

RAYMOND MHLABA LOCAL MUNICIPALITY

EC 129



AUDITED

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2022

RAYMOND MHLABA LOCAL MUNICIPALITY

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RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Raymond Mhlaba Local Municipality (EC129) performs the functions as set out in the Constitution.

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 21 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016.

JURISDICTION

The Raymond Mhlaba Local Municipality includes the following areas:

Alice	Hogsback	Adelaide	Katberg
Middledrift	Seymour	Bedford	
Fort Beaufort	Balfour	Healdtown	

MEMBERS OF THE COUNCIL

Position	Councillor	Ward / Additional Portfolio
Mayor	Zingiswa Rasmeni	PR Councillor
Speaker	Thozama Ngaye	PR Councillor
Chief Whip	Nonkazimlo Primrose Mlamla	PR Councillor
Councillor	Bukelwa Sharon Tyhali	Portfolio Head: Corporate Services
Councillor	Nomhle Beauty Sango	Portfolio Head: Engineering
Councillor	Anele Winifred Ntsangani	Portfolio Head: Finance
Councillor	Sithembele Michael Zuko	Portfolio Head: Community Service
Councillor	Portia Sabane	Portfolio Head: Sports, Arts and Culture
Councillor	Sinethemba Mjakuca	Portfolio Head: Strategic Planning & LED
Councillor	Zikhona Tyali	MPAC Chairperson
Councillor	Ernest Lombard	EXCO (PR Councillor)
Councillor	Mhlangabezi Nombombo	EXCO (PR Councillor)
Councillor	Primrose Nosipho Ruselo	Ward 1
Councillor	Mzimkhulu Matayo	Ward 2
Councillor	Sinovuyo Kley	Ward 3

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE COUNCIL (CONTINUED)

Position	Councillor	Ward / Additional Portfolio
Councillor	Xolani Dyantyi	Ward 4
Councillor	Masixole Tsotsa	Ward 5
Councillor	Unathi Ngcume	Ward 6
Councillor	Kwanele Siduli	Ward 7
Councillor	Evelyn Nompucuko Zizi	Ward 8
Councillor	Nkuthalo Gideon Quilie	Ward 9
Councillor	Simon Justice Xego	Ward 10
Councillor	Luxolo Nqala	Ward 11
Councillor	Mthetheleli Gqokro	Ward 12
Councillor	Sindiswa Magxwalisa	Ward 13
Councillor	Songezo Mashenqana	Ward 14
Councillor	Ntombomzi Klaas	Ward 15
Councillor	Monwabisi Moses Zamo	Ward 16
Councillor	Liziwe Faith Matyolo	Ward 17
Councillor	Thobeka Priscilla Mjo	Ward 18
Councillor	Sindiswa Cynthia Tokwe	Ward 19
Councillor	Zikhona Nandipa Lento	Ward 20
Councillor	Masixole Jonathan Tukani	Ward 21
Councillor	Nolizwi Nomicwerha Yanta	Ward 22
Councillor	Mpho Mahleza	Ward 23
Councillor	Zikhona Tyali	PR Councillor
Councillor	Nolusindiso Brenda Hans	PR Councillor
Councillor	Cecelia Anne Auld	PR Councillor
Councillor	Kayaletu Baliso	PR Councillor
Councillor	Deon Piet Mandeka	PR Councillor
Councillor	Lindile Theophilus Ngethu	PR Councillor
Councillor	Patricia Ntengu	PR Councillor
Councillor	Elton Bantam	PR Councillor
Councillor	Milicent Nonkoliseko Qawu	PR Councillor
Councillor	Xoliswa Victoria Vusani	PR Councillor
Councillor	Kwanele Tito	PR Councillor

MUNICIPAL MANAGER

Ms Unathi Malinzi

CHIEF FINANCIAL OFFICER

Mr Mveleli Ngxowa

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

REGISTERED OFFICE

8 Somerset Street, Fort Beaufort, 5720

POSTAL ADDRESS

PO Box 36, Fort Beaufort, 5720

AUDITORS

Office of the Auditor General (EC)

PRIMARY BANKER

ABSA Bank

PANEL OF ATTORNEYS

Lionel Trichardt & Associates

A A Solwandle Attorneys Inc.

NT Vuba Incorporated

Smith Tabata Attorneys

Siya Cockile Inc.

Kirchmanns Inc.

Gravett Schoeman Inc.

Ntsiki-Pakade Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act

Municipal Systems Act

Municipal Planning and Performance Management Regulations

Water Services Act

Housing Act

Municipal Property Rates Act

Electricity Act

Skills Development Levies Act

Employment Equity Act

Unemployment Insurance Act

Basic Conditions of Employment Act

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

Municipal Cost Containment Regulations, 2019

RAYMOND MHLABA LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these financial statements for the year ended 30 June 2022, which are set out on pages 1 to 112 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.


I have reviewed the Municipality's cash flow forecast for the year to 30 June 2023 and I am satisfied that despite the current financial status, the Municipality can continue in operational existence for the foreseeable future.

Significant measures are currently being put in place to ensure improved revenue collection, revenue enhancement and finally cashflow.

The users should also take note of the financial sustainability matters addressed in note 57 of the financial statements.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Ms Unathi Malinzi
Municipal Manager

31/08/2022

Date

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	30 JUNE 2022 R (Actual)	30 JUNE 2021 R (Restated)
ASSETS			
Current Assets		136 618 229	124 497 873
Cash and Cash Equivalents	2	16 087 714	16 663 189
Receivables from exchange transactions	3	51 350 481	41 343 887
Receivables from non-exchange transactions	4	17 096 039	25 301 301
VAT Receivable	5	52 083 995	41 189 496
Non-Current Assets		782 845 000	751 577 218
Investment Property	6	19 720 850	18 967 871
Property, Plant and Equipment	7.1	738 942 464	710 130 466
Property, Plant and Equipment - Capitalised Restoration Cost	7.2	23 149 841	20 844 853
Heritage Assets	8	70 000	70 000
Intangible Assets	9	961 845	1 564 029
Total Assets		919 463 229	876 075 092
Current Liabilities		498 953 680	430 482 146
Current Portion of Long-term Liabilities	10	444 517	687 896
Consumer Deposits	11	2 862 457	2 696 438
Payables from exchange transactions	12	447 740 545	376 513 174
Unspent Conditional Government Grants	13	10 407 400	16 145 904
Current Employee benefits	14	23 051 127	21 639 621
Provisions	15	14 447 634	12 799 114
Non-Current Liabilities		89 408 888	79 445 377
Long-term Liabilities	10	208 815	4 923 400
Employee benefits	16	40 307 000	32 177 000
Non-Current Provisions	17	48 893 073	42 344 977
Total Liabilities		588 362 568	509 927 523
NET ASSETS		331 100 661	366 147 569
COMMUNITY WEALTH			
Accumulated Surplus	18	331 100 661	366 147 569
		331 100 661	366 147 569

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

		30 JUNE 2022	30 JUNE 2021
		R	R
	Notes	(Actual)	(Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		359 838 053	416 998 531
Taxation Revenue		97 168 484	103 628 797
Property Rates	19	97 168 484	103 628 797
Transfer Revenue		261 065 822	310 949 029
Government Grants and Subsidies - Capital	20	60 810 359	75 249 011
Government Grants and Subsidies - Operating	20	200 255 463	235 700 018
Other Revenue		1 603 748	2 420 705
Fines	21	140 778	62 033
Actuarial Gains	22	709 991	1 413 273
Fair Value Adjustments	23	752 979	945 400
REVENUE FROM EXCHANGE TRANSACTIONS		145 707 285	120 027 649
Operating Activities		145 707 285	120 027 649
Service Charges	24	89 926 198	84 487 542
Rental of Facilities and Equipment	25	580 288	509 853
Interest Earned - external investments	26	1 955 766	1 552 952
Interest Earned - outstanding debtors	27	37 548 143	24 096 667
Licences and Permits	28	4 744 713	5 738 779
Other Income	29	10 952 177	3 641 856
TOTAL REVENUE		505 545 338	537 026 180
EXPENDITURE			
Employee related costs	30	204 341 165	193 207 030
Remuneration of Councillors	31	18 311 510	18 464 737
Debt Impairment	32	78 757 514	55 065 380
Bad Debts Written Off	32	-	20 651 660
Depreciation and Amortisation	33	29 867 677	29 030 461
Impairments	34	643 900	1 388 910
Actuarial Losses	35	4 021 302	-
Finance Charges	37	21 373 751	13 662 347
Bulk Purchases	38	81 615 368	69 393 436
Transfers and Grants	39	9 371 999	9 459 905
Other Expenditure	40	89 778 992	129 255 136
Loss on disposal of Assets	41	2 509 069	2 227 997
TOTAL EXPENDITURE		540 592 246	541 807 000
NET DEFICIT FOR THE YEAR		(35 046 908)	(4 780 819)

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2022

	Note	ACCUMULATED SURPLUS R	TOTAL R
Balance on 1 July 2020		387 209 964	387 209 964
Prior Period Adjustments	42.7	(16 281 576)	(16 281 576)
Restated Balance on 1 July 2020		370 928 388	370 928 388
Net Deficit for the year		(4 780 819)	(4 780 819)
Restated Balance on 30 June 2021		366 147 569	366 147 569
Net Deficit for the year		(35 046 908)	(35 046 908)
Balance on 30 June 2022		331 100 661	331 100 661

RAYMOND MHLABA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

	Notes	30 JUNE 2022 R (Actual)	30 JUNE 2021 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		61 350 701	48 311 364
Service charges		70 919 101	67 228 911
Other Income		17 855 155	20 224 879
Government - operating		199 966 525	232 909 851
Government - capital		55 360 793	89 992 601
Interest Income		12 332 745	12 304 511
Payments			
Suppliers and employees		(330 824 967)	(379 366 970)
Finance charges		(13 704 418)	(9 207 303)
Transfers and Grants		(9 371 999)	(9 459 905)
NET CASH FROM OPERATING ACTIVITIES	43	63 883 635	72 937 938
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(63 937 234)	(71 267 010)
NET CASH USED INVESTING ACTIVITIES		(63 937 234)	(71 267 010)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		166 019	222 600
Payments			
Long-Term Liabilities repaid		(687 896)	(1 757 692)
NET CASH USED FINANCING ACTIVITIES		(521 876)	(1 535 092)
NET INCREASE/(DECREASE) IN CASH HELD		(575 475)	135 836
Cash and Cash Equivalents at the beginning of the year		16 663 189	16 527 353
Cash and Cash Equivalents at the end of the year		16 087 714	16 663 189
NET INCREASE/(DECREASE) IN CASH HELD		(575 475)	135 836

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
ASSETS			
Current assets			
Cash	16 087 714	19 174 272	(3 086 558)
Consumer debtors	44 078 462	47 092 634	(3 014 172)
Other Debtors	76 452 053	88 915 612	(12 463 559)
Total current assets	136 618 229	155 182 518	(18 564 289)
Non current assets			
Investment property	19 720 850	22 000 000	(2 279 150)
Property, plant and equipment	762 092 305	772 538 525	(10 446 220)
Heritage Assets	70 000	70 000	-
Intangible Assets	961 845	-	961 845
Total non current assets	782 845 000	794 608 525	(11 763 525)
TOTAL ASSETS	919 463 229	949 791 043	(30 327 814)
LIABILITIES			
Current liabilities			
Borrowing	444 517	1 566 878	(1 122 361)
Consumer deposits	2 862 457	2 473 837	388 620
Trade and other payables	458 147 945	439 312 712	18 835 233
Provisions and Employee Benefits	37 498 761	30 721 000	6 777 761
Total current liabilities	498 953 680	474 074 427	24 879 253
Non current liabilities			
Borrowing	208 815	4 583 214	(4 374 399)
Provisions and Employee Benefits	89 200 073	92 322 000	(3 121 927)
Total non current liabilities	89 408 888	96 905 214	(7 496 326)
TOTAL LIABILITIES	588 362 568	570 979 641	17 382 927
NET ASSETS	331 100 661	378 811 402	(47 710 741)
COMMUNITY WEALTH			
Accumulated Surplus	331 100 661	378 811 402	(47 710 741)
TOTAL COMMUNITY WEALTH/EQUITY	331 100 661	378 811 402	(47 710 741)

Refer to note 45.2 for more detail regarding material variances

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Approved Budget)	2022 R (Adjustments)	2022 R (Final Budget)
ASSETS			
Current assets			
Cash	(5 563 865)	24 738 137	19 174 272
Consumer debtors	309 397 634	(262 305 000)	47 092 634
Other Debtors	198 915 612	(110 000 000)	88 915 612
Total current assets	502 749 381	(347 566 863)	155 182 518
Non current assets			
Investment property	83 745 433	(61 745 433)	22 000 000
Property, plant and equipment	480 176 662	292 361 863	772 538 525
Heritage Assets	70 000	-	70 000
Total non current assets	563 992 095	230 616 430	794 608 525
TOTAL ASSETS	1 066 741 476	(116 950 433)	949 791 043
LIABILITIES			
Current liabilities			
Borrowing	1 566 878	-	1 566 878
Consumer deposits	2 473 837	-	2 473 837
Trade and other payables	292 270 358	147 042 354	439 312 712
Provisions and Employee Benefits	30 721 000	-	30 721 000
Total current liabilities	327 032 073	147 042 354	474 074 427
Non current liabilities			
Borrowing	4 583 214	-	4 583 214
Provisions and Employee Benefits	59 322 000	33 000 000	92 322 000
Total non current liabilities	63 905 214	33 000 000	96 905 214
TOTAL LIABILITIES	390 937 287	180 042 354	570 979 641
NET ASSETS	675 804 189	(296 992 787)	378 811 402
COMMUNITY WEALTH			
Accumulated Surplus	675 804 189	(296 992 787)	378 811 402
TOTAL COMMUNITY WEALTH/EQUITY	675 804 189	(296 992 787)	378 811 402

Refer to note 45.2 for more detail regarding material adjustments.

