollover	(1,442)	-
	<u>-</u>	<u>1,442</u>

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

	2020	2019
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34. Government grants and subsidies (continued)

The Financial Management Grant is allocated by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme.

LGSETA Grant

Current-year receipts	125,279	131,846
Conditions met - transferred to revenue	(125,279)	(131,846)
	-	-

Water Services Infrastructure Grant

Balance unspent at beginning of year	55,548	-
Current-year receipts	-	900,000
Conditions met - transferred to revenue	-	(844,452)
Other - Rollover rejected	(55,548)	-
	-	55,548

The purpose of the Water Service Infrastructure Grant is to develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries.

Integrated National Electrification Programme Grant

Current-year receipts	15,000,000	16,731,000
Conditions met - transferred to revenue	(15,000,000)	(16,731,000)
	-	-

The Integrated National Electrification Programme Grant is allocated to assist to municipalities in addressing the electrification backlogs of occupied residential dwellings and installation of bulk infrastructure.

Human Settlement Grant

Balance unspent at beginning of year	123,555	-
Conditions met - transferred to revenue	(744,196)	(2,610,428)
Current-year receipts	-	2,733,983
Other - transferred to receivables	620,641	-
	-	123,555

This grant was received from Provincial Government to be utilised for housing benefits for areas within Sundays River Valley.

Disaster Relief Grant

Balance unspent at beginning of year	-	2,090,000
Current-year receipts	1,043,001	-
Other	-	(2,090,000)
	1,043,001	-

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

The Disaster Relief Grant is allocated by National Government to assist with backlogs in services delivery so to lessen the burden on municipalities trying to curb the COVID-19 pandemic.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
34. Government grants and subsidies (continued)		
Environmental Services Subsidy		
Current-year receipts	1,386,700	1,627,600
Unconditional receipts - transferred to revenue	(1,386,700)	(1,627,600)
	-	-
Library Subsidy		
Current-year receipts	1,200,000	1,200,000
Unconditional receipts - transferred to revenue	(1,200,000)	(1,200,000)
	-	-
Drought Relief Grant		
Conditions met - transferred to revenue	(6,799,999)	-
Current-year receipts	6,799,999	-
	-	-
SMME Subsidy		
Conditions met - transferred to revenue	(17,445)	-
Current-year receipts	17,445	-
	-	-
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
35. Public contributions and donations		
Donation received	-	1,295,882

No donation was received in-kind in 2019/20 financial year.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
36. Employee related costs		
Acting allowances and other related service benefits	971,775	1,852,977
Bargaining Council	26,926	29,659
Basic	50,351,889	42,869,665
Bonus	3,633,844	3,163,334
Car allowance	3,932,597	2,086,203
Cellular and telephone	510,321	212,420
Defined contribution plans	468,965	248,894
Housing benefits and allowances	320,580	25,407
Leave pay provision charge	821,917	1,148,099
Medical aid - company contributions	3,368,789	3,019,811
Overtime payments	2,277,838	2,997,135
Pension	7,154,221	6,399,732
UIF	460,005	420,150
	74,299,667	64,473,486

Remuneration of Municipal Manager

Acting Allowance	9,516	-
Annual Remuneration	743,159	747,408
Car Allowance	180,000	165,000
Cellphone Allowance	24,000	24,000
Contributions to UIF, Medical and Pension Funds	1,785	1,890
Housing Allowance	216,000	198,000
Rural Allowance	44,412	44,617
	1,218,872	1,180,915

The Director of Corporate Services was appointed Acting Municipal Manager from May 2020 due to a precautionary suspension of the Municipal Manager.

Remuneration of Chief Finance Officer

Acting Allowance	25,456	-
Annual Remuneration	526,645	838,691
Car Allowance	88,000	132,000
Cellphone Allowance	16,000	24,000
Contributions to UIF, Medical and Pension Funds	1,255	1,881
Leave Payout	-	178,898
Rural Allowance	21,547	38,831
	678,903	1,214,301

The contract for Chief Financial Officer was terminated in the month ending 29 February 2020 due to litigation outcome proceedings. Position is still vacant at 30 June 2020.

