



Raymond Mhlaba Local Municipality

Annual Consolidated Financial Statements  
for the year ended 30 June 2024

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## General Information

---

### Legal form of entity

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.

### Nature of business and principal activities

Raymond Mhlaba Local Municipality (EC 129) performs the functions as set out in the Constitution.

### Mayoral committee

Honorable Mayor

Nomhle Beauty Sango

Thozama Ngaye (Speaker)

Nonkazimlo Primrose Mlamla (Chief Whip)

Bukelwa Sharon Tyhali (Portfolio head: Corporate Services)

Sithembele Michael Zuka (Portfolio Head: Engineering)

Sinethemba Mjakuca (Portfolio Head: Finance)

Elton Bantam (Portfolio Head: Community Service)

Portia Sabane (Portfolio Head: Sports, Arts and Culture)

Zingiswa Modelia Rasmeni (Portfolio Head: Strategic Planning & LED)

Ernest Lombard (EXCO (PR Councillor)

Mhlangabezi Nombombo (EXCO (PR Councillor)

Cllr. Zikhona Tyali (MPAC Chairperson)

Cllr Millicent Qawu (Chairperson - Womens Caucus)

Cllr Unathi Ngcume (Chairperson - Petitions)

Cllr Xolani Dyantyi (Chairperson - Ethics Committee)

Cllr Primrose Nosipho Ruselo (Ward 1)

Cllr Mzimkhulu Matayo (Ward 2)

Cllr Sinovuyo Kley (Ward 3)

Cllr Xolani Dyantyi (Ward 4)

Cllr Masixole Tsotsa (Ward 5)

Cllr Unathi Ngcume (Ward 6)

Cllr Kwanele Siduli (Ward 7)

Cllr Evelyn Nompucuko Zizi (Ward 8)

Cllr Nkuthalo Gideon Quilie (Ward 9)

Cllr Simon Justice Xego (Ward 10)

Cllr Luxolo Nqala (Ward 11)

Cllr Mthetheleli Gqokro (Ward 12)

Cllr Sindiswa Magxwalisa (Ward 13)

Cllr Songezo Mashenqana (Ward 14)

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## General Information

---

	Cllr Ntombomzi Klaas (Ward 15)
	Cllr Monwabisi Moses Zamo (Ward 16)
	Cllr Liziwe Faith Matyolo (Ward 17)
	Cllr Thobeka Priscilla Mjo (Ward 18)
	Cllr Sindiswa Cynthia Tokwe (Ward 19)
	Cllr Zikhona Nandipa Lento (Ward 20)
	Cllr Masixole Jonathan Tukani (Ward 21)
	Cllr Nolizwi Nomacwerha Yanta (Ward 22)
	Cllr Mpho Mahleza (Ward 23)
	Cllr Zikhona Tyali (PR Councillor)
	Cllr Nolusindiso Brenda Hans (PR Councillor)
	Cllr Cecelia Anne Auld (PR Councillor)
	Cllr Kayaletu Baliso (PR Councillor)
	Cllr Deon Piet Mandeka (PR Councillor)
	Cllr Lindile Theophilus Ntengu (PR Councillor)
	Cllr Patricia Ntengu (PR Councillor)
	Cllr Elton Bantam (PR Councillor)
	Cllr Milicent Nonkoliseko Qawu (PR Councillor)
	Cllr Xoliswa Victoria Vusani (PR Councillor)
	Cllr Theophilus Ngethu (PR Councillor)
	Cllr Kwanele Tito (PR Councillor)
<b>Accounting Officer</b>	Ms Unathi Malinzi
<b>Chief Finance Officer (CFO)</b>	Mr Mveleli Ngxowa
<b>Registered office</b>	8 Somerset Street Fort Beaufort 5720
<b>Postal address</b>	P.O Box 36 Fort Beaufort 5720
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Office of the Auditor General (EC) Registered Auditors
<b>Attorneys</b>	Lionel Trichardt & Associates Wesley Pretorius & Associates Inc.
<b>Preparer</b>	The annual consolidated financial statements were internally compiled by: Budget and Treasury Office (BTO)

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Index

---

The reports and statements set out below comprise the annual consolidated financial statements presented to the council:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 45

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# **Raymond Mhlaba Local Municipality**

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

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

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual consolidated financial statements and was given unrestricted access to all financial records and related data.

The annual consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual consolidated financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual consolidated financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2023 and were signed on its behalf by:

---

**Ms. Unathi Malinzi**  
**Municipal Manager**

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	103 054	22 304	-	-
Other receivables from exchange transactions	4	1	1	-	-
Receivables from exchange transactions	5	177 380 559	169 018 041	177 380 559	169 018 041
Receivables from non-exchange transactions	6	188 452 618	206 628 071	188 452 618	206 628 071
Other statutory receivables	7	821 500	4 343 337	821 500	4 343 337
VAT receivable	8	24 835 092	58 003 876	24 835 092	57 431 598
Unpaid government grants and subsidies	9	124 182	404 528	-	-
Cash and cash equivalents	10	9 848 975	8 017 923	9 738 469	7 974 022
		<b>401 565 981</b>	<b>446 438 081</b>	<b>401 228 238</b>	<b>445 395 069</b>
<b>Non-Current Assets</b>					
Investment property	11	44 573 854	45 867 675	44 573 854	45 867 675
Property, plant and equipment	12	633 736 405	769 887 182	633 640 278	769 772 733
Intangible assets	13	92 322	444 300	92 322	444 300
Heritage assets	14	70 000	70 000	70 000	70 000
		<b>678 472 581</b>	<b>816 269 157</b>	<b>678 376 454</b>	<b>816 154 708</b>
<b>Total Assets</b>		<b>1 080 038 562</b>	<b>1 262 707 238</b>	<b>1 079 604 692</b>	<b>1 261 549 777</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables from non exchange transactions	20	5 871 440	4 506 578	5 871 440	4 506 578
Payables from exchange transactions	16	234 431 382	464 082 646	233 173 035	462 874 812
VAT payable		23 772 011	25 724 018	23 193 165	24 901 103
Employee benefit obligation	17	25 942 442	25 121 040	25 845 001	25 023 599
Finance lease obligation	18	-	208 815	-	208 815
Unspent conditional grants and receipts	19	3 483 642	1 535 022	3 055 658	1 107 038
Provisions	21	3 293 593	2 257 586	3 293 593	2 257 586
		<b>296 794 510</b>	<b>523 435 705</b>	<b>294 431 892</b>	<b>520 879 531</b>
<b>Non-Current Liabilities</b>					
Employee benefit obligation	17	40 325 000	44 459 000	40 325 000	44 459 000
Provisions	21	66 213 611	59 748 977	66 213 611	59 748 977
Payables from exchange transactions	22	161 258 958	-	161 258 958	-
		<b>267 797 569</b>	<b>104 207 977</b>	<b>267 797 569</b>	<b>104 207 977</b>
<b>Total Liabilities</b>		<b>564 592 079</b>	<b>627 643 682</b>	<b>562 229 461</b>	<b>625 087 508</b>
<b>Net Assets</b>		<b>515 446 483</b>	<b>635 063 556</b>	<b>517 375 231</b>	<b>636 462 269</b>
<b>Reserves</b>					
Capital Replacement Reserve		811 464	-	811 464	-
Accumulated surplus		514 635 019	635 063 556	516 563 767	636 462 269
<b>Total Net Assets</b>		<b>515 446 483</b>	<b>635 063 556</b>	<b>517 375 231</b>	<b>636 462 269</b>