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
REVENUE BY SOURCE			
Property rates	97 168 484	110 360 400	(13 191 916)
Service charges	89 926 198	70 815 358	19 110 840
Rental of facilities and equipment	580 288	515 000	65 288
Interest earned - external investments	1 955 766	330 000	1 625 766
Interest earned - outstanding debtors	37 548 143	24 920 000	12 628 143
Fines	140 778	150 000	(9 222)
Licences and permits	4 744 713	5 500 000	(755 287)
Government Grants and Subsidies - Operating	200 255 463	201 736 389	(1 480 926)
Other revenue	12 415 147	2 110 000	10 305 147
Gains	-	-	-
TOTAL OPERATING REVENUE	444 734 979	416 437 147	28 297 832
EXPENDITURE BY TYPE			
Employee related costs	204 341 165	203 395 286	945 879
Remuneration of councillors	18 311 510	21 394 326	(3 082 816)
Debt impairment	78 757 514	84 500 000	(5 742 486)
Depreciation & asset impairment	30 511 577	35 855 871	(5 344 294)
Finance charges	21 373 751	18 696 739	2 677 012
Bulk purchases	81 615 368	93 546 173	(11 930 805)
Grants and subsidies paid	9 371 999	14 037 230	(4 665 231)
Other expenditure	93 800 294	87 619 954	6 180 340
Losses	2 509 069	-	2 509 069
TOTAL OPERATING EXPENDITURE	540 592 246	559 045 579	(18 453 333)
OPERATING DEFICIT FOR THE YEAR	(95 857 267)	(142 608 432)	46 751 165
Government Grants and Subsidies - Capital	60 810 359	70 009 940	(9 199 581)
NET DEFICIT FOR THE YEAR	(35 046 908)	(72 598 492)	37 551 584

Refer to note 45.2 for more detail regarding material variances

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Approved Budget)	2022 R (Adjustments)	2022 R (Final Budget)
REVENUE BY SOURCE			
Property rates	110 360 400	-	110 360 400
Service charges	70 815 358	-	70 815 358
Rental of facilities and equipment	515 000	-	515 000
Interest earned - external investments	330 000	-	330 000
Interest earned - outstanding debtors	24 920 000	-	24 920 000
Fines	150 000	-	150 000
Licences and permits	5 500 000	-	5 500 000
Government Grants and Subsidies -			
Operating	199 643 650	2 092 739	201 736 389
Other revenue	2 110 000	-	2 110 000
Gains	3 536 000	-	-
TOTAL OPERATING REVENUE	417 880 408	2 092 739	416 437 147
EXPENDITURE BY TYPE			
Employee related costs	196 703 048	6 692 238	203 395 286
Remuneration of councillors	19 997 252	1 397 074	21 394 326
Debt impairment	25 000 000	59 500 000	84 500 000
Depreciation & asset impairment	30 855 871	5 000 000	35 855 871
Finance charges	18 695 000	1 739	18 696 739
Bulk purchases	45 600 000	47 946 173	93 546 173
Grants and subsidies paid	11 200 000	2 837 230	14 037 230
Other expenditure	66 688 821	20 931 133	87 619 954
TOTAL OPERATING EXPENDITURE	414 739 992	144 305 587	559 045 579
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	3 140 416	(142 212 848)	(142 608 432)
Government Grants and Subsidies -			
Capital	39 266 350	30 743 590	70 009 940
NET SURPLUS/(DEFICIT) FOR THE YEAR	42 406 766	(111 469 258)	(72 598 492)

Refer to note 45.2 for more detail regarding material adjustments.

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	61 350 701	68 423 448	(7 072 747)
Service Charges	70 919 101	60 120 805	10 798 296
Other Income	17 855 155	8 275 000	9 580 155
Government - Operating	199 966 525	199 643 650	322 875
Government - Capital	55 360 793	56 846 210	(1 485 417)
Interest Income	12 332 745	-	12 332 745
Payments			
Suppliers and Employees	(330 824 967)	(363 705 717)	32 880 750
Finance Charges	(13 704 418)	(18 696 739)	4 992 321
Transfers and Grants	(9 371 999)	(11 200 000)	1 828 001
NET CASH FROM/(USED) OPERATING ACTIVITIES	63 883 635	(293 343)	64 176 978
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital assets	(63 937 234)	(70 528 213)	6 590 979
NET CASH USED IN INVESTING ACTIVITIES	(63 937 234)	(70 528 213)	6 590 979
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	166 019	-	166 019
Payments			
Repayment of borrowing	(687 896)	-	(687 896)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(521 876)	-	(521 876)
NET DECREASE IN CASH HELD	(575 475)	(70 821 556)	70 246 081
Cash and Cash Equivalents at beginning of the Year	16 663 189	72 527 353	(55 864 164)
Cash and Cash Equivalents at the end of the Year	16 087 714	1 705 797	14 381 917

Refer to note 45.2 for more detail regarding material variances

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Approved Budget)	2022 R (Adjustments)	2022 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	68 423 448	-	68 423 448
Service Charges	60 120 805	-	60 120 805
Other Income	8 275 000	-	8 275 000
Government - Operating	199 643 650	-	199 643 650
Government - Capital	39 266 350	17 579 860	56 846 210
Interest Income	330 000	(330 000)	-
Payments			
Suppliers and Employees	(328 989 121)	(34 716 596)	(363 705 717)
Finance charges	(18 695 000)	(1 739)	(18 696 739)
Transfers and Grants	(11 200 000)	-	(11 200 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 175 132	(17 468 475)	(293 343)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Capital assets	(39 266 350)	(31 261 863)	(70 528 213)
NET CASH USED IN INVESTING ACTIVITIES	(39 266 350)	(31 261 863)	(70 528 213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-
NET DECREASE IN CASH HELD	(22 091 218)	(48 730 338)	(70 821 556)
Cash and Cash Equivalents at beginning of the Year	16 527 353	56 000 000	72 527 353
Cash and Cash Equivalents at the end of the Year	(5 563 865)	7 269 662	1 705 797

Refer to note 45.2 for more detail regarding material adjustments.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Actual and budgeted figures are presented based on the nature of the revenue or expense, unless stated otherwise.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Assets where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.05 COMPARATIVE INFORMATION (CONTINUED)

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.

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

1.05.2 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.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the actual amounts and approved budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the Improvements to the Standards of GRAP (2020) which were issued but are not yet effective. The improvements affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2023
GRAP 13	Leases	1 April 2023
GRAP 16	Investment Property	1 April 2023
GRAP 17	Property Plant and Equipment	1 April 2023
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2023
GRAP 31	Intangible Assets	1 April 2023
GRAP 32	Service Concession Arrangements: Grantor	1 April 2023
GRAP 37	Joint Arrangements	1 April 2023
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2023
Directive 7	The Application of Deemed Cost	1 April 2023
Guideline	Accounting for Landfill Sites	1 April 2023

The Municipality also resolved to early adopt the following Interpretation of the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

The Municipality further resolved to early adopt the following Amendments to the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2019)	Presentation of Financial Statements	1 April 2023

The effect of the above-mentioned pronouncements to the Standards of GRAP which were early adopted is considered insignificant. The early adopted pronouncements mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt the following Standard of GRAP which was issued but is not yet effective:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.1.1 GRAP 104 (Revised 2019) - Financial Instruments (effective 1 April 2025)

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but is not yet effective and the Minister of Finance has not yet determined an effective date for implementation, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 25 (Revised 2021) - Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant

1.08.2.2 GRAP 103 (Revised 2022) - Heritage Assets

The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

Preliminary investigations indicate that this revised Standard may have a significant impact with regards to heritage assets which have a dual purpose. Even though some heritage assets can have cultural significance while being used in delivering services, the revised Standard will now require that all heritage assets be accounted for using GRAP 103. A consequence of this amendment is that a heritage asset will no longer be depreciated. Instead, a heritage asset should be tested for impairment when an impairment indicator has been triggered.

1.08.2.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This Interpretation addresses the following:

- (a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
- (b) How a minimum funding requirement might affect the availability of reductions in future contributions.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property 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, its deemed cost is the carrying amount of the asset(s) given up.

1.09.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost is its fair value at the date of change in use.

If an owner-occupied property becomes an investment property that will be carried at fair value, any differences between the carrying amount of the property and its fair value is treated in the same way as a revaluation in accordance with the Standard of GRAP on Property, Plant and Equipment.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.09 INVESTMENT PROPERTY (CONTINUED)

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property and its previous carrying amount is recognised in the Statement of Financial Performance.

To ensure consistency between accounting policies applied by the former municipalities (before merger date), all investment properties will be subsequently measured at fair value. Nxuba Local Municipality previously accounted for investment properties on the cost model.

1.09.3 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.09.4 Derecognition

An 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 determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current 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.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Land and Buildings	
Land	Indefinite
Buildings	17 - 100
Infrastructure	
Roads and Stormwater	7 - 100
Electricity	11 - 122
Solid Waste	8 - 72
Community Assets	
Park Facilities	24 - 125
Community Assets	
Park Facilities	24 - 125
Lease Assets	
Computer Equipment	2 - 5
Plant and Machinery	3
Motor Vehicles	3
Other Assets	
Plant and Machinery	2 - 23
Motor Vehicles	6 - 18
Computer Equipment	4 - 18
Furniture and Office Equipment	4 - 20
Capitalised Restoration Cost	
Landfill sites	10 - 92

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 INTANGIBLE ASSETS

1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.11 INTANGIBLE ASSETS (CONTINUED)

Where an intangible asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2 Subsequent Measurement - Cost Model

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

1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.11 INTANGIBLE ASSETS (CONTINUED)

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3

1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised 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.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.12 HERITAGE ASSETS (CONTINUED)

Where a heritage asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1.13.1 Recoverable amount of Cash-generating assets

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

The best evidence of 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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.13.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

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

1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount 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 expense is recognised when the goods are distributed, or related service is rendered.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.14 INVENTORIES (CONTINUED)

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.15 EMPLOYEE BENEFITS

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

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

1.15.1 Post-Retirement Benefits

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

1.15.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.15 EMPLOYEE BENEFITS (CONTINUED)

1.15.1.2 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.15 EMPLOYEE BENEFITS (CONTINUED)

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date. This bonus is effectively a 13th cheque and at year end represents the monthly accrual for the time lapsed between the last actual bonus payment date and year-end.

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality 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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.16 PROVISIONS (CONTINUED)

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17 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.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.17 LEASES (CONTINUED)

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.17.2.2 *Operating Leases*

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.18 FINANCIAL INSTRUMENTS

1.18.1 **Initial Recognition**

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.18.2 **Subsequent Measurement**

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

(c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:

- (i) derivatives;
- (ii) combined instruments that are designated at fair value;
- (iii) instruments held for trading;
- (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.18.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.4 Derecognition of financial instruments

1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

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

1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.19 STATUTORY RECEIVABLES (CONTINUED)

1.19.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.22 TAXES (VALUE ADDED TAX)

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. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.25 **CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS (CONTINUED)**

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 **REVENUE**

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 **Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.26.1.1 *Taxation Revenue*

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

1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.26.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.26.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

1.26.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 *Rental income*

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

1.26.2.5 *Other Tariffs*

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.2.6 *Sale of goods*

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 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 is 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 contingent 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 where the inflow of economic benefits or service potential is probable.

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the 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:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.34 RELATED PARTIES

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

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

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided 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 any 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 arm's length and not on normal commercial terms, are disclosed.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.35 ACCOUNTING BY PRINCIPLES AND AGENTS

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

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

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

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.35 ACCOUNTING BY PRINCIPLES AND AGENTS (CONTINUED)

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

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

1.36 LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living resources.

1.37 SEGMENT REPORTINGS

A segment is an activity of the Municipality:

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

Management comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis.

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the municipality as a whole.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.37 SEGMENT REPORTINGS (CONTINUED)

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.38.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.38.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment 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.

1.38.3 Useful lives and residual values

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

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.38.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.38.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.38.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.38.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

1.38.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.38.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.38.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1.38.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
2 CASH AND CASH EQUIVALENTS		
Bank Accounts	7 408 535	5 144 692
Call Deposits	8 679 179	11 518 498
Total	16 087 714	16 663 189
Due to the short term nature of cash deposits, all balances included above is in line with their fair value		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	10 407 400	16 145 904
Working Capital Requirements	5 680 314	517 285
Total	16 087 714	16 663 189
Refer to notes 13 and 20 for more detail relating to unspent conditional grants.		
Bank Accounts		
ABSA Bank Ltd - Current Account - 40 8171 6725		
Bank Statement Balance - Opening Balance	4 463 411	6 659 937
Bank Statement Balance - Closing Balance	6 944 944	4 463 411
ABSA Bank Ltd - Current Account - 23 6000 0012		
Bank Statement Balance - Opening Balance	12 896	94 057
Bank Statement Balance - Closing Balance	69 568	12 896
First National Bank Ltd - Current Account - 620 2619 2336		
Bank Statement Balance - Opening Balance	31 822	8 054 974
Bank Statement Balance - Closing Balance	155 975	31 822
First National Bank Ltd - Current Account - 516 4001 1783		
Bank Statement Balance - Opening Balance	603 787	1 806 181
Bank Statement Balance - Closing Balance	232 728	603 787
All Current Accounts		
Bank Statement Balance - Opening Balance	5 111 916	16 615 148
Bank Statement Balance - Closing Balance	7 403 215	5 111 916
Cashbook Balance - Opening Balance	5 144 692	16 527 353
Cashbook Balance - Closing Balance	7 408 535	5 144 692

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022 R	30 JUNE 2021 R
2 CASH AND CASH EQUIVALENTS (CONTINUED)		
There were no overdraft facility at the period ending 30 June 2021 and 30 June 2022.		
Call Deposits		
Call Deposits consist out of the following account:		
ABSA Bank Ltd - Call Account - 4100 703 849	45 152	11 518 498
ABSA Bank Ltd - Call Account - 4098 967 806	6 264	-
ABSA Bank Ltd - Call Account - 4099 150 636	17 364	-
ABSA Bank Ltd - Call Account - 4101 692 679	3 083 880	-
ABSA Bank Ltd - Call Account - 4103 567 036	5 526 519	-
Total	8 679 179	11 518 498

The Call Account attracted interest at between 4.25% and 4.4% on 30 June 2022 (30 June 2021 - 3.10%).