Senior Accountant :Budget and Reporting was working in the acting position from May 2020 - June 2020.

Director Corporate Services

Annual Remuneration	714,428	690,564
Car Allowance	144,000	144,000
Cellphone Allowance	24,000	24,000
Contributions to UIF, Medical and Pension Funds	1,975	1,890
Housing Allowance	120,000	120,000
Rural Allowance	35,955	38,184
	1,040,358	1,018,638

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
36. Employee related costs (continued)		
Director Community Services		
Annual Remuneration	594,428	680,564
Car Allowance	240,000	130,000
Cellphone Allowance	24,000	24,000
Contributions to UIF, Medical and Pension Funds	1,748	1,890
Housing Allowance	132,000	144,000
Leave Payout	-	39,772
Rural Allowance	35,955	38,184
	1,028,131	1,058,410
Director Technical Services		
Acting Allowance	75,736	-
Annual Remuneration	317,277	911,701
Car Allowance	30,000	-
Cellphone Allowance	10,000	24,000
Contributions to UIF, Medical and Pension Funds	641	1,890
Housing Allowance	24,000	-
Rural Allowance	15,587	36,468
	473,241	974,059
During the 2019/20 financial year, the post was vacant from the month of September 2019 until month ending 31 March 2020. The new Technical Services Director resumed duties official on the 1 April 2020 on a 5 year fixed contract.		
PMU Manager was working in the acting position for part of the reporting period as the position was vacant.		
37. Remuneration of councillors		
Councillors	4,001,901	3,405,586
Executive Committee Members	1,491,850	1,990,849
Mayor	958,959	926,145
Speaker	729,488	703,001
	7,182,198	7,025,581
In-kind benefits		
The Mayor and Speaker are full time Councillors and each is provided with an office with separate secretarial support at the cost of the municipality.		
Additional to the travel allowance recieved, the Mayor has been given a municipal owned vehicles for official duties .		
The Speaker had part-time bodyguards for the reporting period.		
38. Depreciation and amortisation		
Property, plant and equipment	29,395,545	26,587,700
39. Impairment of assets		
Impairments		
Property, plant and equipment	18,840,906	5,659,552

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

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40. Finance costs		
Finance leases	115,345	283,574
Interest on overdue accounts	2,464,525	777,205
Interest on unwinding assets	3,223,369	4,196,986
	5,803,239	5,257,765
41. Debt impairment		
Bad debts written off	72,670,660	52,495,643
Debt impairment/(reversal)	(34,553,227)	36,801,659
	38,117,433	89,297,302
42. Bulk purchases		
Electricity - Eskom	18,895,096	15,390,895
Water	12,117,246	6,407,548
	31,012,342	21,798,443

Electricity loss for the financial year is 26.92%. The Rand value of the electricity loss for the current financial year at R0.90 /kWh is R4 081 799. (2019: R2 848 486)

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

Electricity losses

	2020	2019
Units purchased	16,848,573	15,644,968
Units sold	(12,313,240)	(12,479,984)
Total loss	4,535,333	3,164,984
Percentage Loss:		
Technical losses	27 %	18 %
Non-technical losses	- %	- %
Total	27 %	18 %

43. Contracted services

Outsourced Services

Business and Advisory	15,091,069	13,486,702
Drivers Licence Cards	187,941	241,503
Electrical	858	-
Environmental Health Services	-	18,720
Illegal Dumping	89,978	305,302
Meter Management	99,900	-
Personnel and Labour	1,253,431	386,804
Professional Staff	102,927	129,041
Refuse Removal	-	855,439
Transport Services	-	29,850
Water Takers	2,043,250	1,636,810