\* See Note

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Sale of goods	24	136 793	-	-	-
Service charges	25	116 378 026	108 735 231	116 378 026	108 735 231
Rental of facilities and equipment	26	1 458 463	806 563	1 458 463	806 563
Interest received - receivables from exchange transactions		26 290 669	16 261 520	26 290 669	16 261 520
Agency services	27	4 494 715	4 667 674	4 494 715	4 667 674
Licences and permits	28	1 606 365	709 933	1 606 365	709 933
Other income	30	2 379 418	1 550 963	2 356 138	1 520 733
Interest received - investment	31	3 887 801	2 465 729	3 887 768	2 465 640
<b>Total revenue from exchange transactions</b>		<b>156 632 250</b>	<b>135 197 613</b>	<b>156 472 144</b>	<b>135 167 294</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	32	106 130 471	107 715 326	106 130 471	107 715 326
Debt forgiveness	33	86 271 022	11 540 891	86 271 022	11 540 891
Interest - Taxation revenue	37	37 456 737	20 815 336	37 456 737	20 815 336
<b>Transfer revenue</b>					
Government grants & subsidies	34	290 406 380	271 619 803	290 406 380	271 619 803
Public contributions and donations	35	107 991	5 183 885	107 991	5 183 885
Fines, Penalties and Forfeits	36	70 686	25 370	70 686	25 370
<b>Total revenue from non-exchange transactions</b>		<b>520 443 287</b>	<b>416 900 611</b>	<b>520 443 287</b>	<b>416 900 611</b>
<b>Total revenue</b>	23	<b>677 075 537</b>	<b>552 098 224</b>	<b>676 915 431</b>	<b>552 067 905</b>
<b>Expenditure</b>					
Employee related costs	38	(219 379 398)	(210 612 351)	(217 786 476)	(208 967 718)
Remuneration of councillors	39	(20 267 388)	(18 842 244)	(20 267 388)	(18 842 244)
Remuneration of Board members	40	-	(30 410)	-	-
Depreciation and amortisation	41	(201 398 716)	(23 374 577)	(201 380 394)	(23 356 255)
Finance costs	42	(16 938 136)	(29 547 039)	(16 880 650)	(29 491 223)
Debt Impairment	43	(100 879 313)	9 363 307	(100 879 313)	9 363 307
Bad debts written off		(43 083 452)	(4 801 384)	(43 083 452)	(4 801 384)
Bulk purchases	44	(90 081 099)	(78 212 322)	(90 081 099)	(78 212 322)
Contracted services	45	(39 424 090)	(15 958 329)	(39 412 766)	(15 942 461)
Transfers and Subsidies	46	-	-	(3 093 303)	(2 865 790)
General Expenses	47	(62 055 314)	(72 738 870)	(60 524 202)	(61 758 793)
<b>Total expenditure</b>		<b>(793 506 906)</b>	<b>(444 754 219)</b>	<b>(793 389 043)</b>	<b>(434 874 883)</b>
<b>Operating (deficit) surplus</b>		<b>(116 431 369)</b>	<b>107 344 005</b>	<b>(116 473 612)</b>	<b>117 193 022</b>
Fair value adjustments	48	(1 293 821)	1 062 150	(1 293 821)	1 062 150
Actuarial gains	17	12 487 970	2 887 521	12 487 970	2 887 521
Impairment loss	49	(6 922 983)	(2 584 505)	(6 922 983)	(2 584 505)
Loss on non-current assets held for sale or disposal groups		(9 626 130)	(169 755)	(9 626 130)	(169 755)
		<b>(5 354 964)</b>	<b>1 195 411</b>	<b>(5 354 964)</b>	<b>1 195 411</b>
<b>(Deficit) / surplus for the year</b>		<b>(121 786 333)</b>	<b>108 539 416</b>	<b>(121 828 576)</b>	<b>118 388 433</b>

\* See Note

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Capital Replacement Reserve	Accumulated surplus / deficit	Total net assets
<b>Economic entity</b>			
<b>Balance at 01 July 2022</b>	-	<b>516 921 372</b>	<b>516 921 372</b>
Changes in net assets			
Surplus for the year	-	118 142 184	118 142 184
Total changes	-	118 142 184	118 142 184
<b>Restated* Balance at 01 July 2023</b>	-	<b>636 421 352</b>	<b>636 421 352</b>
Changes in net assets			
Surplus for the year	-	(121 786 333)	(121 786 333)
Capital replacement reserve	811 464	-	811 464
Total changes	811 464	(121 786 333)	(120 974 869)
<b>Balance at 30 June 2024</b>	<b>811 464</b>	<b>514 635 019</b>	<b>515 446 483</b>
Note(s)			
<b>Controlling entity</b>			
Opening balance as previously reported	-	358 420 870	358 420 870
Adjustments			
Prior year adjustments	-	159 652 966	159 652 966
<b>Balance at 01 July 2022 as restated*</b>	-	<b>518 073 836</b>	<b>518 073 836</b>
Changes in net assets			
Surplus for the year	-	118 388 433	118 388 433
Total changes	-	118 388 433	118 388 433
<b>Restated* Balance at 01 July 2023</b>	-	<b>638 392 343</b>	<b>638 392 343</b>
Changes in net assets			
Surplus for the year	-	(121 828 576)	(121 828 576)
Capital replacement reserves	811 464	-	811 464
Total changes	811 464	(121 828 576)	(121 017 112)
<b>Balance at 30 June 2024</b>	<b>811 464</b>	<b>516 563 767</b>	<b>517 375 231</b>
Note(s)			

\* See Note



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		148 662 643	59 406 049	148 662 643	59 406 049
Sale of goods and services		8 105 783	74 107 440	7 945 710	74 077 210
Grants		292 355 000	271 613 467	292 355 000	271 613 467
Interest income		3 887 801	18 727 249	3 887 768	18 727 160
Other receipts		109 730	400 402	-	-
		453 120 957	424 254 607	452 851 121	423 823 886
<b>Payments</b>					
Employee costs		(222 813 685)	(206 933 587)	(221 067 552)	(205 258 544)
Suppliers		(135 408 637)	(144 658 188)	(137 009 025)	(144 872 662)
Finance costs		(7 396 775)	(26 235 812)	(7 339 289)	(26 179 996)
		(365 619 097)	(377 827 587)	(365 415 866)	(376 311 202)
<b>Net cash flows from operating activities</b>	51	<b>87 501 860</b>	<b>46 427 020</b>	<b>87 435 255</b>	<b>47 512 684</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	12	(82 051 632)	(51 421 911)	(82 051 632)	(51 826 439)
Purchase of unpaid government grants and subsidies		-	404 528	-	-
<b>Net cash flows from investing activities</b>		<b>(82 051 632)</b>	<b>(51 017 383)</b>	<b>(82 051 632)</b>	<b>(51 826 439)</b>
<b>Cash flows from financing activities</b>					
Outflow of other liability 1		161 258 958	-	161 258 958	-
Finance lease payments		(3 619 176)	(3 769 904)	(3 619 176)	(3 769 904)
<b>Net cash flows from financing activities</b>		<b>157 639 782</b>	<b>(3 769 904)</b>	<b>157 639 782</b>	<b>(3 769 904)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>163 090 010</b>	<b>(8 360 267)</b>	<b>163 023 405</b>	<b>(8 083 659)</b>
Cash and cash equivalents at the beginning of the year		8 017 923	16 378 190	7 974 022	16 057 681
<b>Cash and cash equivalents at the end of the year</b>	10	<b>171 107 933</b>	<b>8 017 923</b>	<b>170 997 427</b>	<b>7 974 022</b>

\* See Note

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	605 000	-	605 000	136 793	(468 207)	
Service charges	128 316 000	-	128 316 000	116 378 026	(11 937 974)	
Rental of facilities and equipment	852 000	-	852 000	1 458 463	606 463	
Interest received (trading)	14 095 000	-	14 095 000	26 290 669	12 195 669	
Agency services	-	-	-	4 494 715	4 494 715	
Licences and permits	7 200 000	-	7 200 000	1 606 365	(5 593 635)	
Other income - (rollup)	10 871 000	-	10 871 000	2 379 418	(8 491 582)	
Interest received - investment	2 307 058	-	2 307 058	3 887 801	1 580 743	
<b>Total revenue from exchange transactions</b>	<b>164 246 058</b>	<b>-</b>	<b>164 246 058</b>	<b>156 632 250</b>	<b>(7 613 808)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	113 533 000	8 500 000	122 033 000	106 130 471	(15 902 529)	
Surcharges and Taxes	-	-	-	86 271 022	86 271 022	
Interest, Dividends and Rent on Land	15 000 000	(15 000 000)	-	20 815 336	20 815 336	
<b>Transfer revenue</b>						
Government grants & subsidies	279 064 000	99 965 000	379 029 000	290 406 380	(88 622 620)	
Public contributions and donations	-	-	-	107 991	107 991	
Fines, Penalties and Forfeits	200 000	-	200 000	70 686	(129 314)	
<b>Total revenue from non-exchange transactions</b>	<b>407 797 000</b>	<b>93 465 000</b>	<b>501 262 000</b>	<b>503 801 886</b>	<b>2 539 886</b>	
<b>Total revenue</b>	<b>572 043 058</b>	<b>93 465 000</b>	<b>665 508 058</b>	<b>660 434 136</b>	<b>(5 073 922)</b>	
<b>Expenditure</b>						
Personnel	(212 741 094)	(1 150 000)	(213 891 094)	(219 379 398)	(5 488 304)	
Remuneration of councillors	(20 240 000)	-	(20 240 000)	(20 267 388)	(27 388)	
Remuneration of board members	(259 005)	-	(259 005)	-	259 005	
Depreciation and amortisation	(30 337 000)	-	(30 337 000)	(201 398 716)	(171 061 716)	
Impairment loss/ Reversal of impairments	-	-	-	(6 922 983)	(6 922 983)	
Finance costs	(19 353 564)	4 350 000	(15 003 564)	(16 938 136)	(1 934 572)	
Debt Impairment	(63 612 000)	-	(63 612 000)	(100 879 313)	(37 267 313)	
Bulk purchases	(98 521 000)	-	(98 521 000)	(90 081 099)	8 439 901	
Contracted Services	(30 357 900)	(9 565 000)	(39 922 900)	(39 424 090)	498 810	
Blockyard	(564 348)	-	(564 348)	-	564 348	
General Expenses	(39 226 022)	63 000	(39 163 022)	(105 138 766)	(65 975 744)	
<b>Total expenditure</b>	<b>(515 211 933)</b>	<b>(6 302 000)</b>	<b>(521 513 933)</b>	<b>(800 429 889)</b>	<b>(278 915 956)</b>	