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	308 203 080	277 810 289	30 392 791
Electricity	43 685 903	32 381 411	11 304 492
Refuse	109 977 212	105 028 750	4 948 463
Interest on Arrears	151 700 549	137 753 342	13 947 207
Other Receivables	2 839 415	2 646 786	192 629
Other Receivables	20 957 690	-	20 957 690
Sundry Receivables	1 693 625	-	1 693 625
Accrued Interest	35 501	-	35 501
Eskom Trust Account	5 000 000	-	5 000 000
Eskom Deposits	14 228 565	-	14 228 565
Total	329 160 770	277 810 289	51 350 481

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	261 579 104	240 406 020	21 173 084
Electricity	37 902 912	29 571 871	8 331 042
Refuse	96 753 107	92 540 566	4 212 541
Interest on Arrears	124 500 323	115 929 215	8 571 108
Other Receivables	2 422 762	2 364 368	58 394

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	Gross Balance R	Allowance for impairment R	Net Receivable R
Other Receivables	20 170 803	-	20 170 803
Sundry Receivables	1 395 890	-	1 395 890
Accrued Interest	64 563	-	64 563
Eskom Trust Account	5 000 000	-	5 000 000
Eskom Deposits	13 710 350	-	13 710 350
Total	281 749 907	240 406 020	41 343 887
Balance previously Reported	199 115 835	164 488 288	34 627 547
Prior Period Adjustment - Refer to note 42.1	82 634 071	75 917 732	6 716 340
Total	281 749 907	240 406 020	41 343 887

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

The Eskom Deposits relates to connection deposits paid by the municipality to Eskom in areas where electricity services are obtained directly from Eskom (ie High Mast Lights). The Eskom Trust Account relates to funds paid into a trust account of Ntsiki Pakade Attorneys during 2019/20 as bond security for the legal matter against Eskom.

	30 JUNE 2022 R	30 JUNE 2021 R
Ageing of service receivables:		
Electricity Ageing		
Current (0 - 30 days)	4 569 385	3 590 548
Past Due (31 - 60 Days)	2 488 366	1 903 989
Past Due (61 - 90 Days)	1 916 767	1 492 445
Past Due (90 Days +)	34 711 386	30 915 931
Total	43 685 903	37 902 912

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021	
	R	R	
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)			
Refuse Ageing			
Current (0 - 30 days)	1 582 161	1 495 726	
Past Due (31 - 60 Days)	1 439 808	1 343 168	
Past Due (61 - 90 Days)	1 401 390	1 285 071	
Past Due (90 Days +)	105 553 853	92 629 141	
Total	109 977 212	96 753 107	
Interest on Arrears Ageing			
Current (0 - 30 days)	3 473 193	1 664 631	
Past Due (31 - 60 Days)	3 460 615	2 132 996	
Past Due (61 - 90 Days)	3 255 222	2 136 892	
Past Due (90 Days +)	141 511 519	118 565 803	
Total	151 700 549	124 500 323	
Other Services Ageing			
Current (0 - 30 days)	55 760	22 457	
Past Due (31 - 60 Days)	24 663	19 946	
Past Due (61 - 90 Days)	31 122	18 330	
Past Due (90 Days +)	2 727 870	2 362 029	
Total	2 839 415	2 422 762	
Ageing per Customer Classification - 30 June 2022			
	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	4 063 037	2 072 002	3 545 460
Past Due (31 - 60 Days)	3 324 424	828 368	3 260 661
Past Due (61 - 90 Days)	3 169 760	674 274	2 760 466
Past Due (90 Days +)	194 155 442	16 684 406	73 664 779
Sub-Total	204 712 664	20 259 049	83 231 367
Less Allowance for Impairment	(193 693 257)	(17 434 585)	(66 682 447)
Total	11 019 407	2 824 464	16 548 920

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing per Customer Classification - 30 June 2021

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 214 923	2 404 952	2 153 487
Past Due (31 - 60 Days)	2 313 766	927 592	2 158 740
Past Due (61 - 90 Days)	2 310 225	740 744	1 881 769
Past Due (90 Days +)	167 524 580	28 727 822	48 220 503
Sub-Total	174 363 495	32 801 110	54 414 499
Less Allowance for Impairment	(167 554 994)	(29 119 926)	(43 731 099)
Total	6 808 500	3 681 184	10 683 399
		30 JUNE 2022	30 JUNE 2021
		R	R

Reconciliation of Allowance for impairment

Opening Balance	240 406 020	209 966 226
Contribution to the provision	37 404 269	30 867 564
Electricity	2 809 541	5 056 025
Refuse	12 488 184	12 751 138
Interest on Arrears	21 824 127	12 962 954
Other Receivables	282 418	97 446
Bad Debts Written off	-	(427 770)
Interest on Arrears	-	(427 770)
Balance at the end of the year	277 810 289	240 406 020

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

No receivables from exchange transactions is held as security by the municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	294 233 130	280 547 459	13 685 672
Rates	294 233 130	280 547 459	13 685 672
Other Receivables	3 410 367	-	3 410 367
Accrued Interest	1 700	-	1 700
Sundry Receivables	3 408 667	-	3 408 667
Total	297 643 497	280 547 459	17 096 039

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	258 415 347	236 524 413	21 890 934
Rates	258 415 347	236 524 413	21 890 934
Other Receivables	3 410 367	-	3 410 367
Accrued Interest	1 700	-	1 700
Sundry Receivables	3 408 667	-	3 408 667
Total	261 825 714	236 524 413	25 301 301
Balance previously Reported	344 970 264	312 952 623	32 017 641
Prior Period Adjustment - Refer to note 42.2	(83 144 550)	(76 428 210)	(6 716 340)
Total	261 825 714	236 524 413	25 301 301

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	30 JUNE 2022 R	30 JUNE 2021 R
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	3 741 341	5 129 783
Past Due (31 - 60 Days)	3 405 394	8 992 955
Past Due (61 - 90 Days)	3 368 591	4 428 131
Past Due (90 Days +)	283 717 804	239 864 478
Total	294 233 130	258 415 347

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Ageing per Customer Classification - 30 June 2022

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 492 650	402 917	845 774
Past Due (31 - 60 Days)	2 370 274	190 250	844 870
Past Due (61 - 90 Days)	2 348 717	175 004	844 870
Past Due (90 Days +)	155 761 054	10 386 346	117 570 405
Sub-Total	162 972 695	11 154 517	120 105 918
Less Allowance for Impairment	(155 025 901)	(10 467 328)	(115 054 229)
Total	7 946 793	687 189	5 051 690

Ageing per Customer Classification - 30 June 2021

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 684 041	414 045	2 031 697
Past Due (31 - 60 Days)	6 003 454	704 861	2 284 639
Past Due (61 - 90 Days)	2 065 649	196 520	2 165 962
Past Due (90 Days +)	99 139 668	8 396 448	132 328 362
Sub-Total	109 892 813	9 711 874	138 810 661
Less Allowance for Impairment	(101 485 419)	(8 785 727)	(126 253 267)
Total	8 407 394	926 147	12 557 394

30 JUNE 2022

R

30 JUNE 2021

R

Reconciliation of Allowance for impairment

Opening Balance	236 524 413	209 567 132
Contribution to the provision	44 023 045	47 181 171
Bad Debts Written off	-	(20 223 890)
Balance at the end of the year	280 547 459	236 524 413

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022 R	30 JUNE 2021 R
5 VAT RECEIVABLE		
Vat Receivable	52 083 995	41 189 496
Balance Previously Reported		42 233 131
Prior Period Adjustment - Refer to note 42.3		(1 043 635)
Total	52 083 995	41 189 496

VAT is accounted for on the payment/cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

6 INVESTMENT PROPERTY		
Investment Property - Carrying Value	19 720 850	18 967 871
Balance Previously Reported		73 147 474
Prior Period Adjustment - Refer to note 42.4		(54 179 603)
The movement in investment properties is reconciled as follows:		
Opening Fair Value	18 967 871	18 022 471
Fair Value Adjustment	752 979	945 400
Closing Carrying Value	19 720 850	18 967 871
Fair Value	19 720 850	18 967 871

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

There are no work in progress balances to be report on any financial period under review.

The fair value is based on the market value of the relevant property. The value is guided by the IVSC (International Valuation Standards Committee) in their definition of market value, as revised in 2000. This definition, which has been generally accepted by the South African property valuation profession reads as follows:

Market value is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

7.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2022	Cost					Accumulated Depreciation					Accumulated Impairment			Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Disposals R	Closing Balance R	
Land and Buildings	129 107 648	-	-	-	129 107 648	7 310 546	1 215 500	-	-	8 526 047	-	-	-	120 581 601
Land	74 862 381	-	-	-	74 862 381	-	-	-	-	-	-	-	-	74 862 381
Buildings	54 245 267	-	-	-	54 245 267	7 310 546	1 215 500	-	-	8 526 047	-	-	-	45 719 220
Infrastructure	699 714 343	-	(204 759 613)	24 148 826	519 103 556	340 847 725	19 848 027	(202 507 787)	-	158 187 965	1 723 950	(1 723 950)	-	360 915 591
Roads and Stormwater	568 213 535	-	(182 313 493)	12 509 473	398 409 516	283 352 627	16 028 227	(182 313 493)	-	117 067 361	-	-	-	281 342 155
Electricity	127 345 719	-	(18 584 424)	11 639 352	120 400 648	55 370 932	3 661 297	(18 080 452)	-	40 951 777	-	-	-	79 448 871
Solid Waste	4 155 089	-	(3 861 696)	-	293 392	2 124 166	158 503	(2 113 842)	-	168 827	1 723 950	(1 723 950)	-	124 565
Community Assets	140 967 512	-	(6 182 606)	4 624 924	139 409 829	30 079 637	4 621 986	(4 403 475)	-	30 298 148	-	-	-	109 111 682
Cemetery	5 388 062	-	(1 171 226)	-	4 216 836	1 526 353	142 895	(605 720)	-	1 063 528	-	-	-	3 153 308
Recreation Grounds	36 410 658	-	(5 011 380)	-	31 399 278	8 506 865	1 354 862	(3 797 755)	-	6 063 972	-	-	-	25 335 306
Community Halls and Centres	99 168 792	-	-	4 624 924	103 793 716	20 046 419	3 124 229	-	-	23 170 648	-	-	-	80 623 068
Lease Assets	9 478 143	-	(7 565 168)	-	1 912 976	3 988 607	632 052	(3 295 100)	-	1 325 559	-	-	-	587 416
Computer Equipment	1 912 976	-	-	-	1 912 976	918 805	406 754	-	-	1 325 559	-	-	-	587 416
Plant and Machinery	5 324 886	-	(5 324 886)	-	-	2 295 121	167 497	(2 462 618)	-	-	-	-	-	-
Motor Vehicles	2 240 282	-	(2 240 282)	-	-	774 680	57 801	(832 482)	-	-	-	-	-	-
Other Assets	57 324 410	30 443	(526 914)	-	56 827 939	36 190 107	2 028 532	(324 851)	-	37 893 788	-	-	-	18 934 150
Plant and Machinery	41 443 193	-	(76 108)	-	41 367 085	28 425 185	994 152	(16 111)	-	29 403 225	-	-	-	11 963 859
Motor Vehicles	9 219 103	-	(84 200)	-	9 134 903	2 902 019	581 549	(6 381)	-	3 477 187	-	-	-	5 657 716
Computer Equipment	2 042 458	30 443	(187 401)	-	1 885 500	1 375 962	183 953	(129 344)	-	1 430 570	-	-	-	454 930
Furniture and Office Equipment	4 619 657	-	(179 205)	-	4 440 452	3 486 941	268 879	(173 014)	-	3 582 806	-	-	-	857 646
Work in Progress	93 691 357	63 906 791	-	(28 773 750)	128 824 398	-	-	-	-	-	12 375	-	12 375	128 812 023
Total	1 130 283 413	63 937 234	(219 034 300)	-	975 186 346	418 416 622	28 346 098	(210 531 213)	-	236 231 507	1 736 325	(1 723 950)	12 375	738 942 464