Sundays River Valley Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
43. Contracted services (continued)		
Consultants and Professional Services		
Infrastructure and Planning	455,000	-
Laboratory Services	349,912	164,592
Legal Cost	895,845	580,212
Contractors		
Catering Services	400,369	732,629
Gardening Services	38,150	232,305
Maintenance of Buildings and Facilities	105,145	241,018
Maintenance of Electricity Infrastructure	1,681,839	157,216
Maintenance of Equipment	22,565	75,063
Maintenance of Motor Vehicles	155,230	388,875
Maintenance of Unspecified Assets	245,601	397,867
Maintenance of Waste Infrastructure	1,049,705	589,188
Maintenance of Waste Water Infrastructure	464,250	1,042,877
Maintenance of Water Infrastructure	-	687,386
Photographer	9,800	2,250
Prepaid Electricity Vendors	-	500
Safeguard and Security	2,624,729	918,976
Transportation	146,260	-
	27,513,754	23,301,125
44. General expenses		
Advertising	247,610	473,840
Auditors remuneration	4,608,150	4,448,627
Bank charges	456,668	390,166
Chemicals	1,814,058	2,545,022
Commission paid	222,268	363,665
Communications Promotions	117,154	-
Consumables	1,137,571	1,340,803
Electricity and Water Costs	7,453,288	8,034,786
Entertainment	5,778	27,431
Fuel and oil	752,169	1,207,867
Hire	915,289	561,934
Honoraria Expenses	600	-
IT expenses	4,005,448	3,206,003
Insurance	1,195,931	967,186
Medical expenses	123,600	-
Motor Vehicle Expenses	202,145	108,911
Postage, Rail and Telephone	2,044,825	2,456,652
Printing and stationery	259,600	320,956
Protective clothing	34,713	790,595
Skills Development Levy	719,436	771,315
Subscriptions and membership fees	123,235	48,494
Training	510,495	669,897
Transportation cost	133,292	270,924
Travel and Subsistence	1,689,999	2,697,082
	28,773,322	31,702,156
45. Fair value adjustments		
Investment property (Fair value model)	77,140,300	-

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
46. Auditors' remuneration		
Fees	4,608,150	4,448,627
47. Cash generated from operations		
Surplus (deficit)	53,322,564	(35,751,603)
Adjustments for:		
Depreciation and amortisation	29,395,545	26,587,700
Fair value adjustments	(77,140,300)	-
Finance costs - Finance leases	-	283,574
Impairment deficit	18,840,906	5,659,552
Debt impairment	-	89,297,302
Movements in retirement benefit assets and liabilities	221,052	248,894
Movements in provisions	3,223,368	4,196,986
Loss on disposal	1,792,648	-
Inventory write down	718	-
Public contributions and donations	-	(1,295,891)
Changes in working capital:		
Inventories	91,385	(142,588)
Receivables from exchange transactions	9,156,952	1,123,776
Consumer debtors	38,117,433	-
Other receivables from non-exchange transactions	5,037,709	(3,153,438)
Payables from exchange transactions	(17,893,352)	6,200,583
VAT payable	(1,202,497)	7,274,705
Unspent conditional grants and receipts	3,383,437	(2,049,819)
Consumer deposits	11,677	935
Provision	-	(23,566,677)
	66,359,245	74,913,991

48. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	58,887,248	58,887,248
Receivables from non-exchange transactions	4,741,364	4,741,364
Cash and cash equivalents	2,436,947	2,436,947
	66,065,559	66,065,559

Financial liabilities

	At amortised cost	Total
Financial lease obligation	741,793	741,793
Payables from exchange transactions	78,344,634	78,344,634
Payables from non-exchange transactions	12,707,751	12,707,751
Consumer deposits	74,923	74,923
Borrowings	3,480,629	3,480,629
	95,349,730	95,349,730

2019

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

	2020	2019
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48. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	68,044,200	68,044,200
Receivables from non-exchange transactions	9,779,073	9,779,073
Cash and cash equivalents	626,163	626,163
	78,449,436	78,449,436

Financial liabilities

	At amortised cost	Total
Finance lease obligation	1,463,024	1,463,024
Payables from exchange transactions	59,073,097	59,073,097
Payables from non-exchange transactions	10,526,811	10,526,811
Consumer deposits	63,246	63,246
	71,126,178	71,126,178

49. Loss on disposal of assets

Loss on disposal of property, plant and equipment amounts to R 1 792 647.