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Operating deficit</b>	<b>56 831 125</b>	<b>87 163 000</b>	<b>143 994 125</b>	<b>(139 995 753)</b>	<b>(283 989 878)</b>	
Fair value adjustments	-	-	-	(1 293 821)	<b>(1 293 821)</b>	
Actuarial gains/losses	-	-	-	12 487 970	<b>12 487 970</b>	
Loss on non-current assets held for sale or disposal groups	-	-	-	(9 626 130)	<b>(9 626 130)</b>	
	-	-	-	<b>1 568 019</b>	<b>1 568 019</b>	
<b>Deficit before taxation</b>	<b>56 831 125</b>	<b>87 163 000</b>	<b>143 994 125</b>	<b>(138 427 734)</b>	<b>(282 421 859)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>56 831 125</b>	<b>87 163 000</b>	<b>143 994 125</b>	<b>(138 427 734)</b>	<b>(282 421 859)</b>	
<b>Reconciliation</b>						

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023

### 1. Significant account policies

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

#### 1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

#### 1.2 Presentation currency

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

#### 1.3 Going concern assumption

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

#### 1.4 Materiality

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

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

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

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

#### Trade receivables / Held to maturity investments and/or loans and receivables

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

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

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

#### Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors i.e. production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

#### Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

#### Recognition and Derecognition of Land

In some instances the economic entity is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

In some instances the economic entity is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

#### Accounting by principals and agent

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

Additional information is disclosed in Note 63.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

#### Impairment of statutory receivables

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

In estimating the future cash flows, the economic entity 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 economic entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are 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.

#### Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the economic entity, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the economic entity, and the economic entity could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the economic entity, but the economic entity could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

#### Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the economic entity, the economic entity accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual consolidated financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

#### Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the economic entity, the economic entity accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

### 1.6 Investment property

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

- use in the production or supply of goods or services or for

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.6 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

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

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

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

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

The nature OR type of properties classified as held for strategic purposes are as follows:

The economic entity separately discloses expenditure to repair and maintain investment property in the notes to the annual consolidated financial statements (see note ).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the annual consolidated financial statements (see note ).



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

---

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	17 - 100
Roads stormwater	Straight-line	7 - 100
Electricity infrastructure	Straight-line	11 - 122
Solid waste infrastructure	Straight-line	8 - 72
Park facilities	Straight-line	24 - 125
Computer equipment - leased	Straight-line	2 - 5
Plant and machinery - leased	Straight-line	3
Motor vehicles - leased	Straight-line	3
Plant and machinery	Straight-line	2 - 23
Motor vehicles	Straight-line	6 - 18
Computer equipment	Straight-line	4 - 18
Furniture and office equipment	Straight-line	4 - 20
Landfill sites	Straight-line	10 - 92

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

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

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

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

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

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

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

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

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

### 1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.9 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.9 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

---

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

---

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

### 1.10 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the annual consolidated financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an economic entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

The economic entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.10 Heritage assets (continued)

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.11 Financial instruments

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.11 Financial instruments (continued)

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.11 Financial instruments (continued)

#### Classification

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

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

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

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

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

Class	Category
Raymond Mhlaba Economic Development Agency	Measured at cost

### 1.12 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The economic entity recognises statutory receivables as follows:

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

#### Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.12 Statutory receivables (continued)

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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

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

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

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

#### Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.12 Statutory receivables (continued)

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

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

### 1.13 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessee

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

### 1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

### Designation

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

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

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.15 Impairment of non-cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.15 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

#### Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

#### Redesignation

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

### 1.16 Unspent public contributions and donations

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the economic entity, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

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

### 1.17 Employee benefits

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

#### Post-employment benefits

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

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

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

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

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

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

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

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



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

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

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.17 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 64.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.18 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.15.

If the related asset is measured using the revaluation model:

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

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

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

### 1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.20 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.20 Revenue from exchange transactions (continued)

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

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

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

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



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

### Recognition

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

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

### Measurement

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

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

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

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

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

#### Transfers

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

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

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

#### Debt forgiveness and assumption of liabilities

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

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

#### Fines

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

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

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

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

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

### 1.22 Investment income

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

### 1.23 Borrowing costs

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

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

### 1.24 Accounting by principals and agents

#### Identification

---

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.24 Accounting by principals and agents (continued)

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

When the economic entity 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 the economic entity concludes that it is not the agent, then it is the principal in the transactions.

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

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

Where the economic entity 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 economic entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the economic entity is an agent.

#### Recognition

The economic entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

### 1.25 Comparative figures

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.27 Fruitless and wasteful expenditure

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

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

### 1.28 Irregular expenditure

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

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

### 1.29 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.30 Segment information

A segment is an activity of an entity:

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.30 Segment information (continued)

#### Measurement

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

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

### 1.31 Budget information

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

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

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

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

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

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

### 1.32 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.32 Related parties (continued)

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

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

### 1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

### 3. Inventories

Raw materials, components	-	17 250	-	-
Finished goods	103 054	5 054	-	-
	<b>103 054</b>	<b>22 304</b>	-	-

Inventory is disclosed at the lower of cost and net realisable value.

No inventory was pledged as security for liabilities.

Inventories written off during the year	-	-	-	3 668
---	---	---	---	-------

### 4. Other receivables from exchange transactions

Sundry debtors	100 402	100 402	-	-
Rental debtors	76 464	76 464	-	-
RMMF Funding debtors	196 698	196 698	-	-
Impairment	(373 563)	(373 563)	-	-
	<b>1</b>	<b>1</b>	-	-

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 4. Other receivables from exchange transactions (continued)

#### Statutory receivables general information

##### Transaction(s) arising from statute

The municipality is a registered VAT vendor with SARS, registered on a cash basis in terms of the Value Added Tax Act of 1991.

Vat receivable relates to refunds not yet paid over by SARS and VAT payables relate to amounts owing to SARS.

##### Determination of transaction amount

##### Interest or other charges levied/charged

[State description of interest or other charges levied/charged (where applicable), including the basis and rate used]

##### Basis used to assess and test whether a statutory receivable is impaired

[State the basis used to assess and test whether a statutory receivable is impaired, including how receivables are grouped and assessed for collective impairment]

#### Other receivables from exchange transactions general information

The RMMF Funding relates to short-term loans granted so small business in terms of the Raymond Mhlaba Microcredit Fund (RMMF) contribution received. The loans are repayable within 12 months.

The fair value of other receivables approximates their carrying value.

##### Ageing by service type

<b>June 2024</b>	0 - 30 days	31 - 60 days	61 - 90 days	90 + days	Total
RMMF Funding Debtors	-	-	-	196 698	196 698
Rental Debtors	-	-	-	76 464	76 464
Sundry Debtors	-	-	-	100 402	100 402
	-	-	-	<b>373 564</b>	<b>373 564</b>
<b>30 June 2023</b>	0 - 30 days	31 - 60 days	61 - 90 days	90 + days	Total
RMMF Funding Debtors	-	-	-	196 698	196 698
Rental Debtors	-	-	-	76 464	76 464
Sundry Debtors	-	-	-	100 402	100 402
	-	-	-	<b>373 564</b>	<b>373 564</b>

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	373 564	297 599	-	-
Provision for impairment	-	91 956	-	-
Amounts written off as uncollectible	-	(15 991)	-	-
	<b>373 564</b>	<b>373 564</b>	-	-