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

7.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2021	Cost					Accumulated Depreciation					Accumulated Impairment			Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Disposals R	Closing Balance R	
Land and Buildings	129 107 648	-	-	-	129 107 648	6 095 046	1 215 500	-	-	7 310 546	-	-	-	121 797 102
Land	74 862 381	-	-	-	74 862 381	-	-	-	-	-	-	-	-	74 862 381
Buildings	54 245 267	-	-	-	54 245 267	6 095 046	1 215 500	-	-	7 310 546	-	-	-	46 934 720
Infrastructure	612 527 907	-	(1 964 798)	89 151 233	699 714 343	322 867 939	18 862 466	(882 679)	-	340 847 725	1 723 950	-	1 723 950	357 142 668
Roads and Stormwater	492 362 259	-	-	75 851 276	568 213 535	268 039 515	15 313 112	-	-	283 352 627	-	-	-	284 860 908
Electricity	116 010 560	-	(1 964 798)	13 299 957	127 345 719	52 862 762	3 390 850	(882 679)	-	55 370 932	-	-	-	71 974 787
Solid Waste	4 155 089	-	-	-	4 155 089	1 965 663	158 503	-	-	2 124 166	1 723 950	-	1 723 950	306 973
Community Assets	137 297 926	-	-	3 669 585	140 967 512	25 555 609	4 524 028	-	-	30 079 637	-	-	-	110 887 875
Cemetery	5 388 062	-	-	-	5 388 062	1 383 458	142 895	-	-	1 526 353	-	-	-	3 861 709
Recreation Grounds	36 410 658	-	-	-	36 410 658	7 152 003	1 354 862	-	-	8 506 865	-	-	-	27 903 792
Community Halls and Centres	95 499 207	-	-	3 669 585	99 168 792	17 020 148	3 026 271	-	-	20 046 419	-	-	-	79 122 374
Lease Assets	10 382 469	1 218 896	(2 123 222)	-	9 478 143	4 603 760	1 508 068	(2 123 222)	-	3 988 607	-	-	-	5 489 536
Computer Equipment	2 817 302	1 218 896	(2 123 222)	-	1 912 976	2 636 464	405 563	(2 123 222)	-	918 805	-	-	-	994 170
Plant and Machinery	5 324 886	-	-	-	5 324 886	1 471 154	823 967	-	-	2 295 121	-	-	-	3 029 765
Motor Vehicles	2 240 282	-	-	-	2 240 282	496 142	278 538	-	-	774 680	-	-	-	1 465 601
Other Assets	59 959 802	547 201	(3 182 593)	-	57 324 410	36 092 585	2 134 237	(2 036 715)	-	36 190 107	-	-	-	21 134 303
Plant and Machinery	42 567 695	225 805	(1 350 307)	-	41 443 193	28 346 071	1 065 332	(986 219)	-	28 425 185	-	-	-	13 018 008
Motor Vehicles	10 560 639	-	(1 341 536)	-	9 219 103	2 891 398	623 044	(612 423)	-	2 902 019	-	-	-	6 317 083
Computer Equipment	2 049 564	303 398	(310 504)	-	2 042 458	1 474 876	172 032	(270 946)	-	1 375 962	-	-	-	666 496
Furniture and Office Equipment	4 781 905	17 998	(180 246)	-	4 619 657	3 380 240	273 829	(167 128)	-	3 486 941	-	-	-	1 132 716
Work in Progress	132 787 766	68 913 256	(15 188 846)	(92 820 819)	93 691 357	-	-	-	-	-	15 201 221	(15 188 846)	12 375	93 678 982
Total	1 082 063 520	70 679 352	(22 459 459)	-	1 130 283 413	395 214 939	28 244 300	(5 042 616)	-	418 416 622	16 925 171	(15 188 846)	1 736 325	710 130 466
Balance previously Reported	1 048 522 216	68 441 010	(22 459 459)	-	1 094 503 767	390 934 326	27 782 627	(5 042 616)	-	413 674 337	16 925 171	(15 188 846)	1 736 325	679 093 106
Prior Period Adjustment - Refer to note 42.5	33 541 303	2 238 343	-	-	35 779 646	4 280 613	461 673	-	-	4 742 286	-	-	-	31 037 360
Restated on 30 June 2021	1 082 063 520	70 679 352	(22 459 459)	-	1 130 283 413	395 214 939	28 244 300	(5 042 616)	-	418 416 622	16 925 171	(15 188 846)	1 736 325	710 130 466

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022 R	30 JUNE 2021 R
7.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)		
No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease agreement as disclosed in note 10 to the financial statements		
Included in Work in Progress on reporting date are projects amounting to R 1 754 820 (2021 - R 1 754 820) which are experiencing significant delays to complete. Insufficient available funding is the main contributor to these significant delays being experienced.		
Work in progress amounting to R 15 188 846 were written off during the 2020/21 financial year. This is due to the fact that the condition of these projects deteriorated to such an extent that there were no future economic benefits associated with these projects anymore (mainly due to vandalism). Availability of funding also hampered the completion of these projects.		
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.		
7.2 PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST		
Capitalised Restoration Cost - Carrying Value	23 149 841	20 844 853
The movement in capitalised restoration cost is reconciled as follows:		
Opening Balance	20 844 853	14 168 152
Additions	3 868 283	8 609 248
Depreciation for the year	(919 395)	(543 638)
Impairments for the year	(643 900)	(1 388 910)
Closing Carrying Value	23 149 841	20 844 853
Cost	41 468 245	37 599 962
Accumulated Depreciation	(14 897 296)	(13 977 901)
Accumulated Impairment	(3 421 108)	(2 777 208)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Raymond Mhlaba Local Municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
7.2		
PROPERTY, PLANT AND EQUIPMENT - CAPITALISED		
RESTORATION COST		

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 17 for more detail relating to this asset financed by way of a provision

8 HERITAGE ASSETS

Heritage Assets - Carrying Value

70 000

70 000

The municipality holds heritage assets, but was unable to obtain fair values of such assets, as there are no active market for these assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

The following Heritage Assets were identified:

Dr John Knox Bokwe Graves	Alice	-	-
Fort Woburn	Alice	-	-
Nkonkobe Garden of Remembrance	Alice	-	-
Fort Armstrong	Balfour	-	-
Maqoma Great Place	Balfour	-	-
Ntsikana Grave	Balfour	-	-
Oliver Shreiner House	Balfour	-	-
Fort Beaufort Historical Museum	Fort Beaufort	-	-
Fort Fordyce Fallen Site	Fort Beaufort	-	-
Infantry Barracks	Fort Beaufort	-	-
Lake's Man Fort	Fort Beaufort	-	-
Lord Charles Somerset House	Fort Beaufort	-	-
Mansonic Lodge	Fort Beaufort	-	-
Martello Tower	Fort Beaufort	-	-
Mater Hill	Fort Beaufort	-	-
Military Museum	Fort Beaufort	-	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

		30 JUNE 2022	30 JUNE 2021
		R	R
8	HERITAGE ASSETS (CONTINUED)		
	Military Hospital	-	-
	Officers Quarters	-	-
	The Fort	-	-
	The Officers Mess	-	-
	Ecology Shrine	-	-
	Fort Michel	-	-
	Eland Post	-	-
	Christmas Day Massacre Memorial	-	-
	Tyali's Great Place	-	-
	The Presidency Sundial	-	-
	Nontetha's Grave	-	-
	Monument	35 000	35 000
	Monument	35 000	35 000
	Total	70 000	70 000
9	INTANGIBLE ASSETS		
	Intangible Assets - Carrying Value	961 845	1 564 029
	Opening Balance	1 564 029	-
	Additions	-	1 806 553
	Amortisation for the year	(602 184)	(242 524)
	Closing Carrying Value	961 845	1 564 029
	Cost	1 869 021	1 869 021
	Accumulated Depreciation	(907 175)	(304 991)

Intangible Assets consist only out of software and licenses

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

10 LONG-TERM LIABILITIES

Finance Lease Liabilities	653 332	5 611 296
Sub-Total	653 332	5 611 296
Less: Current portion of Long-term Liabilities	444 517	687 896
Finance Lease Liabilities	444 517	687 896
Total	208 815	4 923 400

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21
2	Aloe Xerox - 65 Xerox Machines	17.20%	7/Dec/23

After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier if the contract is cancelled. Assets relating to redeemed contract were still in possession of municipality on 30 June 2022 and 30 June 2021 on a month to month basis.

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset	Carrying Value of Asset	Carrying Value of Liability	Carrying Value of Liability
	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021
	R	R	R	R
1	-	4 495 366	-	4 583 214
2	587 416	994 170	653 332	1 028 082
	587 416	5 489 536	653 332	5 611 296

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 7.1.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
10 LONG-TERM LIABILITIES (CONTINUED)		
Finance Lease Liabilities are payable as follows:		
Payable within one year	522 905	5 362 077
Payable within two to five years	217 877	740 782
Total amount payable	740 782	6 102 859
Less: Outstanding Future Finance Charges	(87 450)	(491 563)
Present value of finance lease liabilities	653 332	5 611 296
11 CONSUMER DEPOSITS		
Electricity	2 862 457	2 696 438
Total	2 862 457	2 696 438
The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
12 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	379 625 892	330 262 761
Balance Previously Reported	340 855 889	340 855 889
Prior Period Adjustment - Refer to note 42.6	(12 943 137)	(12 943 137)
Retentions	3 555 632	2 238 343
Balance Previously Reported	-	-
Prior Period Adjustment - Refer to note 42.6	2 238 343	2 238 343
Debtors with credit balances	31 249 747	23 791 637
Unidentified Deposits	19 034 804	19 082 787
Sundry Creditors	14 274 470	1 137 646
Total	447 740 545	376 513 174

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Sundry Creditors mainly relates to salary related accruals which were not settled at year-end.

Payables are not secured.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
13 UNSPENT CONDITIONAL GOVERNMENT GRANTS		
National Government	-	-
Provincial Government	10 407 400	16 145 904
Total	10 407 400	16 145 904

Detail reconciliations of all grants received and grant conditions met are included in note 20. Unspent grant balances are recognised to the extent that conditions are not yet met.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

14 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits	504 000	498 000
Current Portion of Long-Service Provisions	1 293 000	1 168 000
Bonuses	4 513 269	4 154 002
Staff Leave	16 740 858	15 819 619
Total	23 051 127	21 639 621

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	4 154 002	3 045 868
Contribution during the year	9 735 028	8 596 738
Payments made	(9 375 760)	(7 488 604)
Closing Balance	4 513 269	4 154 002

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at period end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Staff Leave

Opening Balance	15 819 619	14 891 211
Contribution during the year	3 135 286	2 497 078
Payments made	(2 214 047)	(1 568 670)
Closing Balance	16 740 858	15 819 619

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
14		
CURRENT EMPLOYEE BENEFITS (CONTINUED)		
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.		
15		
PROVISIONS		
Current Portion of Rehabilitation Provision - Landfill Sites	14 447 634	12 799 114
Total	14 447 634	12 799 114
Refer to note 17 for more detail relating to the provision.		
16		
EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	32 687 000	25 178 000
Long Service Awards	9 417 000	8 665 000
Sub-Total	42 104 000	33 843 000
Less: Current portion of Employee Benefits	1 797 000	1 666 000
Post Retirement Medical Benefits	504 000	498 000
Long Service Awards	1 293 000	1 168 000
Total	40 307 000	32 177 000

16.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	25 178 000	22 674 000
Contribution during the year	4 037 000	3 658 000
Current Service Cost	1 441 000	1 253 000
Interest Cost	2 596 000	2 405 000
Payments made	(549 302)	(559 744)
Actuarial Loss/(Gain)	4 021 302	(594 256)
Total balance at year-end	32 687 000	25 178 000
Less Current Portion	504 000	498 000
Total	32 183 000	24 680 000

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

	30 JUNE 2022	30 JUNE 2021
In-service members	240	186
Continuation members	10	11
Total	250	197

	30 JUNE 2022	30 JUNE 2021
	R	R

The liability in respect of past service has been estimated to be as follows:

In-service members	28 004 000	20 357 000
Continuation members	4 683 000	4 821 000
Total Unfunded Liability	32 687 000	25 178 000

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018
	R	R	R
In-service members	15 680 000	16 828 356	22 301 865
Continuation members	6 994 000	7 114 808	6 454 908
Total Unfunded Liability	22 674 000	23 943 164	28 756 773

Experience adjustments were calculated as follows:

	30 JUNE 2022	30 JUNE 2021
	R m	R m
Liabilities: (Gain)/Loss	3.893	(2.660)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018
	R m	R m	R m
Liabilities: (Gain)/Loss	0.969	(6.165)	(1.065)
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas	Hosmed	Keyhealth
LA Health	Samwumed	

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

30 JUNE 2022

30 JUNE 2021

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	11.57%	10.41%
Health Care Cost Inflation Rate	8.18%	7.02%
Net Effective Discount Rate	3.13%	3.17%
Maximum Subsidy Inflation Rate	5.76%	4.89%
Net-of-maximum-subsidy-inflation discount rate	5.49%	5.26%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 (2021 - 1) year of age was used by the actuaries.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2021 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 23 June 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	28.004	4.683	32.687	
Health care inflation				
+ 1%	32.927	5.068	37.995	16%
- 1%	23.895	4.344	28.239	-14%
Discount rate				
+ 1%	23.775	4.356	28.131	-14%
- 1%	33.380	5.059	38.439	18%
Post-retirement mortality				
+ 1 year	27.274	4.502	31.776	-3%
- 1 year	28.727	4.866	33.593	3%
Average retirement age				
- 1 year	30.508	4.683	35.191	8%
Continuation of membership at retirement				
- 10%	24.461	4.683	29.144	-11%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	2.373	3.754	6.127	
Health care inflation				
+ 1%	2.805	4.367	7.172	17%
- 1%	1.992	3.239	5.231	-15%
Discount rate				
+ 1%	1.987	3.505	5.492	-10%
- 1%	2.869	4.037	6.906	13%
Post-retirement mortality				
+ 1 year	2.313	3.648	5.961	-3%
- 1 year	2.432	3.858	6.290	3%
Average retirement age				
- 1 year	2.459	4.043	6.502	6%
Continuation of membership at retirement				
- 10%	2.077	3.344	5.421	-12%

16.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	30 JUNE 2022 R	30 JUNE 2021 R
Opening Balance	8 665 000	8 494 000
Contribution during the year	1 975 000	1 581 000
Current Service Cost	1 230 000	1 027 000
Interest Cost	745 000	554 000
Payments made	(513 009)	(590 983)
Actuarial Loss/(Gain)	(709 991)	(819 017)
Total balance at year-end	9 417 000	8 665 000
Less Current Portion	1 293 000	1 168 000
Total	8 124 000	7 497 000

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	30 JUNE 2022	30 JUNE 2021
In-service members	<u>489</u>	<u>505</u>

The liability in respect of past service has been estimated to be as follows:

	30 JUNE 2022 R	30 JUNE 2021 R
In-service members	<u>9 417 000</u>	<u>8 665 000</u>
Total Unfunded Liability	<u>9 417 000</u>	<u>8 665 000</u>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	30 JUNE 2020 R	30 JUNE 2019 R	30 JUNE 2018 R
In-service members	<u>8 494 000</u>	<u>7 498 477</u>	<u>6 933 890</u>
Total Unfunded Liability	<u>8 494 000</u>	<u>7 498 477</u>	<u>6 933 890</u>

Experience adjustments were calculated as follows:

	30 JUNE 2022 R m	30 JUNE 2021 R m
Liabilities: (Gain)/Loss	0.083	0.090
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	30 JUNE 2020 R m	30 JUNE 2019 R m	30 JUNE 2018 R m
Liabilities: (Gain)/Loss	0.466	0.259	0.505
Assets: Gain/(Loss)	-	-	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	10.66%	9.20%
General Salary Inflation (long-term)	7.03%	5.78%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.39%	3.23%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 23 June 2022.