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
50. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	37,806,148	74,944,783
Total capital commitments		
Already contracted for but not provided for	37,806,148	74,944,783
Authorised operational expenditure		
Already contracted for but not provided for		
• Total operational commitments	4,727,555	13,070,514
Total operational commitments		
Already contracted for but not provided for	4,727,555	13,070,514
Total commitments		
Total commitments		
Authorised capital expenditure	37,806,148	74,944,783
Authorised operational expenditure	4,727,555	13,070,514
	42,533,703	88,015,297

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	187,654	429,178

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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51. Contingencies

The municipality is exposed to the following court cases:

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

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

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

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

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

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

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

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

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

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52. Related parties

Relationships

Accounting Officer

Members of key management

T. Machelesi
N.G Bixa - Mayor
S.H Rune - Speaker
K Smith - Executive Committee Member
F Adams - Executive Committee Member
N Jack - Executive Committee Member
M W Kebe - MPAC Chairperson
L.E Baka - Councillor
M Bosman - Councillor
A Dancey - Councillor
L Erasmus - Councillor
N G Kausele - Councillor
TH Blowu - Councillor
Z.A Tom - Councillor
A Ndawo - Councillor
S.C Nodonti - Councillor
M.C Payi - Councillor
N Joko - Acting Chief Financial Officer
T Machelesi - Director Corporate Services
N Mnyengeza - Director Community Services
X W Mntonintshi - Director Technical Services

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

Remuneration of related parties are disclosed in note 39 and 40.

Post employment benefit plan

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

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

Councillors and employees

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

Awards to close family members of persons in the service of the state

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

53. Change in estimate

Property, plant and equipment

The residual values, estimated useful lives were revised at 30 June 2020. Adjustments to the residual values and useful lives affect the amount for the current year and is expected to affect future periods as well. The adjustments are as follows;

- Movables- R 206 675
- Infrastructure- R 396 131

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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54. Prior period errors and reclassification

The following prior period errors were adjusted for:

Receivables from exchange transactions - The municipality incorrectly reversed revenue charged on municipal properties yet the services were consumed by occupants living in the houses and the municipality had to correct error.

Receivables from non-exchange transactions - The municipality previously reversed rates revenue, this was incorrectly performed as the indigent policy applied was only approved after year end and should have not effected it retrospectively.

Property, plant and equipment - Restated based on incomplete capitalisation of completed projects, incorrectly calculated depreciation for movables additions and various completeness issues

Intangible assets - Intangible assets were restated to correct classification and capitalisation of cost incorrectly recorded under intangible assets instead of computer equipment.

Investment property - Adjusted due to additions previously omitted from fixed asset register.

Trade and other payables - Adjusted to account for invoices previously not included in creditors control due to late submission of invoices and invoices incorrectly recorded yet work was never performed.

VAT payables - VAT payable was restated as a result of changes in receivables and payables restatement transactions for the prior year.

Provisions - Restated to correctly account for the provision for landfill site using Net Present Value based on the new technical assessment performed.

The following prior period errors adjustment occurred for the **Statement of Financial Performance**:

Service charges - Restated to correct the existence of debtors and the indigent policy reversal

Interest earned : outstanding trading debtors - Restated to correct prior year reversal recorded retrospectively instead of prospectively

Property rates - Restated to correct revenue reversal recorded in incorrect period.