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>5. Receivables from exchange transactions</b>				
<b>Gross balances</b>				
Electricity	91 088 397	51 519 868	91 088 397	51 519 868
Eskom deposits	15 801 767	14 848 552	15 801 767	14 848 552
Eskom trust account	5 000 000	5 000 000	5 000 000	5 000 000
Refuse	200 825 050	161 115 740	200 825 050	161 115 740
Interest on arrears	171 941 897	159 037 174	171 941 897	159 037 174
Sundry receivables	1 210 247	1 201 188	1 210 247	1 201 188
Other receivables	6 694 295	3 734 499	6 694 295	3 734 499
	<b>492 561 653</b>	<b>396 457 021</b>	<b>492 561 653</b>	<b>396 457 021</b>
<b>Less: Allowance for impairment</b>				
Electricity	(18 639 629)	(9 989 605)	(18 639 629)	(9 989 605)
Refuse	(155 087 171)	(114 728 228)	(155 087 171)	(114 728 228)
Interest on arrears	(138 905 668)	(100 369 808)	(138 905 668)	(100 369 808)
Other receivables	(2 548 626)	(2 351 339)	(2 548 626)	(2 351 339)
	<b>(315 181 094)</b>	<b>(227 438 980)</b>	<b>(315 181 094)</b>	<b>(227 438 980)</b>
<b>Net balance</b>				
Electricity	72 448 768	41 530 263	72 448 768	41 530 263
Eskom deposits	15 801 767	14 848 552	15 801 767	14 848 552
Eskom trust account	5 000 000	5 000 000	5 000 000	5 000 000
Refuse	45 737 879	46 387 512	45 737 879	46 387 512
Interest on Arrears	33 036 229	58 667 366	33 036 229	58 667 366
Sundry debtors	1 210 247	1 201 188	1 210 247	1 201 188
Other receivables	4 145 669	1 383 160	4 145 669	1 383 160
	<b>177 380 559</b>	<b>169 018 041</b>	<b>177 380 559</b>	<b>169 018 041</b>
<b>Electricity</b>				
Current (0 -30 days)	6 264 510	(6 722 754)	6 264 510	(6 722 754)
31 - 60 days	5 566 664	2 286 381	5 566 664	2 286 381
61 - 90 days	5 600 112	3 031 324	5 600 112	3 031 324
> 90 days	58 233 562	41 002 811	58 233 562	41 002 811
	<b>75 664 848</b>	<b>39 597 762</b>	<b>75 664 848</b>	<b>39 597 762</b>
<b>Refuse removal</b>				
Current (0 -30 days)	4 302 713	2 314 462	4 302 713	2 314 462
31 - 60 days	4 165 377	2 174 044	4 165 377	2 174 044
61 - 90 days	4 051 535	2 126 303	4 051 535	2 126 303
> 90 days	153 889 562	113 380 495	153 889 562	113 380 495
	<b>166 409 187</b>	<b>119 995 304</b>	<b>166 409 187</b>	<b>119 995 304</b>
<b>Other services</b>				
Current (0 -30 days)	133 749	49 636	133 749	49 636
31 - 60 days	29 447	43 436	29 447	43 436
61 - 90 days	45 474	17 549	45 474	17 549
> 90 days	2 979 903	2 432 620	2 979 903	2 432 620
	<b>3 188 573</b>	<b>2 543 241</b>	<b>3 188 573</b>	<b>2 543 241</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>5. Receivables from exchange transactions (continued)</b>				
<b>Interest on arrears</b>				
Current (0 -30 days)	5 890 871	5 940 238	5 890 871	5 940 238
31 - 60 days	5 771 987	3 478 868	5 771 987	3 478 868
61 - 90 days	5 809 699	2 098 538	5 809 699	2 098 538
> 90 days	192 648 645	146 647 620	192 648 645	146 647 620
	<b>210 121 202</b>	<b>158 165 264</b>	<b>210 121 202</b>	<b>158 165 264</b>
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 -30 days)	7 065 216	9 398 179	7 065 216	9 398 179
31 - 60 days	6 747 499	6 085 006	6 747 499	6 085 006
61 - 90 days	6 615 611	5 706 410	6 615 611	5 706 410
> 90 days	267 888 362	355 765 341	267 888 362	355 765 341
	<b>288 316 688</b>	<b>376 954 936</b>	<b>288 316 688</b>	<b>376 954 936</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	2 359 661	2 750 991	2 359 661	2 750 991
31 - 60 days	1 944 561	1 372 256	1 944 561	1 372 256
61 - 90 days	995 156	1 363 712	995 156	1 363 712
> 90 days	29 557 615	47 245 433	29 557 615	47 245 433
	<b>34 856 993</b>	<b>52 732 392</b>	<b>34 856 993</b>	<b>52 732 392</b>
<b>National and provincial government</b>				
Current (0 -30 days)	6 884 047	5 497 815	6 884 047	5 497 815
31 - 60 days	6 577 731	4 189 567	6 577 731	4 189 567
61 - 90 days	7 627 616	3 836 511	7 627 616	3 836 511
91 - 120 days	108 904 909	3 923 684	108 904 909	3 923 684
	<b>129 994 303</b>	<b>17 447 577</b>	<b>129 994 303</b>	<b>17 447 577</b>
<b>Total</b>				
Current (0 -30 days)	12 129 174	17 647 183	12 129 174	17 647 183
31 - 60 days	11 499 278	11 646 830	11 499 278	11 646 830
61 - 90 days	10 599 407	10 906 633	10 599 407	10 906 633
90+ days	475 093 318	356 256 375	475 093 318	356 256 375
	509 321 177	396 457 021	509 321 177	396 457 021
Less: Allowance for impairment	(331 940 618)	(227 438 980)	(331 940 618)	(227 438 980)
	<b>177 380 559</b>	<b>169 018 041</b>	<b>177 380 559</b>	<b>169 018 041</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	227 438 980	182 923 374	227 438 980	182 923 374
Contributions to allowance	87 742 114	44 515 606	87 742 114	44 515 606
	<b>315 181 094</b>	<b>227 438 980</b>	<b>315 181 094</b>	<b>227 438 980</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days is 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 igh 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 legal matter against Eskom.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>6. Receivables from non-exchange transactions</b>				
Traffic fine debtors	956 400	538 800	956 400	538 800
Levies	2 452 077	2 869 677	2 452 077	2 869 677
Rates	343 807 250	348 882 685	343 807 250	348 882 685
Accrued Interest	1 700	1 700	1 700	1 700
Allowance for impairment rates	(158 764 809)	(145 664 791)	(158 764 809)	(145 664 791)
	<b>188 452 618</b>	<b>206 628 071</b>	<b>188 452 618</b>	<b>206 628 071</b>

Ageing by customer type

### Consumers

0-30 days	2 023 430	1 813 808
31-60 days	1 838 644	1 552 368
61-90 days	1 751 362	1 516 752
> 90 days	161 939 420	155 761 054
	<b>167 552 856</b>	<b>160 643 982</b>

### Industrial/ Commercial

0-30 days	673 292	713 898
31- 60 days	607 509	400 873
61-90 days	352 374	379 040
>90 days	23 489 238	22 756 620
	<b>25 122 413</b>	<b>24 250 431</b>

### National and Provincial Government

0-30 days	2 208 168	208 991
31-60 days	2 117 109	1 784 132
61-90 days	2 117 029	1 783 554
> 90 days	188 981 019	170 178 561
	<b>195 423 325</b>	<b>173 955 238</b>

### Totals

0-30 days	4 904 890	4 617 697
31-60 days	4 563 262	3 737 373
61-90 days	4 220 765	3 679 346
> 90 days	374 409 677	331 366 367
	<b>388 098 594</b>	<b>343 400 783</b>

### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	145 664 791	170 691 085	145 664 791	170 691 085
Provision for impairment	13 100 018	(25 026 294)	13 100 018	(25 026 294)
	<b>158 764 809</b>	<b>145 664 791</b>	<b>158 764 809</b>	<b>145 664 791</b>

### 7. Other statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Vat receivable	821 500	4 343 337	821 500	4 343 337
Current assets	821 500	4 343 337	821 500	4 343 337

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 7. Other statutory receivables (continued)

#### Statutory receivables general information

##### Transaction(s) arising from statute

The municipality is a registered VAT vendor with SARS, registered on a cash basis in terms of the Value added Tax Act of 1991.

VAT receivable relates to refunds not yet paid over by SARS and VAT payable relates to amounts owing to SARS.

##### Determination of transaction amount

VAT receivable is determined by setting off amounts due to the municipality as a result of Input VAT claims and amounts owed to SARS as a result of Output VAT declared by the municipality.

##### Interest or other charges levied/charged

SARS charges a penalty of 10% of the VAT liability in terms of subsection 39(i)(a)(ii) of the Value-Added Tax and interest is charged daily at a rate prescribed from the first day of the following month during which Value Added Tax liability was due to have been paid. The prescribed rate for the current year is 11.75% p.a.

##### Basis used to assess and test whether a statutory receivable is impaired

The collection rate is used as the basis to determine whether a statutory receivable is impaired, in line with the basis used to assess impairment for all receivables of the municipality. The collection rate is assessed per debtor as circumstances differ between debtors and therefore, aggregation on assessment not relevant.

### 8. VAT receivable

VAT	24 835 092	58 003 876	24 835 092	57 431 598
-----	------------	------------	------------	------------

VAT

The municipality is registered on cash basis.

Vat receivable relates to inputs accrued when invoices are raised, which are not yet claimed from SARS as no cash exchange has taken place.

### 9. Unpaid government grants and subsidies

Services SETA	115 537	395 883	-	-
SETA Payable	8 645	8 645	-	-
	<b>124 182</b>	<b>404 528</b>	-	-

Unpaid balances are recognised to the extent that conditions are met, but payment is still outstanding.