Average Retirement Age

It has been assumed that in-service members will retire at age 62 (2021 - 62), which then implicitly allows for expected rates of early and ill-health retirement.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	9.417	
General salary inflation		
+ 1%	9.947	6%
- 1%	8.932	-5%
Discount rate		
+ 1%	8.916	-5%
- 1%	9.974	6%
Average retirement age		
+ 2 years	10.214	8%
- 2 years	8.479	-10%
Withdrawal rates		
x 200 %	7.640	-19%
x 50 %	10.610	13%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.245	0.936	2.181	
General salary inflation				
+ 1%	1.328	0.993	2.321	6%
- 1%	1.169	0.885	2.054	-6%
Discount rate				
+ 1%	1.178	0.966	2.144	-2%
- 1%	1.319	0.902	2.221	2%
Average retirement age				
+ 2 years	1.317	1.020	2.337	7%
- 2 years	1.147	0.839	1.986	-9%
Withdrawal rates				
x 200 %	0.950	0.747	1.697	-22%
x 50 %	1.450	1.063	2.513	15%

16.3 Other Pension Benefits

	30 JUNE 2022 R	30 JUNE 2021 R
Defined Benefit Plans		
Council contributes to the following defined benefit plans:		
LA Retirement Fund (former Cape Joint Pension Fund)	14 730 910	14 478 504
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund is in a sound financial position with a funding level of 104.9% (30 June 2020 - 100.0%).		
Total	14 730 910	14 478 504

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16 EMPLOYEE BENEFITS (CONTINUED)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	30 JUNE 2022	30 JUNE 2021
	R	R
Defined Contribution Plans		
Council contributes to the following defined contribution plans:		
Government Employees Pension Fund	23 153	23 153
SALA Pension Fund	2 094 414	1 904 974
SAMWU National Provident Fund	1 383 475	1 545 688
Municipal Workers Fund	885 624	685 613
Total	4 386 666	4 159 428

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

17 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	48 893 073	42 344 977
Total	48 893 073	42 344 977

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
17 NON-CURRENT PROVISIONS (CONTINUED)		
The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
Opening Balance	55 144 091	45 038 799
Contribution during the year	8 196 616	10 105 292
Additions	3 868 283	8 609 248
Interest Cost	4 328 333	1 496 044
Total balance at year-end	63 340 707	55 144 091
Less Current Portion	14 447 634	12 799 114
Total	48 893 073	42 344 977

The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The total obligation at period-end can be attributed to the following sites:

Site	Expected Closure Date		
Alice	2050	25 393 834	22 735 608
Middledrift	2100	6 475 954	5 937 742
Seymour	2028	5 474 406	5 047 548
Adelaide	2018	14 447 634	12 799 114
Bedford	2031	11 548 880	8 624 078
Total		63 340 707	55 144 091

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 7.85% (2021 - 3.32%) during the year under review.

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
17 NON-CURRENT PROVISIONS (CONTINUED)		
The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m ²):		
Alice	32 031	32 031
Middledrift	4 836	4 836
Seymour	3 317	3 317
Adelaide	20 553	20 553
Bedford	14 680	14 477
The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m ²):		
Alice	793	710
Middledrift	1 339	1 228
Seymour	1 650	1 522
Adelaide	703	623
Bedford	787	596
	30 JUNE 2022	30 JUNE 2021
	R	R
18 COMMUNITY WEALTH		
Accumulated Surplus	331 100 661	366 147 569
Total	331 100 661	366 147 569
19 PROPERTY RATES		
Total Property Rates	97 168 484	103 628 797
Total	97 168 484	103 628 797
Property rate levied are based on the following rateable valuations:		
Agricultural	3 395 220 550	1 648 396 100
Business, Commercial and Industrial	445 845 350	548 889 600
Government	784 153 900	3 655 743 977
Municipal	171 999 300	206 908 300
Public Benefit Organisations (Including Churches and Place of Worship)	115 582 700	175 867 700
Public Service Infrastructure	66 423 000	27 002 900
Residential	2 946 077 877	1 785 413 300
Vacant Land	149 158 600	128 751 400
Properties used for Multi Purpose	111 219 650	12 741 000
Sectional Title	31 888 500	31 888 500
Total Valuation	8 217 569 427	8 221 602 777

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

19 PROPERTY RATES (CONTINUED)

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2019.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

	30 JUNE 2022	30 JUNE 2021
Agriculture	0.008370 c / R	0.008370 c / R
Business, Commercial and Industrial	0.017250 c / R	0.017250 c / R
Government	0.025120 c / R	0.025120 c / R
Properties used for multi purpose	Based on Predominant Use	Based on Predominant Use
Public Benefit Organization (Including Churches and Place of Worship)	Exempt	Exempt
Public service infrastructure	0.002090 c / R	0.002090 c / R
Residential (Small holding and Privately Owned Town)	0.002090 c / R	0.008370 c / R
Vacant land	0.011930 c / R	0.011930 c / R
Sectional Title	0.008374 c / R	0.008374 c / R
Municipal properties	Exempt	Exempt

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants - National Government	189 927 000	218 472 782
Equitable Share	189 927 000	218 472 782
Conditional Grants - National Government	47 750 318	56 425 302
Municipal Finance Management Grant	2 600 000	2 500 000
Municipal Infrastructure Grant	41 333 000	31 546 000
Integrated National Electrification Programme (INEP)	-	16 554 000
Expanded Public Works Program	2 900 000	3 309 000
National Treasury Audit Fees Grant 1%	655 346	2 283 789
LG-SETA	261 972	232 513
Conditional Grants - Provincial Government	23 388 504	36 050 946
Office of the Premier	-	15 003 331
Alien Plant Removal (EPWP)	288 939	4 641 941
Housing Disaster Grant	-	1 499 263
Department of Housing Grant	0	-
Library Grant	1 650 000	1 650 000
Department of Roads	21 449 566	13 256 410
Total	261 065 822	310 949 029
Disclosed as:		
Government Grants and Subsidies - Capital	60 810 359	75 249 011
Government Grants and Subsidies - Operating	200 255 463	235 700 018
Total	261 065 823	310 949 029
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	189 927 000	218 472 782
Budget and Treasury Office	3 517 318	6 666 302
Community Services	1 650 000	-
Technical Services	65 971 504	85 809 946
Total	261 065 822	310 949 029

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
<p>The movements per grant can be summarised as follows:</p>		
20.01 Equitable Share		
Grants Received	189 927 000	218 472 782
Transferred to Revenue - Operating	(189 927 000)	(218 472 782)
Closing Unspent Balance	-	-
<p>The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.</p>		
20.02 Municipal Finance Management Grant		
Grants Received	2 600 000	2 500 000
Transferred to Revenue - Operating	(2 600 000)	(2 500 000)
Closing Unspent Balance	-	-
<p>To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).</p>		
20.03 LG-SETA		
Grants Received	261 972	232 513
Transferred to Revenue - Operating	(261 972)	(232 513)
Closing Unspent Balance	-	-
<p>The LG SETA Grant is utilised to cover expenditure relating to training.</p>		
20.04 Municipal Infrastructure Grant		
Grants Received	41 333 000	31 546 000
Transferred to Revenue - Capital	(39 360 793)	(30 435 270)
Transferred to Revenue - Operating	(1 972 207)	(1 110 730)
Closing Unspent Balance	-	-
<p>The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.</p>		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
20.05 Integrated National Electrification Programme (INEP)		
Opening Balance	-	536 192
Grants Received	-	16 554 000
Transferred to Revenue - Capital	-	(16 554 000)
Funds returned to National Treasury	-	(536 192)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
20.06 Expanded Public Works Program		
Grants Received	2 900 000	3 309 000
Transferred to Revenue - Operating	(2 900 000)	(3 309 000)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.		
20.07 Municipal Disaster Relief Grant		
Opening Balance	-	288 289
Funds returned to National Treasury	-	(288 289)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
The grant was allocated to the municipality to provide immediate relief to the required needs arising from the COVID 19 pandemic.		
20.08 National Treasury Audit Fees Grant		
Grants Received	655 346	2 283 789
Transferred to Revenue - Operating	(655 346)	(2 283 789)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
20.09 Library Grant		
Grants Received	1 650 000	1 650 000
Transferred to Revenue - Operating	(1 650 000)	(1 650 000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
To provide the municipality with finance for the operation and administration of Community Libraries.		
20.10 Office of the Premier		
Opening Balance	162	162
Grants Received	-	15 003 331
Transferred to Revenue - Capital	-	(15 003 331)
Closing Unspent Balance	<u>162</u>	<u>162</u>
This grant is allocated to municipalities directly from the Office of the Premier. The fund were utilised in two projects namely the Alice Revitalisation Project and the Green Energy Farming Project.		
20.11 Alien Plant Removal (EPWP)		
Opening Balance	358 059	-
Grants Received	-	5 000 000
Transferred to Revenue - Operating	(288 939)	(4 641 941)
Closing Unspent Balance	<u>69 120</u>	<u>358 059</u>
This is a provincial grant received by the municipality to support the eradication of alien vegetation through the use of the expanded public works program.		
20.12 Department of Roads		
Opening Balance	14 743 590	-
Grants Received	16 000 000	28 000 000
Transferred to Revenue - Capital	(21 449 566)	(13 256 410)
Closing Unspent Balance	<u>9 294 024</u>	<u>14 743 590</u>
This is a provincial grant received by the municipality to upgrade roads infrastructure in the municipal area.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
20.13 Housing Disaster Grant		
Opening Balance	9 474	1 508 737
Transferred to Revenue - Operating	-	(1 499 263)
Closing Unspent Balance	9 474	9 474
The grant is aimed at providing immediate relief in the event of a disaster.		
20.14 Other Provincial Allocations		
Opening Balance	1 034 620	1 034 620
Closing Unspent Balance	1 034 620	1 034 620
Other Provincial Allocations includes other grants (DDEAT Mining, Quarry Mining Grant, ECDLGTA - Greening and Beautification and LSDF - Middledrift Spatial Development Framework)		
20.15 Total Grants		
Opening Balance	16 145 904	3 368 000
Grants Received	255 327 318	324 551 415
Transferred to Revenue - Capital	(60 810 359)	(75 249 011)
Transferred to Revenue - Operating	(200 255 463)	(235 700 018)
Funds returned to National Treasury	-	(824 481)
Closing Unspent Balance	10 407 400	16 145 904
21 FINES		
Traffic Fines	140 778	62 033
Total	140 778	62 033
22 ACTUARIAL GAINS		
Long Service Awards	709 991	819 017
Post Retirement Medical Benefits	-	594 256
Total	709 991	1 413 273

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
23 FAIR VALUE ADJUSTMENTS		
Investment Property	752 979	945 400
Total	752 979	945 400
24 SERVICE CHARGES		
Electricity Revenue	73 524 166	68 113 308
Refuse Removal Revenue	24 264 851	22 793 054
Total Revenue	97 789 017	90 906 361
Less: Rebates	(7 862 819)	(6 418 820)
Refuse Removal Revenue	(7 862 819)	(6 418 820)
Total	89 926 198	84 487 542
<p>Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.</p>		
25 RENTAL OF FACILITIES AND EQUIPMENT		
Hall Rental	84 535	26 107
Municipal Houses	-	78 529
Equipment	-	879
Properties	215 213	346 616
Billboards	280 540	57 721
Total	580 288	509 853
26 INTEREST EARNED - EXTERNAL INVESTMENTS		
Short-Term Investments and Current Accounts	1 955 766	1 552 952
Total	1 955 766	1 552 952
27 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	11 646 351	6 598 474
Interest Earned - Penalty Interest on Property Rates	25 901 792	17 498 194
Total	37 548 143	24 096 667
28 LICENCES AND PERMITS		
Learners and Drivers Testing	4 744 713	5 738 779
Total	4 744 713	5 738 779

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
29 OTHER INCOME		
Connections - Electricity	98 557	109 417
Building Plan Fees	241 052	179 511
Burial and Cemetery fees	102 358	106 757
Tender Deposits	99 078	112 348
Valuation Certificates	144 963	35 010
Unknown Receipts Recognised as Revenue	5 009 032	2 014 845
Sundry Income	5 257 136	1 083 968
Total	10 952 177	3 641 856

Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the financial statements.

30 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	137 326 134	139 757 260
Pension and UIF Contributions	20 599 598	16 363 073
Medical Aid Contributions	7 740 303	6 467 279
Overtime	7 772 803	6 312 782
Annual Bonus	9 735 028	8 596 738
Motor Vehicle Allowance	8 093 774	6 947 195
Housing Allowances	401 848	661 682
Other benefits and allowances	6 865 393	3 323 942
Payments in lieu of leave	3 135 286	2 497 078
Long service awards	1 230 000	1 027 000
Post Retirement Medical Benefits	1 441 000	1 253 000
Total	204 341 165	193 207 030

Remuneration of Key Personnel

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

Remuneration of the Municipal Manager

Basic Salary	1 114 074	1 053 806
Pension and UIF Contributions	2 097	1 785
Motor Vehicle Allowance	663 012	606 812
Payments in lieu of leave	490 509	-
Total	2 269 693	1 662 402

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022 R	30 JUNE 2021 R
30 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of the Chief Financial Officer		
Basic Salary	130 952	215 328
Pension and UIF Contributions	354	299
Motor Vehicle Allowance	73 386	-
Total	204 692	215 626
Remuneration of the Acting Chief Financial Officer		
Acting Allowance	99 495	1 623
Total	99 495	1 623
Remuneration of the Technical Services Manager		
Basic Salary	993 465	821 566
Pension and UIF Contributions	2 097	1 785
Motor Vehicle Allowance	452 958	337 152
Housing Allowances	30 045	180 273
Other benefits and allowances	111	112
Total	1 478 677	1 340 887
Remuneration of the Corporate Services Manager		
Basic Salary	898 540	812 659
Pension and UIF Contributions	2 097	1 785
Medical Aid Contributions	126 736	167 484
Motor Vehicle Allowance	434 470	359 139
Total	1 461 843	1 341 067
Remuneration of the Strategic and LED Manager		
Basic Salary	1 033 294	1 012 656
Pension and UIF Contributions	2 097	1 785
Motor Vehicle Allowance	423 897	337 152
Total	1 459 288	1 351 592
The Strategic and LED Manager acted as CEO of Raymond Mhlaba Economic Development Agency during the current and prior year.		
Remuneration of the Community Services Manager		
Basic Salary	732 725	821 566
Pension and UIF Contributions	1 743	1 785
Motor Vehicle Allowance	336 997	337 152
Housing Allowances	30 046	180 273
Other benefits and allowances	111	112
Payments in lieu of leave	218 315	-
Total	1 319 936	1 340 888