Government grants and subsidies - Adjustment based on expenditure recorded in the incorrect accounting period

Depreciation and amortization - Adjusted based on capitalisation performed and correction of depreciation calculations

Contracted services - Restated as a result of recorded and reversed creditors invoices

General expenses - Restated as a result of recorded and reversed creditors invoices

Debt Impairment - Restatement due to reversal of debtors written off

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
54. Prior period errors and reclassification (continued)		
Statement of Financial Position		
Decrease Property, plant and equipment	-	(7,255,894)
Decrease in Intangible assets	-	(451,183)
Increase in Investment property	-	6,203,200
Increase in Receivables from exchange transactions	-	41,484,549
Decrease in Receivables form non-exchange transactions	-	(13,142,055)
Decrease in Trade and other payables	-	3,091,895
Increase in Provisions	-	(10,811,057)
Increase in VAT payable	-	(9,521,553)
Increase in Accumulated surplus	-	(9,597,902)
Statement of Financial Performance		
Increase in Service charges	-	9,731,517
Increase in Interest earned- outstanding trading debtors	-	64,717
Increase in Inventories water gains	-	11,350
Increase in Property rates	-	197,596
Increase in Interest earned-Property rates	-	2,485,419
Decrease in Government grant and subsidies	-	(3,289,435)
Decrease in Depreciation	-	6,305,347
Increase in Impairment losses	-	(5,659,552)
Increase in Finance cost	-	(2,802,703)
Increase in Bulk purchases	-	(11,350)
Increase in Debt impairment	-	(71,247,339)
Increase in Contracted services	-	(224,820)
Increase in General expenses	-	(14,514)
Decrease in Accumulated surplus	-	64,453,767

55. Prior-year adjustments

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

Statement of financial position

2019

	As previously reported	Correction of error	Restated
Receivables from exchange transactions	26,559,651	41,484,549	68,044,200
Receivables from non-exchange transactions	22,921,128	(13,142,055)	9,779,073
Property, plant and equipment	684,000,015	(7,255,894)	676,744,121
Intangible assets	5,169,571	(451,183)	4,718,388
Investment property	20,715,500	6,203,200	26,918,700
Trade and other payables	(62,164,992)	3,091,895	(59,073,097)
VAT payable	(637,189)	(9,521,553)	(10,158,742)
Provisions	(26,691,777)	(10,811,057)	(37,502,834)
Accumulated Surplus	(663,926,984)	(9,597,902)	(673,524,886)
	5,944,923	-	5,944,923

Statement of financial performance

Sundays River Valley Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019		
55. Prior-year adjustments (continued)				
2019				
	As previously reported	Correction of error	Re-classification	Restated
Service charges	28,358,803	9,731,517	-	38,090,320
Interest earned- outstanding trading debtors	3,163,133	64,717	-	3,227,850
Inventories water gains	-	-	11,350	11,350
Property rates	36,623,757	197,596	-	36,821,353
Interest earned - property rates debtors	-	2,485,419	-	2,485,419
Government grants and subsidies	153,130,128	(3,289,435)	-	149,840,693
Depreciation and amortisation	(32,893,047)	645,795	5,659,552	(26,587,700)
Impairment loss	-	-	(5,659,552)	(5,659,552)
Finance cost	(2,455,062)	(2,802,703)	-	(5,257,765)
Bulk purchases	(21,787,093)	-	(11,350)	(21,798,443)
Contracted Services	(23,076,305)	(224,820)	-	(23,301,125)
Debt impairment	(18,049,963)	(71,247,339)	-	(89,297,302)
General expenses	(31,687,642)	(14,514)	-	(31,702,156)
Surplus for the year	91,326,709	(64,453,767)	-	26,872,942

Reclassifications

The above reclassifications were effected to achieve better alignment with mSCOA which aims to align classification across all municipalities. The reclassification was done in accordance with GRAP 1 and GRAP 3 in that after a review of the financial statement, the new classification and presentation is considered to be more appropriate having regard to the criteria for the selection and application of accounting policies. Accounting policies are not amended, however, the principal of reporting expenditure by nature and more reliably adhered to.