Due to the short term nature of unpaid government grants, the carrying amount approximates the fair value of the unpaid conditional grants at year end.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

#### 10. Cash and cash equivalents (continued)

Cash on hand	19	19	-	-
Bank balances	4 253 455	968 553	4 143 402	927 192
Short-term deposits	5 595 501	7 049 351	5 595 067	7 046 830
	<b>9 848 975</b>	<b>8 017 923</b>	<b>9 738 469</b>	<b>7 974 022</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Current account - 40 8171 6725	3 060 798	551 685	6 944 944	3 060 798	1 875 528	6 944 944
ABSA BANK - Current account - 40 7657 5039	110 053	41 361	318 162	110 054	274 539	41 361
ABSA BANK - Current account - 23 6000 0012	-	10 696	69 568	-	32 943	69 568
ABSA BANK - Call Deposit - 9255016 6073	425	1 443	1 287	425	1 326	1 443
FIRST NATIONAL BANK - Current account - 620 2619 2336	4 857 845	1 511 893	155 975	4 857 845	1 514 647	155 975
ABSA - Call Deposit - 930 3723 723627	9	1 079	1 041	9	1 083	1 079
FIRST NATIONAL BANK - Current account - 516 4001 1783	536 663	902 039	232 728	478 338	904 816	232 728
ABSA BANK - Call account - 4100 703 849	-	46 822	45 152	-	46 822	45 152
FIRST NATIONAL BANK - Current account 630 7013 6401	3 013	-	-	3 013	-	-
FIRST NATIONAL BANK - Current account 630 9259 3186	811 464	-	-	811 464	-	-
FIRST NATIONAL BANK - Current account 630 9258 9698	734 269	-	-	760 616	-	-
FIRST NATIONAL BANK - Current account 630 9259 2873	10 000	-	-	10 000	-	-
FIRST NATIONAL BANK - Current account 630 9290 497	9 000	-	-	9 000	-	-
ABSA BANK - Call account - 4098 967 806	-	3 050 438	6 264	-	2 083 750	6 264
ABSA BANK - Call account - 4099 150 636	-	956 611	17 364	-	956 611	17 364
ABSA BANK - Call account - 4101 692 679	-	61 865	3 083 880	-	61 865	3 083 880
ABSA BANK - Call account - 4103 567 036	796	736	5 526 519	796	736	5 526 519
ABSA BANK- Call account- 4104615163	-	495 701	-	-	495 701	-
<b>Total</b>	<b>10 134 335</b>	<b>7 632 369</b>	<b>16 402 884</b>	<b>10 102 358</b>	<b>8 250 367</b>	<b>16 126 277</b>

Cash and cash equivalents are held to support the following commitments:

Unspent conditional grants	3 055 658	1 107 038	3 055 658	1 107 038
Unspent public contributions and donations	427 984	427 984	-	-
Unpaid PAYE, UIF and SDL	3 719 124	3 422 677	2 911 073	2 291 901
	<b>7 202 766</b>	<b>4 957 699</b>	<b>5 966 731</b>	<b>3 398 939</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 11. Investment property

Economic entity

2024			2023		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
44 573 854	-	44 573 854	45 867 675	-	45 867 675

Investment property

Controlling entity

2024			2023		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
44 573 854	-	44 573 854	45 867 675	-	45 867 675

Investment property

### Reconciliation of investment property - Economic entity - 2024

Investment property

Opening balance	Fair value adjustments	Total
45 867 675	(1 293 821)	44 573 854

### Reconciliation of investment property - Economic entity - 2023

Investment property

Opening balance	Disposals	Fair value adjustments	Total
42 542 391	(111 300)	3 436 584	45 867 675

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 11. Investment property (continued)

#### Reconciliation of investment property - Controlling entity - 2024

	Opening balance	Fair value adjustments	Total
Investment property	45 867 675	(1 293 821)	44 573 854

#### Reconciliation of investment property - Controlling entity - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	42 542 391	(111 300)	3 436 584	45 867 675

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.

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 reported on at the end of the period.

The fair value is based on the market value of the relevant property. The value is guided by the 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

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand

#### 12. Property, plant and equipment

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 862 381	-	74 862 381	74 862 381	-	74 862 381
Buildings	54 245 267	(25 506 430)	28 738 837	54 245 267	(10 208 905)	44 036 362
Plant and machinery	44 748 635	(32 009 008)	12 739 627	44 483 535	(30 978 012)	13 505 523
Furniture and fixtures	339 372	(337 873)	1 499	339 372	(334 547)	4 825
Motor vehicles	13 283 200	(5 508 661)	7 774 539	12 240 756	(4 778 884)	7 461 872
Office equipment	4 477 190	(4 006 315)	470 875	4 454 052	(3 820 898)	633 154
IT equipment	5 759 926	(4 202 868)	1 557 058	5 491 350	(3 498 832)	1 992 518
Infrastructure	620 737 056	(313 045 693)	307 691 363	597 324 047	(166 565 945)	430 758 102
Community	186 395 628	(80 575 344)	105 820 284	155 263 394	(35 350 903)	119 912 491
Other property, plant and equipment	155 406	(155 404)	2	155 406	(154 894)	512
Landfill site restoration asset	40 898 993	(27 790 148)	13 108 845	36 808 714	(19 501 440)	17 307 274
Work in progress	80 971 095	-	80 971 095	59 412 168	-	59 412 168
<b>Total</b>	<b>1 126 874 149</b>	<b>(493 137 744)</b>	<b>633 736 405</b>	<b>1 045 080 442</b>	<b>(275 193 260)</b>	<b>769 887 182</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand

#### 12. Property, plant and equipment (continued)

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 862 381	-	74 862 381	74 862 381	-	74 862 381
Buildings	54 245 267	(25 506 430)	28 738 837	54 245 267	(10 208 905)	44 036 362
Plant and machinery	44 154 235	(31 414 653)	12 739 582	43 889 135	(30 392 319)	13 496 816
Motor vehicles	12 427 346	(4 742 778)	7 684 568	11 384 902	(4 016 519)	7 368 383
Office equipment	4 477 190	(4 006 315)	470 875	4 454 052	(3 820 898)	633 154
IT equipment	5 502 411	(3 949 963)	1 552 448	5 233 835	(3 248 233)	1 985 602
Infrastructure	620 737 056	(313 045 693)	307 691 363	597 324 047	(166 565 945)	430 758 102
Community	186 395 628	(80 575 344)	105 820 284	155 263 394	(35 350 903)	119 912 491
Landfill site restoration asset	40 898 993	(27 790 148)	13 108 845	36 808 714	(19 501 440)	17 307 274
Work in progress	80 971 095	-	80 971 095	59 412 168	-	59 412 168
<b>Total</b>	<b>1 124 671 602</b>	<b>(491 031 324)</b>	<b>633 640 278</b>	<b>1 042 877 895</b>	<b>(273 105 162)</b>	<b>769 772 733</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand

#### 12. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	74 862 381	-	-	-	-	-	74 862 381
Buildings	44 036 362	-	-	-	(14 323 390)	(974 135)	28 738 837
Plant and machinery	13 496 816	29 950	-	265 204	(1 052 388)	-	12 739 582
Motor vehicles	7 368 383	1 695 097	-	-	(1 378 912)	-	7 684 568
Office equipment	633 154	23 138	-	-	(185 417)	-	470 875
IT equipment	1 985 602	263 091	(3 190)	-	(693 055)	-	1 552 448
Infrastructure	430 238 317	1 167 125	(8 779 187)	29 061 602	(142 195 528)	(1 800 966)	307 691 363
Community	119 912 491	-	(843 753)	28 252 703	(37 353 275)	(4 147 882)	105 820 284
Landfill site restoration asset	17 307 274	-	-	-	(4 198 429)	-	13 108 845
Work in progress	59 412 168	78 873 231	-	(57 314 304)	-	-	80 971 095
	<b>769 252 948</b>	<b>82 051 632</b>	<b>(9 626 130)</b>	<b>265 205</b>	<b>(201 380 394)</b>	<b>(6 922 983)</b>	<b>633 640 278</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand

#### 12. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	74 862 381	-	-	-	-	-	74 862 381
Buildings	45 719 265	-	-	-	(1 207 308)	(475 595)	44 036 362
Plant and machinery	11 905 711	2 613 919	-	41 917	(1 009 974)	(54 757)	13 496 816
Motor vehicles	6 309 416	2 250 000	-	-	(538 380)	(652 653)	7 368 383
Office equipment	858 401	8 600	-	-	(233 847)	-	633 154
IT equipment	718 404	1 463 295	(8 902)	-	(187 195)	-	1 985 602
Infrastructure	402 395 431	939 079	(49 454)	43 524 793	(13 942 838)	(2 108 909)	430 758 102
Community	105 888 212	-	-	19 085 825	(4 361 753)	(699 793)	119 912 491
Landfill site restoration asset	18 490 310	-	-	-	(1 183 036)	-	17 307 274
Work in progress	33 723 696	77 666 271	-	(51 977 799)	-	-	59 412 168
	<b>700 871 227</b>	<b>84 941 164</b>	<b>(58 356)</b>	<b>10 674 736</b>	<b>(22 664 331)</b>	<b>(3 991 707)</b>	<b>769 772 733</b>

##### Assets subject to finance lease (Net carrying amount)

IT equipment	-	-	299 041	1 912 976
--------------	---	---	---------	-----------

##### Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	-	-	8 343 868	34 160 944
---------------------	---	---	-----------	------------

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand

#### 12. Property, plant and equipment (continued)

##### Maintenance of property, plant and equipment

##### Maintenance of property, plant and equipment by condition - Controlling entity - 2024

	Preventative Maintenance Total	Corrective Maintenance		Total
		Emergency	Total	
Buildings	-	271 415	271 415	271 415
Office equipment	-	31 542	31 542	31 542
Infrastructure	-	8 040 911	8 040 911	8 040 911
	-	<b>8 343 868</b>	<b>8 343 868</b>	<b>8 343 868</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Maintenance of property, plant and equipment by condition - Controlling entity - 2023

	Preventative Maintenance Total	Corrective Maintenance		
		Emergency	Total	Total
Buildings	-	1 159 285	1 159 285	1 159 285
Office equipment	-	1 807 272	1 807 272	1 807 272
Infrastructure	-	31 194 387	31 194 387	31 194 387
	-	<b>34 160 944</b>	<b>34 160 944</b>	<b>34 160 944</b>

#### Maintenance of property, plant and equipment by nature and type of expenditure - Controlling entity - 2024

	Direct Costs Contracted services
Buildings	271 415
Office equipment	31 542
Infrastructure	8 040 911
	<b>8 343 868</b>

#### Maintenance of property, plant and equipment by nature and type of expenditure - Controlling entity - 2023

	Direct Costs Contracted services
Buildings	1 159 285
Office equipment	1 807 272
Infrastructure	31 194 387
	<b>34 160 944</b>

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.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 13. Intangible assets

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 869 022	(1 776 700)	92 322	1 869 022	(1 424 722)	444 300

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 869 022	(1 776 700)	92 322	1 869 022	(1 424 722)	444 300

### Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Amortisation	Total
Computer software, other	444 300	(351 978)	92 322

### Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Amortisation	Total
Computer software, other	1 869 022	(1 424 722)	444 300

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 13. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Amortisation	Total
Computer software, other	444 300	(351 978)	92 322



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 13. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Amortisation	Total
Computer software, other	1 869 022	(1 424 722)	444 300

#### Pledged as security

There are no intangible assets pledged as security for liabilities.