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
30 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of the Acting Community Services Manager		
Acting Allowance	6 039	-
Total	6 039	-
31 REMUNERATION OF COUNCILLORS		
Councillor Allowance	16 339 450	16 438 101
Cell Phone Allowance	1 972 060	2 026 636
Total	18 311 510	18 464 737
Mayor	908 801	922 701
Speaker	754 662	733 088
Chief Whip	711 029	413 384
Executive Committee Members	4 842 275	3 065 218
Councillors	10 917 378	12 920 846
Traditional Leaders	177 365	409 500
Total	18 311 510	18 464 737
In-kind Benefits		
The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
32 DEBT IMPAIRMENT AND BAD DEBTS WRITTEN OFF		
Receivables from exchange transactions	37 404 269	30 867 564
Receivables from non-exchange transactions	44 023 045	47 181 171
Sub-Total	81 427 315	78 048 735
Less VAT Portion impaired	(2 669 801)	(2 331 694)
Total	78 757 514	75 717 040
Disclosed as:		
Debt Impairment	78 757 514	55 065 380
Bad Debts Written off	-	20 651 660
Total	78 757 514	75 717 040
33 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	28 346 098	28 244 300
Intangible Assets	602 184	242 524
Property, Plant and Equipment - Capitalised Restoration Cost	919 395	543 638
Total	29 867 677	29 030 461

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
34		
IMPAIRMENTS		
Property, Plant and Equipment - Capitalised Restoration Cost	643 900	1 388 910
Total	643 900	1 388 910
35		
ACTUARIAL LOSSES		
Post Retirement Medical Benefits	4 021 302	-
Total	4 021 302	-
36		
REPAIRS AND MAINTENANCE		
The Accounting Standards Board (ASB) issued a FAQ during the prior year which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by it's nature. Accordingly, repairs and maintenance are now included in the relevant line item based on nature.		
However, In line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:		
Furniture, Office Equipment and Tools	221 897	766 384
Buildings and Commonage	1 295 094	821 330
Plant, Machinery and Vehicles	427 731	875 597
Infrastructure: Roads and Stormwater	-	112 860
Infrastructure: Electricity	31 058 578	36 291 284
Total	33 003 300	38 867 456
37		
FINANCE CHARGES		
Finance Lease Liabilities	404 113	1 639 123
Post Retirement Medical Benefits	2 596 000	2 405 000
Long Service Awards	745 000	554 000
Rehabilitation Provision - Landfill Sites	4 328 333	1 496 044
Creditors	13 300 304	7 568 180
Total	21 373 751	13 662 347
38		
BULK PURCHASES		
Electricity	81 615 368	69 393 436
Total	81 615 368	69 393 436

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
39 TRANSFERS AND GRANTS		
Indigent Subsidy (Eskom Consumers)	6 862 574	6 559 089
Raymond Mhlaba Economic Development Agency (RMEDA)	2 509 425	2 900 816
Total	9 371 999	9 459 905
40 OTHER EXPENDITURE		
Advertising	250 650	408 615
Audit Committee Allowances	143 865	237 656
Audit fees	4 211 709	4 422 954
Bank Charges	477 526	376 976
Cash Discount	695 458	-
Commissions Paid	502 323	693 759
Consumables	961 016	185 470
Entertainment costs	46 603	88 837
Employee Wellness	200 999	77 867
Events	149 372	29 238
Fuel and Oil	2 911 574	2 376 181
Insurance	2 261 938	1 842 408
Job creation projects	-	574 420
Legal fees	2 756 878	8 540 583
License fees - Vehicles	262 319	420
Maintenance Materials and Small Tools	33 035 535	38 867 456
Operating Grant Expenditure	1 834 562	15 679 155
Financial Management Grant (FMG)	1 834 562	2 581 342
Expanded Public Works Program	-	4 630 212
Provincial Department of Roads	-	7 792 657
Municipal Disaster Relief Grant	-	674 944
Postage and Courier	-	28 174
Printing & Stationery	13 219	609 442
Professional & Consultancy Fees	9 980 478	22 135 621
Protective Clothing	418 466	844 751
Rental of Equipment	2 361 434	2 006 496
Refuse Removal	2 040 788	2 155 019
Refuse Bags	-	109 596
Security Services	1 331 599	937 383
Service Charges	6 953 875	6 755 471
Special Programmes	334 141	517 241
Subscriptions and Membership Fees	2 825 302	2 188 630
Subsistence & Travel	651 111	578 578
Telephone Cost	2 997 443	4 663 426
Training	265 337	401 417
Tourism Development	-	82 421

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
40 OTHER EXPENDITURE (CONTINUED)		
Valuation Costs	1 070 205	2 649 246
Ward Committees	2 893 123	4 383 417
General Expenses	4 940 145	3 806 812
Total	89 778 992	129 255 136
41 LOSS ON DISPOSAL OF ASSETS		
Property, Plant and Equipment	2 509 069	2 227 997
Total	2 509 069	2 227 997

42 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3

42.1 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported

34 627 547

Allocate interest on arrears to single line on 30 June 2021 in line with the current year system parameter setup - Refer to 42.2

82 634 071

Effect on Electricity

(6 673 112)

Effect on Refuse

(33 859 684)

Effect on Other Receivables

(1 333 454)

Effect on Interest on Arrears

124 500 323

Allocate interest on arrears (Impairment) to single line on 30 June 2021 in line with the current year system parameter setup - Refer to 42.2

(75 917 732)

Effect on Electricity

6 072 646

Effect on Refuse

32 642 298

Effect on Other Receivables

1 296 538

Effect on Interest on Arrears

(115 929 215)

Restated Balance on 30 June 2021

41 343 887

42.2 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance Previously Reported

32 017 641

Net effect of corrections on 30 June 2020 on Rates receivables

-

Correction of Rates installments previously not raised during 2017/18

(41 094)

Correction of Debtor imbalance corrected on 30 June 2020 year

(469 385)

Correction of Debt impairment on items above previously fully impaired

510 478

Allocate interest on arrears to single line on 30 June 2021 in line with the current year system parameter setup - Refer to 42.1

(82 634 071)

Effect on Rates

(82 634 071)

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

30 JUNE 2021

R

42 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

Allocate interest on arrears (Impairment) to single line on 30 June 2021 in line with the current year system parameter setup - Refer to 42.1

75 917 732

Effect on Rates

75 917 732

Restated Balance on 30 June 2021

25 301 301

42.3 VAT RECEIVABLE

Balance Previously Reported

42 233 131

Accruals incorrectly raised up to 30 June 2020 - Refer to note 42.6

(269 174)

Incorrect charges by Eskom during 2020/2021 - Refer to note 42.6

(774 461)

Restated Balance on 30 June 2021

41 189 496

42.4 INVESTMENT PROPERTY

Balance Previously Reported

73 147 474

Account for investment property incorrectly included in Investment Property for up to 30 June 2020 - Refer to note 42.7

(51 883 003)

Account for fair value on investment property incorrectly accounted for during 2020/21 as a result of properties incorrectly included - Refer to note 42.8

(2 296 600)

Restated Balance on 30 June 2021

18 967 871

42.5 PROPERTY PLANT AND EQUIPMENT

Balance Previously Reported

679 093 106

Correction on Depreciation of movable assets for 2020/21 - Refer to note 42.8

168 581

Account for movable assets incorrectly excluded from records on 30 June 2020

26 481

Effect on Other Assets (Cost) - Refer to note 42.7

32 629

Effect on Other Assets (Depreciation 2020/2021) - Refer to note 42.8

(6 147)

Correction of Assets incorrectly not capitalised during 2020/2021

-

Effect on Infrastructure - Electricity (Cost)

138 431

Effect on Work in Progress

(138 431)

Correction of Immovable Assets incorrectly included/excluded from records on 30 June 2020 - Refer to note 42.7

29 228 062

Effect on Land (Cost)

25 620 571

Effect on Buildings (Cost)

(6 861 980)

Effect on Infrastructure - Electricity (Cost)

16 334 145

Effect on Community Halls and Centres (Cost)

(1 584 062)

Effect on Buildings (Accumulated Depreciation)

1 575 348

Effect on Infrastructure - Electricity (Accumulated Depreciation)

(6 330 212)

Effect on Community Halls and Centres (Accumulated Depreciation)

474 252

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

30 JUNE 2021
R

42 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

Correction of Depreciation on Immovables during 2020/2021 as result of asset adjustments on 30 June 2020 and other adjustments - Refer to note 42.8

(624 106)

Effect on Buildings (Depreciation)

158 103

Effect on Infrastructure - Roads and Stormwater (Depreciation)

(250 748)

Effect on Infrastructure - Electricity (Depreciation)

(577 311)

Effect on Community Halls and Centres (Depreciation)

45 850

Recognise Retentions up to 30 June 2021 - Refer to note

2 238 343

Restated Balance on 30 June 2021

710 130 466

42.6 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported

384 867 959

Interest incorrectly not raised on Eskom agreement up to 30 June 2020 - Refer to note 42.7

2 194 835

Interest incorrectly not raised on Eskom during 2020/2021 - Refer to note 42.8

226 945

Incorrect charges by Eskom during 2020/2021

(5 937 533)

Effect on Statement of Financial Performance - Refer to note 42.8

(5 163 073)

Effect on VAT Receivable - Refer to note 42.3

(774 461)

Accruals incorrectly raised up to 30 June 2021

(3 016 192)

Effect on Accumulated Surplus - Refer to note 42.7

(2 124 379)

Effect on Statement of Financial Performance - Refer to note 42.8

(622 639)

Effect on VAT Receivable - Refer to note 42.3

(269 174)

Accruals incorrectly not raised up to 30 June 2021 - Refer to note 42.8

2 350 010

Amathole account incorrectly included as part of outstanding debt of the municipality up to 30 June 2020 - Refer to note 42.7

(6 411 193)

Recognise Retentions up to 30 June 2021 - Refer to note 42.5

2 238 343

Restated Balance on 30 June 2021

376 513 174

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

30 JUNE 2021

R

42 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

42.7 ACCUMULATED SURPLUS

Balance Previously Reported	381 978 661
Prior Period Adjustments relating to the 2020/21 financial year - Refer to note 42.8	450 483
Corrections up to 30 June 2020	(16 281 576)
Account for movable assets incorrectly excluded from records on 30 June 2020 - Refer to note 42.5	32 629
Correction of Immovable Assets incorrectly included/excluded from records on 30 June 2020 - Refer to note 42.5	29 228 062
Account for investment property incorrectly included in Investment Property for up to 30 June 2020 - Refer to note 42.4	(51 883 003)
Interest incorrectly not raised on Eskom agreement up to 30 June 2020 - Refer to note 42.6	(2 194 835)
Accruals incorrectly raised up to 30 June 2020 - Refer to note 42.6	2 124 379
Amathole account incorrectly included as part of outstanding debt of the municipality up to 30 June 2020 - Refer to note 42.6	6 411 193
Restated Balance on 30 June 2021	366 147 569

42.8 STATEMENT OF FINANCIAL PERFORMANCE

Net Deficit previously reported	(5 231 303)
Correction on Depreciation of movable assets for 2020/21 - Refer to note 42.5	168 581
Account for movable assets incorrectly excluded from records on 30 June 2020 - Refer to note 42.5	(6 147)
Correction of Depreciation on Immovables during 2020/2021 as result of asset adjustments on 30 June 2020 and other adjustments - Refer to note 42.5	(624 106)
Account for fair value on investment property incorrectly accounted for during 2020/21 as a result of properties incorrectly included - Refer to note 42.4	(2 296 600)
Accruals incorrectly raised during 2020/2021 - Refer to note 42.6	622 639
Effect on Employee Related Cost	13 799
Effect on Other Expenditure	608 840
Accruals incorrectly not raised during 2020/2021 - Refer to note 42.6	(2 350 010)
Interest incorrectly not raised on Eskom during 2020/2021 - Refer to note 42.6	(226 945)
Incorrect charges by Eskom during 2020/2021 - Refer to note 42.6	5 163 073
EPWP wages incorrectly allocated to Other Expenditure (Job Creation)	-
Effect on Employee Related Cost	(3 753 025)
Effect on Other Expenditure	3 753 025
Restated Deficit on 30 June 2021	(4 780 819)

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
43 NET CASH FROM OPERATING ACTIVITIES		
Net Deficit for the year	(35 046 908)	(4 780 819)
Adjusted for:		
Non-Cash Expenditure	123 468 795	92 167 792
Debt Impairment	78 757 514	55 065 380
Depreciation and Amortisation	29 867 677	29 030 461
Impairments	643 900	1 388 910
Actuarial Losses	4 021 302	-
Finance Charges	7 669 333	4 455 044
Loss on disposal of PPE	2 509 069	2 227 997
Non-Cash Revenue	(1 462 970)	(2 358 672)
Actuarial Gains	(709 991)	(1 413 272)
Fair Value Adjustments	(752 979)	(945 400)
Contributions - Provisions and Employee Benefits	15 541 313	13 373 816
Post Retirement Medical Benefits	1 441 000	1 253 000
Long Service Awards	1 230 000	1 027 000
Bonuses	9 735 028	8 596 738
Staff Leave	3 135 286	2 497 078
Expenditure - Provisions and Employee Benefits	(12 652 118)	(10 208 002)
Post Retirement Medical Benefits	(549 302)	(559 744)
Long Service Awards	(513 009)	(590 983)
Bonuses	(9 375 760)	(7 488 604)
Staff Leave	(2 214 047)	(1 568 670)
Other adjustments	-	(824 481)
Grants returned to Treasury	-	(824 481)
Operating Surplus before changes in working capital	89 848 112	87 369 634
Movement in working capital	(25 964 477)	(14 431 696)
Receivables from exchange and non-exchange transactions	(80 558 845)	(76 473 296)
Payables from exchange transactions	71 227 372	53 890 099
Unspent Conditional Government Grants	(5 738 504)	13 602 386
VAT Receivable	(10 894 499)	(5 450 884)
Cash Flow from Operating Activities	63 883 635	72 937 938

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
44 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Bank Accounts	7 408 535	5 144 692
Call Deposits	8 679 179	11 518 498
Total	16 087 714	16 663 189

Refer to note 2 for more details relating to cash and cash equivalents.