56. Risk management

Financial risk management

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

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

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

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

These balances represent the maximum exposure to credit risk

Financial instrument		
Cash and cash equivalents	2,436,947	626,163
Receivables from exchange transactions	58,887,248	68,044,200

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57. Events after the reporting date

(a) The municipality on the 15 June 2020 approved a request for short term loan from Sarah Baartman District Municipality to remunerate its employees. The loan application was approved by the council of the district municipality on the 28 June 2020. The loan was received by the municipality on the 1 July 2020. Repayment conditions attached to the R 3 480 629.04 interest free loan are as follows:

- An amount of R 1 392 251.62 no later than two days after the receipt of the first tranche of Equitable Share received
- An amount of R 1 044 188.71 no later than two days after the receipt of the second tranche of Equitable Share received.
- An amount of R 1 044 188.71 no later than two days after the receipt of the third tranche of Equitable Share received

(b) The municipality received a fire vehicle as a donation from Sarah Baartman District Municipality. The hand-over ceremony was conducted on the 18 May 2020. Although the municipality was entitled to the asset, power and control still vested with the district municipality at year end. The asset was delivered and brought into use on the 17 August 2020.

58. Unauthorised expenditure

Opening balance as previously reported	142,010,525	140,163,178
Correction of prior period error	(1,847,347)	-
Opening balance as restated	140,163,178	140,163,178
Add: Unauthorised Expenditure - current	47,250,816	-
Add: Unauthorised Expenditure: Grants incurred in current financial year but recognised in the following financial year	-	1,847,347
Closing balance	187,413,994	142,010,525

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

Non-cash	46,029,598	-
Cash	1,221,218	1,847,347
	47,250,816	1,847,347

Analysed as follows: non-cash

Impairment loss	18,730,575	-
Finance charges	1,093,598	-
Loss on disposal of property, plant and equipment	1,792,648	-
Debt impairment	24,412,777	-
	46,029,598	-

Analysed as follows: cash

Finance charges	1,221,218	-
Capital Expenditure	-	1,847,347
	1,221,218	1,847,347

59. Fruitless and wasteful expenditure

Opening balance as previously reported	5,237,662	4,461,183
Opening balance as restated	5,237,662	4,461,183
Add: Fruitless and wasteful Expenditure -current	4,603,117	776,479
Closing balance	9,840,779	5,237,662

Sundays River Valley Municipality

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59. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest incurred - Auditor General SA	None	188,824	76,683
Interest incurred - Bravopix 446	None	2,864	-
Interest incurred - Coega Development Corporation	None	12,832	-
Interest incurred - Eskom Holdings	None	615,360	373,335
Interest incurred - Infinite Prospects 138	None	18	-
Interest incurred - Lower Sundays River Water Association	None	49,821	24,271
Interest incurred - Telkom SA	None	60,367	38,697
Penalties incurred - SARS	None	1,520,435	254,987
Interest incurred - Pension Fund	None	13,067	88
Interest incurred - Driver License Testing Centre	None	882	7,703
Interest incurred - Sasfin	None	55	-
Interest incurred - Choice	None	-	71
Interest incurred- NG Kerk	None	-	626
Interest incurred - Granet Couriers	None	-	18
Construction of fencing	None	1,713,126	-
Claims and litigations	None	235,963	-
Travel allowance - Mayor	None	189,503	-
		4,603,117	776,479

The fruitless and wasteful expenditure amounting to R2 464 525 is for interest on overdue creditors accounts

The remaining balance of R2 138 592 is for the following expenditure made in vain and would have been avoided had reasonable care been exercised:

- 1) Construction of fencing - The municipality paid two separate suppliers for the same scope of work for construction of fencing done in the newly erected municipal offices.
- 2) Claims and litigations - The municipality received an unfavourable judgement for two litigations against it
- 3) Travel allowance - The mayor receives a fringe benefit, namely "Right of use asset" and also benefits from travel allowance which serves the same purpose.