#### Restricted title

There are no intangible assets whose title is restricted.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 14. Heritage assets

Economic entity

2024			2023		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
70 000	-	70 000	70 000	-	70 000

Historical monuments

Controlling entity

2024			2023		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
70 000	-	70 000	70 000	-	70 000

Historical monuments

### Reconciliation of heritage assets Economic entity - 2024

Historical monuments

Opening balance	Total
70 000	70 000

### Reconciliation of heritage assets Economic entity - 2023

Historical monuments

Opening balance	Total
70 000	70 000

### Reconciliation of heritage assets Controlling entity - 2024

Historical monuments

Opening balance	Total
70 000	70 000

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 14. Heritage assets (continued)

#### Reconciliation of heritage assets Controlling entity - 2023

	Opening balance	Total
Historical monuments	70 000	70 000

### 15. Payables from non-exchange transactions

In March 2021 the department of Human Settlements entered into service level agreement with the Raymond Mhlaba Municipality where the municipality would be implementing agents of the department for the purpose of unblocking historically blocked projects within the Raymond Mhlaba Local Municipality. No Commission is received by the municipality from this arrangement.

### 16. Payables from exchange transactions

Trade payables	95 238 827	403 672 809	95 114 512	403 480 278
Payments received in advanced	18 294 034	17 226 956	18 294 034	17 226 956
Retentions	61 224	3 336 291	61 224	3 336 291
Accrued audit fees	92 483	-	-	-
Deposits received	3 229 616	2 972 286	3 229 616	2 972 286
Unallocated deposits	19 206 280	33 053 282	19 206 280	33 053 282
Other creditors	1 037 370	1 011 124	-	-
Sundry creditors	16 642 069	2 809 898	16 637 890	2 805 719
Eskom debt relief current portion	80 629 479	-	80 629 479	-
	<b>234 431 382</b>	<b>464 082 646</b>	<b>233 173 035</b>	<b>462 874 812</b>

### 17. Employee benefit obligations

#### Defined benefit plan

The plan is a post employment medical benefit plan.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 17. Employee benefit obligations (continued)

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(66 267 442)	(69 580 040)	(66 170 001)	(69 482 599)
---	--------------	--------------	--------------	--------------

#### Current liabilities

Leave	18 226 473	18 418 920	18 226 473	18 418 920
Leave	97 441	97 441	-	-
Bonus	4 883 528	4 759 679	4 883 528	4 759 679
Long service award	1 778 000	1 297 000	1 778 000	1 297 000
Medical aid	957 000	548 000	957 000	548 000
	<b>25 942 442</b>	<b>25 121 040</b>	<b>25 845 001</b>	<b>25 023 599</b>

Non-current liabilities	(40 325 000)	(44 459 000)	(40 325 000)	(44 459 000)
Current liabilities	(25 942 442)	(25 121 040)	(25 845 001)	(25 023 599)
	<b>(66 267 442)</b>	<b>(69 580 040)</b>	<b>(66 170 001)</b>	<b>(69 482 599)</b>

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

Opening balance	32 687 000	25 178 000	32 687 000	25 178 000
Current portion	1 441 000	1 441 000	-	1 441 000
Benefits paid	(498 000)	(498 000)	(301 000)	(498 000)
Actuarial loss / (gain)	3 970 000	3 970 000	(3 853 000)	3 970 000
Net expense recognised in the statement of financial performance	6 127 000	2 596 000	6 127 000	2 596 000
	<b>43 727 000</b>	<b>32 687 000</b>	<b>34 660 000</b>	<b>32 687 000</b>

Net expense recognised in the statement of financial performance

Medical Benefits	-	-	-	-
Current service cost	2 373 000	-	2 373 000	-
Interest cost	3 754 000	2 596 000	3 754 000	2 596 000
	<b>6 127 000</b>	<b>2 596 000</b>	<b>6 127 000</b>	<b>2 596 000</b>

#### Long Service Awards

Opening balance	9 417 000	8 665 000	9 417 000	8 665 000
Benefits paid	(1 168 000)	(1 168 000)	(839 000)	(1 168 000)
Actuarial loss / (gain)	(55 000)	(55 000)	885 000	(55 000)
Net expense recognised	1 975 000	1 975 000	2 181 000	1 975 000
	<b>10 169 000</b>	<b>9 417 000</b>	<b>11 644 000</b>	<b>9 417 000</b>

Net expense recognised in Statement of financial Performance - Long service awards

Current service cost	1 245 000	1 230 000	1 245 000	1 230 000
Interest cost	936 000	745 000	936 000	745 000
	<b>2 181 000</b>	<b>1 975 000</b>	<b>2 181 000</b>	<b>1 975 000</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 17. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate	11,57 %	10,41 %	11,57 %	10,41 %
Health care cost inflation rate	8,18 %	7,02 %	8,18 %	7,02 %
Net effective discount rate	3,13 %	3,17 %	3,13 %	3,17 %
Maximum subsidy inflation rate	5,76 %	4,89 %	5,76 %	4,89 %
Net of maximum subsidy inflation discount rate	5,49 %	5,26 %	5,49 %	5,26 %

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 747 000	3 084 000	2 747 000	3 084 000
Effect on defined benefit obligation	11 036 000	12 306 000	11 036 000	12 306 000

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

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	34 660 000	32 687 000	25 178 000	22 674 000	16 828 356

### 18. Finance lease obligation

#### Minimum lease payments due

- within one year	217 877	522 905	217 877	522 905
- in second to fifth year inclusive	-	217 877	-	217 877
	217 877	740 782	217 877	740 782
less: future finance charges	(9 061)	(87 450)	(9 061)	(87 450)
<b>Present value of minimum lease payments</b>	<b>208 816</b>	<b>653 332</b>	<b>208 816</b>	<b>653 332</b>

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Alien Plant Grant	295 480	62 820	295 480	62 820
Municipal Infrastructure Grant	(1)	-	(1)	-
Integrated National Electrification Grant	233 704	125	233 704	125
Housing Disaster Grant	9 474	9 474	9 474	9 474
Quarry Mining Grant	102 563	102 563	102 563	102 563
Greening and Beautification Grant	707 664	707 664	707 664	707 664
Mining Projects Grant	77 000	77 000	77 000	77 000
Middledrift Spatial Development Grant	147 392	147 392	147 392	147 392
Raymond Mhlaba Micricredit Fund	1 710 366	427 984	1 282 382	-
Services SETA	200 000	-	200 000	-
	<b>3 483 642</b>	<b>1 535 022</b>	<b>3 055 658</b>	<b>1 107 038</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 19. Unspent conditional grants and receipts (continued)

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

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

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

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

### 20. Unspent public contributions and donations

Raymond Mhlaba Micricredit Fund (RMMF)	1 517 215	-	1 517 215	-
Department of Roads and Transport - Healdtown	1 238 861	1 672 174	1 238 861	1 672 174
Bank loan 2	3 115 364	2 834 404	3 115 364	2 834 404
Terms and conditions				
	<b>5 871 440</b>	<b>4 506 578</b>	<b>5 871 440</b>	<b>4 506 578</b>
<b>Current liabilities</b>				
Designated at fair value	5 871 440	4 506 578	5 871 440	4 506 578

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 21. Provisions

#### Reconciliation of provisions - Economic entity - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	62 006 563	4 090 280	3 410 361	69 507 204

#### Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	58 664 543	16 633	3 325 387	62 006 563

#### Reconciliation of provisions - Controlling entity - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	62 006 563	4 090 280	3 410 361	69 507 204

#### Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Interest cost	Total
Environmental rehabilitation	58 664 543	16 633	3 325 387	62 006 563
Non-current liabilities	66 213 611	59 748 977	66 213 611	59 748 977
Current liabilities	3 293 593	2 257 586	3 293 593	2 257 586
	<b>69 507 204</b>	<b>62 006 563</b>	<b>69 507 204</b>	<b>62 006 563</b>

#### Environmental rehabilitation provision

The timing of the outflow of resources relating to 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 as indicated below.

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 7.8% (2021 - 3.32%) during the year.

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.