45 BUDGET COMPARISONS

45.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Actuarial Gains and Other Income.

Debt Impairments also includes Bad Debts written off during the year.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

45 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure and Actuarial Losses. Inventory disclosed and Contracted services included in the approved and final budget are also included as part of Other Expenditure.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

45.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Cash	The initial cash budget did not take into account possible unspent grant amounts.
Consumer Debtors	The initial budgeted amount was based on the Gross Debtor amount.
Other Debtors	Significant overstatement in budget allocation towards this line item.
Investments Property	Due to identification of incorrectly classified assets.
Property Plant and Equipment	Budget was understated and had to be corrected in line with prior year audited figures.
Provisions and Employee Benefits (Current and Non-Current)	Budget did not fully incorporate the significant increase in officials that are eligible for PEMA benefits in the current year.
Trade and Other Payables	Budget did not fully account for all payables, taking into account the current position financial position to settle debt when it becomes due and payable.
Accumulated Surplus	Refer to adjustment made on Trade and Other Payables.

Statement of financial position - Budget versus Actual

Cash	Cash balance variance mainly due to increase in payables at year end which was not settled.
Consumer Debtors	Budget allocation for debt impairment not sufficient to reduce carrying value of receivables to recoverable amount.
Consumer Debtors	Significant overstatement in budget allocation towards this line item.
Investments Property	Variance due to correction of error passed to remove asstes not controlled by the municipality.
Property Plant and Equipment	Final budget not aligned to prior year audited results, taking into account the capital program of the municipality.
Trade and Other Payables	Budget did not fully account for all payables, taking into account the current position financial position to settle debt when it becomes due and payable.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

45

BUDGET COMPARISONS (CONTINUED)

Statement of financial performance - Budget Adjustments

Provisions and Employee Benefits (Current and Non-Current)	Budget did not fully incorporate the significant increase in officials that are eligible for PEMA benefits in the current year.
Accumulated Surplus	Refer to other explanations provided for Statement of Financial Position line items and well as statement of financial performance. Also take into account the significant adjustments
Government Grants	Due to additional Grant from Department of Human Settlement
Employee Related Cost	Effect of vacant posts that were filled and the annual wage increases that were not included in the original budget.
Debt Impairment	An increase to the budget was realised due to low collection rate and thus increased debt impairment
Bulk Purchases	An upward adjustment was made based on current billings from Eskom which exceeded the initial estimates by the Municipality.
Other Expenditure	An increase in the budget was necessitated by the disaster that forced the municipality to incur unforeseen and unavoidable expenditures

Statement of financial performance - Budget versus Actual

Property Rates	Budget did not accurately account for the valuations and tariffs applied in the current year.
Service Charges	Budget did not take into account the pre-paid sales sold by Eskom on behalf of the municipality (R 17 million).
Interest earned - outstanding debtors	The budget did not fully account for the economic realities in the municipal area resulting in the significant variance between budgeted and actual interest raised.
Other Revenue	No budget allocation was made for prescribed debt (Unidentified Deposits not claimed within 3 years) recognised as revenue in the current year (R5 million), Actuarial Gains (R 700 000) and Fair Value Adjustments (R7 50 000).
Debt Impairment	The budget did not fully account for the economic realities in the municipal area resulting in the significant variance between budgeted provision and actual results.
Bulk Purchases	Budget not aligned to prior year actual results. It also did not take into account the NERSA approved increases passed on to the municipality in the current year.
Other Expenditure	Budget did not fully account for all expenditure incurred during the current year (including the significant increase in fuel prices)
Government Grants and Subsidies - Capital	Budget did not include capital expenditure relating to funds received from the Department of Roads.

Cash Flow Statement - Budget Adjustments

Interest Income	No cashflow budget was made for interest income as low collection of interest on debtors was being realised.
Government - Capital	Budget did not include capital funds received from the Department of Roads and Human Settlement (R16 M + 1,57 M).
Suppliers and Employees	Budget did not fully incorporate the expenditure program of the municipality and the disaster.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

45 BUDGET COMPARISONS (CONTINUED)

Capital Assets	Budget did not include capital expenditure relating to funds received from the Department of Roads.
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Cash Flow Statement - Budget versus Actual

Service Charges	Budget did not take into account the pre-paid sales sold by Eskom on behalf of the municipality (R 17 million).
Other Income	Cash flow did not fully account for Other Revenue received during the year
Government - Capital	Budget did not include capital funds received from the Department of Roads (R16 million).
Suppliers and Employees	Budget did not fully incorporate the expenditure program of the municipality.
Capital Assets	Budget did not include capital expenditure relating to funds received from the Department of Roads (R 20.6 million)

30 JUNE 2022

30 JUNE 2021

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UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

46

46.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening balance	234 108 580	234 108 580
Unauthorised expenditure current year	3 194 991	-
Written off by Council	(234 108 580)	-
Unauthorised expenditure awaiting approval	3 194 991	234 108 580

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

	2022 (Actual) R	2022 (Final Budget) R	2022 (Unauthorised) R
Unauthorised expenditure - Operating			
Municipal Council	24 510 541	26 255 945	-
Accounting Officer	34 254 639	34 425 805	-
Budget and Treasury Office	223 956 171	230 637 601	-
Technical Services	164 739 390	177 789 713	-
Community Services	93 131 506	89 936 515	3 194 991
Total	540 592 246	559 045 579	3 194 991
Unauthorised expenditure - Capital			
Technical Services	67 805 516	70 528 213	-
Total	67 805 516	70 528 213	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

No disciplinary steps or criminal proceedings were instituted

30 JUNE 2022
R

30 JUNE 2021
R

46.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	102 808 416	77 632 585
Fruitless and wasteful expenditure incurred	16 635 170	25 175 831
Written off by Council	(113 691 678)	-
Fruitless and wasteful expenditure awaiting approval	5 751 908	102 808 416

Details of Fruitless and wasteful expenditure incurred :

Other	-	15 442 679
Legal Fees	-	253 833
Work In Progress Written off	-	15 188 846
Penalties	3 334 866	2 164 971
SARS - PAYE, UIF and SDL	3 334 866	2 081 594
SARS - VAT	-	83 378
Interest on late payments	13 300 304	7 568 180
SARS - PAYE, UIF and SDL	596 242	251 222
SARS - VAT	-	9 722
Eskom	11 626 714	6 373 750
Auditor General	1 066 409	706 535
Other	10 939	226 951
Total	16 635 170	25 175 831

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
46.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening balance	358 022 607	268 283 784
Irregular expenditure incurred	51 660 649	89 738 823
Written off by Council	(399 254 914)	-
Irregular expenditure awaiting approval	10 428 341	358 022 607
Details of Irregular expenditure incurred :		
Supplier not registered on CSD	-	19 533
Non-compliance with Supply Chain Regulations - Bidding Process not followed	427 299	-
Rates clearance certificates for service providers who were awarded contracts were not included	5 778 386	9 761 479
Non-compliance with Section 74(1) of the MFMA - Non-submission of information	-	-
Supplier's Tax clearance pin expired at time of the audit and could not be verified	-	31 663
Non-submission of losing quotes and tax clearance certificate	-	-
CAAT's - Trading with suppliers that are prohibited in terms of section 112(j) of the MFMA	-	-
Payments made on contracts where the contract amount were exceeded	-	2 032 664
Payments made on contracts where the bid adjudication committee was not constituted in accordance to SCM	-	-
Non-compliance with Section 62(1)(e) of the MFMA (Act 56 of 2003) - SCM Processes not followed	118 318	564 252
Non-compliance with Section 112(1)(e) of the MFMA (Act 56 of 2003)	45 336 645	75 474 410
Non-compliance with Section 7(1) of the Remuneration of Public Office Bearers Act (Upper Limits Exceeded)	-	1 720 393
Deviations approved by municipality considered to be irregular expenditure	-	134 430
Total	51 660 649	89 738 823

The prior year irregular expenditure was restated from R 7 827 589 to R 89 738 823 to include instances of irregular expenditure that was incorrectly ommitted from the disclosure in the prior year.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

The irregular expenditure incurred for the year under review will be referred to internal audit and MPAC for further investigations. All prior year unauthorised, irregular and fruitless and wasteful expenditure relating to prior years was written-off after year end.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	30 JUNE 2022	30 JUNE 2021
47.1 MATERIAL LOSSES		
Electricity distribution losses		
- Units purchased (Kwh)	58 103 542	58 441 309
- Units distributed (Kwh)	46 989 317	48 530 305
- Units lost during distribution (Kwh)	11 114 226	9 911 004
- Percentage lost during distribution	19.13%	16.96%
- Rand Value of Loss	13 148 659	10 006 494

Losses up to 10% are considered within the industry norm

The prior year disclosure was updated to include Free Basic Electricity units distributed which was excluded from calculations

	30 JUNE 2022 R	30 JUNE 2021 R
47.2 Salga Contributions [MFMA 125 (1)(b)]		
Opening balance	9 404 408	7 248 334
Expenditure incurred	2 276 720	2 156 074
Payments	-	-
Outstanding Balance	11 681 128	9 404 408

	30 JUNE 2022	30 JUNE 2021
47.3 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	12 713 273	10 016 602
Expenditure incurred	6 058 027	5 999 794
Audit Fees	4 211 709	4 422 954
Interest on outstanding audit fees	1 066 409	706 535
VAT	779 909	870 305
RMEDA Grant	987 686	1 379 077
National Treasury Rebate	(655 346)	(2 283 789)
Payments	(1 552 014)	(2 398 412)
Outstanding Balance	17 551 625	12 713 273

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
47.4 VAT [MFMA 125 (1)(c)]		
Opening balance	1 371 712	3 020 587
Amounts received during the year	(6 709 175)	(13 845 305)
Amounts claimed - current year	7 335 070	12 196 430
Outstanding Balance	1 997 608	1 371 712
Vat in suspense due to cash basis of accounting	50 086 388	39 817 784
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
47.5 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening Balance	7 483 294	2 908 439
Payments due to SARS	32 756 727	29 911 454
Interest and Penalties Raised	3 931 108	2 332 816
Payments	(36 465 923)	(27 669 415)
Outstanding Balance	7 705 206	7 483 294
47.6 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening Balance	-	-
Payments due to pension fund and medical aid	43 122 333	38 868 353
Payments	(43 083 791)	(38 868 353)
Outstanding Balance	38 542	-
47.5 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]		
The following Councillors had arrear account outstanding for more than 90 days at year end:		
Councillor SA Nivi	-	8 199
Councillor E Bantam	-	9 561
Councillor B Ketelo	-	1 749
Councillor CA Auld	4 385	9 010
Councillor N Blake	-	9 288
Councillor LD Penisi	-	1 684
Councillor NB Sango	13 936	-
Councillor M Mahleza	29 825	-
Councillor S Mjakuca	29 767	-
Councillor E Lombard	1 690	-
Councillor YN Nomaswerha	47 403	-
Councillor P Ntengu	20 306	-
Outstanding Balance	147 310	39 492

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
47.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM		
Approved deviations from Supply Chain Management Regulations were identified on the following categories:		
<u>Deviations from the Supply Chain Management Regulations per Directorate:</u>		
Accounting Officer	91 009	257 913
Corporate Services	150 501	115 915
Technical Services	1 023 092	1 468 289
Community Services	35 396	1 951 754
Total	1 299 998	3 793 870

The reasons for the deviations can be summarised as follows:

	Emergency R	Impractical R	Sole Supplier R
Accounting Officer	91 009	-	-
Corporate Services	-	113 034	37 467
Technical Services	326 747	-	696 345
Community Services	35 396	-	-
Total	453 152	113 034	733 812

Deviations from the Supply Chain Management Regulations per Supplier:

	Emergency R	Impractical R	Sole Supplier R
AVBOB Funeral Service Limited	-	7 541	-
Cashbuild (South Africa)	182 798	-	-
CFAO Motors	-	59 283	-
Conlog	-	-	141 470
Crankshaw Marble and Granite Works	-	16 500	-
Knicklebein Contractors	39 550	-	-
Landis and GYR	-	-	554 875
Lexis Nexis	91 009	-	-
Ronnies Motors Trust t/a Tractor World	-	29 711	-
Sitandile	88 800	-	-
Tanci General Dealers	35 396	-	-
TFM Manufacturing	-	-	37 467
Thahla Nongwadla Services	15 600	-	-
Total	453 152	113 034	733 812

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

47.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

47.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44):

<u>Name</u>	<u>Company (Nature of Relationship)</u>	30 JUNE 2022 R	30 JUNE 2021 R
O. Sotyato	Dulukhanyo Trading (Director)	11 282 229	2 032 634
Total		11 282 229	2 032 634

During the period under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

<u>Name</u>	<u>Company (Nature of Relationship)</u>		
N. Tom	Siduli & Jama (Aunt)	78 450	51 880
N.L Zweni	Misa Services and Suppliers (Spouse)	400 126	-
F Mzaza	Siyonwaba Tradings	25 450	-
L.S Xhakaza	Icebolethu Construction and Projects	600 000	-
R Ramashia	Mobile Telephone Networks	98 434	-
Total		1 202 459	51 880

48 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	15 361 601	46 039 785
This expenditure will be financed from:		
Municipal Infrastructure Grant	9 747 615	22 728 502
Department of Transport	5 613 987	23 311 283
Total	15 361 601	46 039 785

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

49.1 Credit Risk

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

The following financial assets are exposed to credit risk:

	30 JUNE 2022	30 JUNE 2021
	R	R
Cash and Cash Equivalents	16 087 714	16 663 189
Receivables from exchange transactions	51 350 481	41 343 887
Total	67 438 195	58 007 076

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

49.2 Currency risk (Market Risk)

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

The financial instruments of the municipality is not directly exposed to any currency risk.