Sundays River Valley Municipality

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Notes to the Unaudited Annual Financial Statements

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60. Irregular expenditure		
Opening balance	263,406,799	210,612,005
Opening balance as restated	263,406,799	210,612,005
Add: Irregular Expenditure - current	34,804,898	52,794,794
Closing balance	298,211,697	263,406,799
61. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	866,783	-
Current year subscription / fee	892,848	866,783
Amount paid - current year	(776,745)	-
Amount paid - previous years	(866,783)	-
	116,103	866,783
Audit fees		
Opening balance	909,891	736,664
Current year subscription / fee	5,488,196	5,194,890
Amount paid - current year	(1,244,356)	(5,021,663)
Amount paid - previous years	(909,891)	-
	4,243,840	909,891
PAYE and UIF		
Opening balance	1,652,584	630,893
Current year subscription / fee	10,876,432	9,589,078
Amount paid - current year	(7,569,325)	(7,936,494)
Amount paid - previous years	(1,652,584)	(630,893)
	3,307,107	1,652,584
Pension and Medical Aid Deductions		
Opening balance	965,200	1,168,060
Current year subscription / fee	16,843,543	14,550,062
Amount paid - current year	(12,655,650)	(13,584,862)
Amount paid - previous years	(965,200)	(1,168,060)
	4,187,893	965,200

Sundays River Valley Municipality

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Adams (001005601)	3,707	10,607	14,314
Councillor Baka (013104400)	1,448	37,325	38,773
Councillor Dancey (033403319)	2,052	52,139	54,191
Councillor Hawu (009194600)	1,019	3,665	4,684
Councillor Smith (001027403)	4,372	216	4,588
Councillor Smith (001016802)	19,257	117,384	136,641
Councillor Rune (045189400)	1,903	133,795	135,698
Councillor Tom (009183600)	1,774	44	1,818
Councillor Jack (013165700)	78	7,390	7,468
Councillor Payi (008071500)	711	-	711
	36,321	362,565	398,886

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Adams (001005601)	3,206	2,089	5,295
Councillor Blou (045174500)	1,921	27,497	29,418
Councillor Dancey (033403319)	1,853	44,911	46,764
Councillor Hawu (009194600)	573	4,909	5,482
Councillor Smith (001027403)	3,010	-	3,010
Councillor Smith (001016802)	19,080	171,827	190,907
	29,643	251,233	280,876

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

Supply chain management regulations and deviations from supply chain regulations

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

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Accounting Officer and includes a note to the unaudited annual financial statements.

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

Summary of deviations per incident type is as follows:

Incident

s36(1)(a)(i) - Emergency	84,473	200,220
s36(1)(a)(ii) - Sole supplier	825,546	1,136,798
s36(1)(a)(v) - Impractical/ Exceptional	957,044	417,933
	1,867,063	1,754,951

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62. Actual operating expenditure versus budgeted operating expenditure

Material (>10 %) differences between budget and actual amounts.

Statement of Financial Performance:

63.1- Proceeds from sale of municipal vehicle which was not budgeted for

63.2- Billing is lesser than expected as envisaged meters were not purchased which were to increase billing

63.3- Fewer rental of municipal activites than anticipated due to national restrictions of gatherings

63.4- Fewer than anticipated motor registrations due to closure of traffic department due to national lockdown

63.5- Lower than expected learner applications , drivers licence applicants etc as a result of national lockdown

63.6- Municipal properties are no longer billed resulting in difference

63.7- Reduction of interest is linked to the municipal properties exclusion from billing

63.8- Decrease as a result of allocations withheld for INEP and recognition of unspent grants not included in budget

63.9- Less fines accrued due to fewer speed traps and state of disaster pronounced

63.10- Budgeted posts not filled due to cash constraints and reduction in overtime

63.11- Inclusion of impairment losses errorously omitted from the budget

63.12- Greater interest charged than expected due to cashflow challenges and higher time value of money effect on landfill site

63.14- Effect of debtor write-off not included in budget

63.15- Effect of under expenditure and financial challenges