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

#### Heading

Alice - expected closure year 2050	23 859 255	20 915 845	23 859 255	20 915 845
Middledrift - expected closure year 2100	12 065 545	11 614 766	12 065 545	11 614 766
Seymour - expected closure year 2028	1 288 313	1 085 648	1 288 313	1 085 648
Adelaide - expected closure year 2018	19 678 445	16 833 629	19 678 445	16 833 629
Bedford - expected closure year 2031	11 327 333	10 471 028	11 327 333	10 471 028
Fort Beaufort drop-off	1 288 313	1 085 648	1 288 313	1 085 648
	<b>69 507 204</b>	<b>62 006 564</b>	<b>69 507 204</b>	<b>62 006 564</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 22. Payables from exchange transactions

Eskom debt relief non-current portion	161 258 958	-	161 258 959	-
---------------------------------------	-------------	---	-------------	---

The balance relates to an Eskom balance that has been reclassified from current liabilities as a result of the debt relief arrangement which has deferred the payment to a period of 12 months.

### 23. Revenue

Sale of goods	136 793	-	-	-
Service charges	116 378 026	108 735 231	116 378 026	108 735 231
Rental of facilities and equipment	1 458 463	806 563	1 458 463	806 563
Interest received (trading)	26 290 669	16 261 520	26 290 669	16 261 520
Agency services	4 494 715	4 667 674	4 494 715	4 667 674
Licences and permits	1 606 365	709 933	1 606 365	709 933
Other income	2 379 418	1 550 963	2 356 138	1 520 733
Interest received - investment	3 887 801	2 465 729	3 887 768	2 465 640
Property rates	106 130 471	107 715 326	106 130 471	107 715 326
Surcharges and Taxes	86 271 022	11 540 891	86 271 022	11 540 891
Government grants & subsidies	290 406 380	271 619 803	290 406 380	271 619 803
Public contributions and donations	107 991	5 183 885	107 991	5 183 885
Fines, Penalties and Forfeits	70 686	25 370	70 686	25 370
	<b>639 618 800</b>	<b>531 282 888</b>	<b>639 458 694</b>	<b>531 252 569</b>

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

Sale of goods	136 793	-	-	-
Service charges	116 378 026	108 735 231	116 378 026	108 735 231
Rental of facilities and equipment	1 458 463	806 563	1 458 463	806 563
Interest received (trading)	26 290 669	16 261 520	26 290 669	16 261 520
Agency services	4 494 715	4 667 674	4 494 715	4 667 674
Licences and permits	1 606 365	709 933	1 606 365	709 933
Other income	2 379 418	1 550 963	2 356 138	1 520 733
Interest received - investment	3 887 801	2 465 729	3 887 768	2 465 640
	<b>156 632 250</b>	<b>135 197 613</b>	<b>156 472 144</b>	<b>135 167 294</b>

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

##### Taxation revenue

Property rates	106 130 471	107 715 326	106 130 471	107 715 326
Surcharges and Taxes	86 271 022	11 540 891	86 271 022	11 540 891

##### Transfer revenue

Government grants & subsidies	290 406 380	271 619 803	290 406 380	271 619 803
Public contributions and donations	107 991	5 183 885	107 991	5 183 885
Fines, Penalties and Forfeits	70 686	25 370	70 686	25 370

	<b>482 986 550</b>	<b>396 085 275</b>	<b>482 986 550</b>	<b>396 085 275</b>
--	--------------------	--------------------	--------------------	--------------------

### 24. Sale of goods

Blockyard	136 793	-	-	-
-----------	---------	---	---	---

Sale of goods is revenue from sale of building blocks made by the facility.



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>25. Service charges</b>				
Sale of electricity	77 183 904	69 266 799	77 183 904	69 266 799
Refuse removal	37 500 141	37 981 281	37 500 141	37 981 281
Availability charge	1 693 981	1 487 151	1 693 981	1 487 151
	<b>116 378 026</b>	<b>108 735 231</b>	<b>116 378 026</b>	<b>108 735 231</b>
<b>26. Rental of facilities and equipment</b>				
<b>Premises</b>				
Venue hire	1 458 463	806 563	1 458 463	806 563
<b>27. Agency services</b>				
Vehicle Registration	4 494 715	4 667 674	4 494 715	4 667 674
<b>28. Licences and permits</b>				
Road and Transport	1 606 365	709 933	1 606 365	709 933
<b>29. Other revenue</b>				
Other income	2 379 418	1 550 963	2 356 138	1 520 733
<b>30. Other income</b>				
Collection charges	841 654	167 317	818 374	137 087
Skills development levy refund	528 479	459 524	528 479	459 524
Clearance fees	24 464	20 057	24 464	20 057
Insurance refund	-	(6 637)	-	(6 637)
Building plan fees	216 307	420 140	216 307	420 140
Cemetary and burial	98 980	89 750	98 980	89 750
Valuation services	84 084	42 573	84 084	42 573
Tender fees	199 478	140 151	199 478	140 151
Sale of goods and services	-	15 465	-	15 465
Connection fees	262 163	138 929	262 163	138 929
Reconnection fees	123 809	63 694	123 809	63 694
	<b>2 379 418</b>	<b>1 550 963</b>	<b>2 356 138</b>	<b>1 520 733</b>
<b>31. Investment revenue</b>				
<b>Interest revenue</b>				
Bank	3 887 801	2 465 729	3 887 768	2 465 640

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 32. Property rates

#### Rates received

Residential	15 502 742	12 624 175	15 502 742	12 624 175
Commercial	9 147 574	8 689 241	9 147 574	8 689 241
Small holdings and farms	23 434 185	19 229 832	23 434 185	19 229 832
Industrial	307 450	291 980	307 450	291 980
Multipurpose	93 323 153	89 819 596	93 323 153	89 819 596
Public service infrastructure	26 909	25 423	26 909	25 423
Vacant land	958 219	909 898	958 219	909 898
Rebates	(36 569 761)	(23 874 819)	(36 569 761)	(23 874 819)
	<b>106 130 471</b>	<b>107 715 326</b>	<b>106 130 471</b>	<b>107 715 326</b>

#### Valuations

Residential	2 946 077 877	2 946 077 877	2 946 077 877	2 946 077 877
Commercial	445 845 350	445 845 350	445 845 350	445 845 350
State	784 153 900	784 153 900	784 153 900	784 153 900
Municipal	171 999 300	171 999 300	171 999 300	171 999 300
Public benefit organisations	115 582 700	115 582 700	115 582 700	115 582 700
Agriculture	3 395 220 550	3 395 220 550	3 395 220 550	3 395 220 550
Public service infrastructure	66 423 000	66 423 000	66 423 000	66 423 000
Vacant land	149 158 600	149 158 600	149 158 600	149 158 600
Multipurpose	111 219 650	111 219 650	111 219 650	111 219 650
Sectional title	31 888 500	31 888 500	31 888 500	31 888 500
	<b>8 217 569 427</b>	<b>8 217 569 427</b>	<b>8 217 569 427</b>	<b>8 217 569 427</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019.

The first R15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

### 33. Debt forgiveness

Water services	28 621 977	11 540 891	28 621 977	11 540 891
Eskom debt forgiveness	57 649 045	-	57 649 045	-
	<b>86 271 022</b>	<b>11 540 891</b>	<b>86 271 022</b>	<b>11 540 891</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 34. Government grants & subsidies

#### Operating grants

Equitable share	196 050 000	204 622 000	196 050 000	204 622 000
Finance Management Grant	2 850 000	2 850 000	2 850 000	2 850 000
Municipal Infrastructure Grant	2 024 553	2 045 742	2 024 553	2 045 742
Expanded Public Works Programme Grant	3 885 000	2 838 000	3 885 000	2 838 000
Library Grant	1 650 000	1 650 000	1 650 000	1 650 000
National Treasury Audit Fees Grant 1%	-	3 842 466	-	3 842 466
Municipal Disaster Relief Grant	1 767 341	6 462	1 767 341	6 462
Services SETA	35 251 618	-	35 251 618	-
	<b>243 478 512</b>	<b>217 854 670</b>	<b>243 478 512</b>	<b>217 854 670</b>

#### Capital grants

Municipal Infrastructure Grant	41 261 448	51 937 258	41 261 448	51 937 258
Intergrated National Electrification Programme.	5 666 420	1 827 875	5 666 420	1 827 875
	<b>46 927 868</b>	<b>53 765 133</b>	<b>46 927 868</b>	<b>53 765 133</b>
	<b>290 406 380</b>	<b>271 619 803</b>	<b>290 406 380</b>	<b>271 619 803</b>

#### Equitable Share

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.

#### Alien Plant Grant

Balance unspent at beginning of year	62 820	69 282	62 820	69 282
Current-year receipts	2 000 000	-	2 000 000	-
Conditions met - transferred to revenue	(1 767 340)	(6 462)	(1 767 340)	(6 462)
	<b>295 480</b>	<b>62 820</b>	<b>295 480</b>	<b>62 820</b>

Conditions still to be met - remain liabilities (see note 19).

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.

#### Municipal Infrastructure Grant

Current-year receipts	43 286 000	-	54 003 000	-
Conditions met - transferred to revenue	(43 286 001)	-	(54 003 001)	-
	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

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.