49.3 Interest rate risk (Market Risk)

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

	30 JUNE 2022	30 JUNE 2021
	R	R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	7 408 535	5 144 692
Long-term Liabilities (Including Current Portion)	(653 332)	(5 611 296)
Net balance exposed	6 755 203	(466 604)
Potential effect of changes in interest rates on surplus and deficit for the year:		
0.5% (0.5% - 2021) increase in interest rates	33 776	(2 333)
0.5% (0.5% - 2021) decrease in interest rates	(33 776)	2 333

Management does not foresee significant interest rate movements the next 12 months.

49.4 Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to liquidity risk:

30 JUNE 2022	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	522 905	217 877	-
Payables from exchange transactions	397 455 994	-	-
Total	397 978 899	217 877	-

30 JUNE 2021	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	5 362 077	740 782	-
Payables from exchange transactions	333 638 750	-	-
Total	339 000 827	740 782	-

49.5 Other price risk (Market Risk)

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

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

Financial Assets

Cash and Cash Equivalents	16 087 714	16 663 189
Receivables from exchange transactions	51 350 481	41 343 887
Total	67 438 195	58 007 076

Financial Liabilities

Current Portion of Long-term Liabilities	444 517	687 896
Payables from exchange transactions	397 455 994	333 638 750
Long-term Liabilities	208 815	4 923 400
Total	398 109 326	339 250 046

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
50 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Receivables from Non-Exchange Transactions		
Rates	294 233 130	258 415 347
VAT Receivable	52 083 995	41 189 496
Total	346 317 126	299 604 843
Refer to note 4 for more detail relating to the Rates Receivables, including any provision for impairment raised against the gross amounts as disclosed above.		
51 EVENTS AFTER REPORTING DATE		
None		
52 IN-KIND DONATIONS AND ASSISTANCE		
None		
53 PRIVATE PUBLIC PARTNERSHIPS (PPP's)		
The municipality did not enter into any PPP's in the current and prior year.		
54 CONTINGENT LIABILITIES		
The municipality were exposed to the following contingent liabilities at year end:		
<u>Claim 1</u>		
A claim was lodged against the municipality for damages suffered due to a pothole that were struck in the municipal area.	-	2 095
<u>Claim 2</u>		
Coega packing approached the court for a claim of R4 million for a land invaded by the residents of Newtown and used for burial	4 000 000	-
<u>Other Contingent Liabilities</u>		
The municipality have not yet renewed the licence relating to the Adelaide landfill site and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	-	-
Total	4 000 000	2 095

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	30 JUNE 2022	30 JUNE 2021
	R	R
55 CONTINGENT ASSETS		
The municipality identified the following contingent assets at year-end:		
The municipality successfully obtained a interdict order to restrain its workers from engaging in an unprotected SAMWU strike in December 2015. The attorneys confirmed that the court has issued the final order and the attorneys are in the process of recovering the cost. The inflow of funds is now considered to be possible	100 000	100 000

56 RELATED PARTIES

Related parties are defined in note 1.34

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 30 and 31

Raymond Mhlaba Economic Development Agency

The municipality owns a 100% stake in the Raymond Mhlaba Economic Development Agency. The Municipality provides grants to the agency to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.

Refer to note 39 for grants paid during the period under review

The municipality owns buildings which are occupied and utilised by Raymond Mhlaba Economic Development Agency at no consideration.

In the prior year, the municipality leased a building at no consideration to the entity. The entity in turn leased out this building to a third party (Mazoyi). The market related rent not charged amounted to R88 200. During the current financial year, the Municipality took over the lease agreement and now leases the property directly to the third party (Mazoyi).

The municipality seconded a CEO to the Raymond Mhlaba Economic Development Agency for no consideration. The estimated cost associated with this arrangement amounts to R584 000 (2021 - R 541 000).

57 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

57 FINANCIAL SUSTAINABILITY (CONTINUED)

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The municipality is experiencing very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

The municipality experienced material losses in electricity usage to the value of R 13 148 659 (2021 - R 10 006 494) for the year ending 30 June 2022. This represents a distribution loss of 19.13 % (2021 - 16.96 %).

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 46 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 54 above.

Assessment

The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality have been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.

58 NON-LIVING RESOURCES

Management identified the following non-living resources (other than land):

- None

59 PRINCIPAL-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principal-agent arrangements exists:

Department of Transport

The Municipality acts as an agent for the Department of Transport and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of principle-agent arrangement:

Revenue collected from third parties on behalf of the Department	8 723 644	9 636 951
Commission earned on vehicle registrations as per note 28	4 744 713	5 738 779
Collections payable to the Department at year-end	549 859	53 167

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

60 SEGMENT REPORTING

60.1 General information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The municipal departments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Finance and administration	Supply administrative and related support to all segments
2	Public Safety	Traffic control and Law Enforcement
3	Planning and Development	Corporate wide strategic planning
4	Community and social services	Library Services and facility management
5	Road transport	Road management regulation and civil works.
6	Sport and recreation	Community park and sport facility management
7	Energy sources	Electricity Services
8	Waste management	Refuse removal and landfill sites

60.2 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

60.3 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. towns), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

60.4 Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed as follows:

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

60 SEGMENT REPORTING (CONTINUED)

30 JUNE 2022	Finance and administration R	Public Safety R	Planning and Development R	Community and social services R	Road transport R	Sport and recreation R	Energy sources R	Waste management R	Total R
REVENUE									
External Revenue from Non-Exchange Transactions	213 841 643	12 504 798	6 260 791	1 764 091	74 613 875	1 628 896	38 903 741	10 320 219	359 838 053
Property Rates	97 168 484	-	-	-	-	-	-	-	97 168 484
Government Grants and Subsidies	115 210 189	12 364 020	6 260 791	1 764 091	74 613 875	1 628 896	38 903 741	10 320 219	261 065 822
Contributed Assets	-	-	-	-	-	-	-	-	-
Fines	-	140 778	-	-	-	-	-	-	140 778
Actuarial Gains	709 991	-	-	-	-	-	-	-	709 991
Fair Value Adjustments	752 979	-	-	-	-	-	-	-	752 979
External Revenue from Exchange Transactions	50 723 713	17 660	8 943	163	4 859 415	2 327	73 678 291	16 416 773	145 707 285
Service Charges	-	-	-	-	-	-	73 524 166	16 402 032	89 926 198
Rental of Facilities and Equipment	580 288	-	-	-	-	-	-	-	580 288
Interest Earned - external investments	1 955 766	-	-	-	-	-	-	-	1 955 766
Interest Earned - outstanding debtors	37 548 143	-	-	-	-	-	-	-	37 548 143
Licences and Permits	-	-	-	-	4 744 713	-	-	-	4 744 713
Other Income	10 639 516	17 660	8 943	163	114 702	2 327	154 125	14 741	10 952 177
TOTAL REVENUE	264 565 356	12 522 458	6 269 734	1 764 254	79 473 291	1 631 222	112 582 032	26 736 992	505 545 338
EXPENDITURE	243 686 331	46 922 624	23 760 295	432 985	32 798 615	6 181 814	147 643 375	39 166 207	540 592 246
Employee related costs	68 415 732	44 657 228	18 925 319	412 609	28 357 686	5 624 968	16 591 453	21 356 169	204 341 165
Remuneration of Councillors	8 254 400	1 589 413	804 834	14 667	1 110 989	209 397	5 001 132	1 326 679	18 311 510
Debt Impairment	65 998 622	-	-	-	-	-	2 314 692	10 444 199	78 757 514
Bad Debts Written Off	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation	29 867 677	-	-	-	-	-	-	-	29 867 677
Impairments	643 900	-	-	-	-	-	-	-	643 900
Actuarial Losses	4 021 302	-	-	-	-	-	-	-	4 021 302
Finance Charges	21 373 751	-	-	-	-	-	-	-	21 373 751
Bulk Purchases	-	-	-	-	-	-	81 615 368	-	81 615 368
Transfers and Grants	-	-	2 509 425	-	-	-	6 862 574	-	9 371 999
Other Expenditure	42 601 877	675 984	1 520 717	5 709	3 329 939	347 449	35 258 157	6 039 159	89 778 992
Loss on disposal of Assets	2 509 069	-	-	-	-	-	-	-	2 509 069
TOTAL EXPENDITURE	243 686 331	46 922 624	23 760 295	432 985	32 798 615	6 181 814	147 643 375	39 166 207	540 592 246
NET SURPLUS/(DEFICIT) FOR THE YEAR	20 879 025	(34 400 167)	(17 490 561)	1 331 268	46 674 676	(4 550 591)	(35 061 343)	(12 429 215)	(35 046 908)
CAPITAL EXPENDITURE FOR THE YEAR	-	-	-	-	67 805 516	-	-	-	67 805 516

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

60 SEGMENT REPORTING (CONTINUED)

30 JUNE 2021	Finance and administration R	Public Safety R	Planning and Development R	Community and social services R	Road transport R	Sport and recreation R	Energy sources R	Waste management R	Total R
REVENUE									
External Revenue from Non-Exchange Transactions	331 126 553	62 033	-	-	69 255 946	-	16 554 000	-	416 998 531
Property Rates	103 628 797	-	-	-	-	-	-	-	103 628 797
Government Grants and Subsidies	225 139 083	-	-	-	69 255 946	-	16 554 000	-	310 949 029
Contributed Assets	-	-	-	-	-	-	-	-	-
Fines	-	62 033	-	-	-	-	-	-	62 033
Actuarial Gains	1 413 273	-	-	-	-	-	-	-	1 413 273
Fair Value Adjustments	945 400	-	-	-	-	-	-	-	945 400
External Revenue from Exchange Transactions	29 583 886	-	-	-	5 846 996	-	68 222 425	16 374 342	120 027 649
Service Charges	300	-	-	-	-	-	68 113 008	16 374 234	84 487 542
Rental of Facilities and Equipment	508 973	-	-	-	879	-	-	-	509 853
Interest Earned - external investments	1 552 952	-	-	-	-	-	-	-	1 552 952
Interest Earned - outstanding debtors	24 096 667	-	-	-	-	-	-	-	24 096 667
Licences and Permits	-	-	-	-	5 738 779	-	-	-	5 738 779
Other Income	3 424 994	-	-	-	107 337	-	109 417	108	3 641 856
TOTAL REVENUE	360 710 439	62 033	-	-	75 102 942	-	84 776 425	16 374 342	537 026 180
EXPENDITURE	250 276 815	10 746 664	15 786 680	14 326 176	61 599 427	3 640 528	155 087 173	30 343 537	541 807 000
Employee related costs	76 324 612	9 925 801	12 017 147	13 613 398	40 452 977	3 151 463	27 883 719	9 837 913	193 207 030
Remuneration of Councillors	8 425 422	364 437	509 075	485 824	2 092 873	123 456	5 434 652	1 028 998	18 464 737
Debt Impairment	55 017 710	-	-	-	-	-	5 204 688	15 494 643	75 717 040
Bad Debts Written Off	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation	29 030 461	-	-	-	-	-	-	-	29 030 461
Impairments	1 388 910	-	-	-	-	-	-	-	1 388 910
Finance Charges	13 662 347	-	-	-	-	-	-	-	13 662 347
Bulk Purchases	-	-	-	-	-	-	69 393 436	-	69 393 436
Transfers and Grants	-	-	2 900 816	-	-	-	6 559 089	-	9 459 905
Other Expenditure	64 199 356	456 426	359 642	226 954	19 053 577	365 609	40 611 590	3 981 983	129 255 136
Loss on disposal of Assets	2 227 997	-	-	-	-	-	-	-	2 227 997
TOTAL EXPENDITURE	250 276 815	10 746 664	15 786 680	14 326 176	61 599 427	3 640 528	155 087 173	30 343 537	541 807 000
NET SURPLUS/(DEFICIT) FOR THE YEAR	110 433 624	(10 684 631)	(15 786 680)	(14 326 176)	13 503 515	(3 640 528)	(70 310 748)	(13 969 195)	(4 780 819)
CAPITAL EXPENDITURE FOR THE YEAR	3 306 055	1 481	2 068	609 732	49 961 956	112 296	18 488 136	8 613 429	81 095 154

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2022

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2021 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2022 R
<u>FINANCE LEASE LIABILITIES</u>					
Absa Vehicle Management Solutions - 14 Vehicles	28.32%	28/Aug/21	4 583 214	(4 583 214)	-
Aloe Xerox - 65 Xerox Machines	17.20%	7/Dec/23	1 028 082	(374 749)	653 333
Total Finance Lease Liabilities			5 611 296	(4 957 963)	653 333
Total Long-Term Liabilities			5 611 296	(4 957 963)	653 333

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2022

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R
NATIONAL GOVERNMENT					
Equitable Share	-	189 927 000	(189 927 000)	-	-
Municipal Finance Management Grant	-	2 600 000	(2 600 000)	-	-
Municipal Infrastructure Grant	-	41 333 000	(1 972 207)	(39 360 793)	-
Expanded Public Works Program	-	2 900 000	(2 900 000)	-	-
LG-SETA	-	261 972	(261 972)	-	-
National Treasury Audit Fees Grant	-	655 346	(655 346)	-	-
Total National Government Grants	-	237 677 318	(198 316 525)	(39 360 793)	-
PROVINCIAL GOVERNMENT					
Library Grant	-	1 650 000	(1 650 000)	-	-
OTP Alice Revitalisation	162	-	-	-	162
Department of Roads	14 743 590	16 000 000	-	(21 449 566)	9 294 024
Alien Plant Removal (EPWP)	358 059	-	(288 939)	-	69 120
Housing Disaster Grant	9 474	-	-	-	9 474
DDEAT - Mining Projects	77 000	-	-	-	77 000
ECDLGTA - Greening and Beautification	707 664	-	-	-	707 664
LSDF - Middeldrift Spatial Development	147 392	-	-	-	147 392
Quarry Mining Grant	102 563	-	-	-	102 563
Total Provincial Government Grants	16 145 904	17 650 000	(1 938 939)	(21 449 566)	10 407 400
ALL SPHERES GOVERNMENT	16 145 904	255 327 318	(200 255 463)	(60 810 359)	10 407 400