#### Expanded Public Works

Current-year receipts	-	-	3 885 000	-
Conditions met - transferred to revenue	-	-	(3 885 000)	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 34. Government grants & subsidies (continued)

Provide explanations of conditions still to be met and other relevant information.

#### Integrated National Electrification Grant

Balance unspent at beginning of year	125	-	125	-
Current-year receipts	5 900 000	1 828 000	5 900 000	1 828 000
Conditions met - transferred to revenue	(5 666 421)	(1 827 875)	(5 666 421)	(1 827 875)
	<b>233 704</b>	<b>125</b>	<b>233 704</b>	<b>125</b>

Conditions still to be met - remain liabilities (see note 19).

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.

#### Housing Disaster Grant

Balance unspent at beginning of year	9 474	9 474	9 474	9 474
--------------------------------------	-------	-------	-------	-------

Conditions still to be met - remain liabilities (see note 19).

The grant is aimed at providing immediate relief in the event of a disaster.

#### Quarry Mining Grant

Balance unspent at beginning of year	102 563	102 563	102 563	102 563
--------------------------------------	---------	---------	---------	---------

Conditions still to be met - remain liabilities (see note 19).

#### Greening and Beautification Grant

Balance unspent at beginning of year	707 664	707 664	707 664	707 664
--------------------------------------	---------	---------	---------	---------

Conditions still to be met - remain liabilities (see note 19).

#### Mining Projects Grant

Balance unspent at beginning of year	77 000	77 000	77 000	77 000
--------------------------------------	--------	--------	--------	--------

Conditions still to be met - remain liabilities (see note 19).

#### Middledrift Spatial Development Grant

Balance unspent at beginning of year	147 392	147 392	147 392	147 392
--------------------------------------	---------	---------	---------	---------

Conditions still to be met - remain liabilities (see note 19).

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 35. Public contributions and donations

Public contributions and donations	-	5 183 885	-	5 183 885
GIZ	107 991	-	107 991	-
	<b>107 991</b>	<b>5 183 885</b>	<b>107 991</b>	<b>5 183 885</b>

### Reconciliation of conditional contributions

DEDEAT	2 250 000	-	2 250 000	-
GIZ	3 025 754	-	3 025 754	-
	<b>5 275 754</b>	<b>-</b>	<b>5 275 754</b>	<b>-</b>

The Department of Economic and Environmental Affairs donated a refuse truck to the municipality in the current financial year.

GIZ from Germany has donated Electrical infrastructure asset in the current year.

### 36. Fines, Penalties and Forfeits

Municipal Traffic Fines	70 686	25 370	70 686	25 370
-------------------------	--------	--------	--------	--------

### 37. Interest from non-exchange receivables

Interest - Property rates	37 456 737	20 815 336	37 456 737	20 815 336
---------------------------	------------	------------	------------	------------

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 38. Employee related costs

Basic	147 888 664	143 002 110	146 544 811	141 631 509
Bonus	10 036 142	11 090 111	10 036 142	11 090 111
Medical aid - company contributions	9 256 537	8 418 225	9 142 927	8 285 601
UIF	1 167 363	1 252 931	1 143 221	1 229 158
SDL	1 989 227	1 792 585	1 970 393	1 776 399
Other payroll levies	50 251	46 061	50 251	46 061
Leave pay provision charge	1 288 092	2 969 085	1 288 092	2 969 085
Pension contributions	21 730 117	19 855 699	21 637 634	19 754 250
Medical benefit - current service cost	1 839 000	2 373 000	1 839 000	2 373 000
Travel, motor car, accommodation, subsistence and other allowances	7 764 817	7 743 973	7 764 817	7 743 973
Overtime payments	9 905 836	6 781 697	9 905 836	6 781 697
Long-service awards	1 901 529	1 245 000	1 901 529	1 245 000
Acting allowances	2 890 071	2 358 589	2 890 071	2 358 589
Housing benefits and allowances	449 925	286 576	449 925	286 576
Standby allowance	922 011	1 094 228	922 011	1 094 228
Insurance	289 616	283 281	289 616	283 281
Cellphone allowance	10 200	19 200	10 200	19 200
	<b>219 379 398</b>	<b>210 612 351</b>	<b>217 786 476</b>	<b>208 967 718</b>

### Remuneration of the Municipal Manager

Basic salary	1 898 459	1 596 130	1 898 459	1 596 130
Backpay	100 723	-	100 723	-
Motor vehicle allowance	586 432	533 753	586 432	533 753
UIF	20 227	2 125	20 227	2 125
	<b>2 605 841</b>	<b>2 132 008</b>	<b>2 605 841</b>	<b>2 132 008</b>

### Remuneration of Chief Finance Officer

Basic salary	760 486	741 938	760 486	741 938
UIF	12 536	2 125	12 536	2 125
Motor vehicle allowance	506 991	515 646	506 991	515 646
Backpay	62 371	-	-	-
	<b>1 342 384</b>	<b>1 259 709</b>	<b>1 280 013</b>	<b>1 259 709</b>

The Chief Financial Officer was appointed and started in May 2022.

### Director Corporate Services

Annual Remuneration	-	185 691	-	185 691
Car Allowance	-	57 980	-	57 980
Housing allowance	-	507	-	507
Contributions to UIF and SDL	-	5 412	-	5 412
Medical aid	-	126 736	-	126 736
	<b>-</b>	<b>376 326</b>	<b>-</b>	<b>376 326</b>

### Director Community Services

Annual Remuneration	882 594	-	882 594	-
Car Allowance	138 643	-	138 643	-
Contributions to UIF, Medical and Pension Funds	8 752	-	8 752	-
	<b>1 029 989</b>	<b>-</b>	<b>1 029 989</b>	<b>-</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 38. Employee related costs (continued)

#### Director Technical Services

Annual Remuneration	1 003 093	897 075	1 003 093	897 075
Car Allowance	498 738	450 637	498 738	450 637
Leave	-	281 319	-	281 319
Contributions to UIF and SDL	16 850	17 484	16 850	17 484
Backpay	70 142	-	70 142	-
	<b>1 588 823</b>	<b>1 646 515</b>	<b>1 588 823</b>	<b>1 646 515</b>

Director Technical Services was appointed from 01 September 2022 after termination of the old contract on 31 July 2023 due to expiration of the Contract.

#### Acting Director Community Services

Acting allowance	-	36 000	-	36 000
------------------	---	--------	---	--------

#### Director Strategic Services

Annual Remuneration	1 255 702	1 207 576	1 255 702	1 207 576
Car Allowance	246 000	279 053	246 000	279 053
Leave	-	281 294	-	281 294
Contributions to UIF, Medical and Pension Funds	15 824	16 194	15 824	16 194
Backpay	70 138	-	70 138	-
	<b>1 587 664</b>	<b>1 784 117</b>	<b>1 587 664</b>	<b>1 784 117</b>

### 39. Remuneration of councillors

Executive Major	999 885	813 876	999 885	813 876
Mayoral Committee Members	4 846 560	3 893 681	4 846 560	3 893 681
Speaker	812 867	753 749	812 867	753 749
Councillors	12 870 649	12 671 523	12 870 649	12 671 523
Chief Whip	737 427	709 415	737 427	709 415
	<b>20 267 388</b>	<b>18 842 244</b>	<b>20 267 388</b>	<b>18 842 244</b>

### 40. Remuneration of board members

Administration and management fees - third party	-	30 410	-	-
--	---	--------	---	---

#### Board member's fees

Adv S Mancotywa	-	11 138	-	11 138
X Titus	-	6 424	-	6 424
Prof W Chinyamurindi	-	3 212	-	3 212
A Nika	-	3 212	-	3 212
N Nkomana	-	6 424	-	6 424
	-	<b>30 410</b>	-	<b>30 410</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>41. Depreciation and amortisation</b>				
Property, plant and equipment	201 046 738	22 857 031	201 028 416	22 838 709
Intangible assets	351 978	517 546	351 978	517 546
	<b>201 398 716</b>	<b>23 374 577</b>	<b>201 380 394</b>	<b>23 356 255</b>
<b>42. Finance costs</b>				
Post Retirement Medical Benefits	4 594 000	3 754 000	4 594 000	3 754 000
Long Service Awards	1 537 000	936 000	1 537 000	936 000
Trade and other payables	7 387 713	21 453 259	7 330 227	21 397 443
Rehabilitation Provision- Landfill Sites	3 410 361	3 325 387	3 410 361	3 325 387
Fiance Lease Liabilities	9 062	78 393	9 062	78 393
	<b>16 938 136</b>	<b>29 547 039</b>	<b>16 880 650</b>	<b>29 491 223</b>
<b>43. Debt impairment</b>				
Contributions to debt impairment provision	100 879 313	(9 363 307)	100 879 313	(9 363 307)
<b>44. Bulk purchases</b>				
Electricity - Eskom	90 081 099	78 212 322	90 081 099	78 212 322
<b>Electricity losses</b>				
	Number 2024	Number 2023		
Units purchased	51 884 147	58 103 542	67 643 380	78 604 822
Units sold	(40 732 055)	(46 989 317)	(57 975 291)	(65 242 002)
<b>Total loss</b>	<b>11 152 092</b>	<b>11 114 225</b>	<b>9 668 089</b>	<b>13 362 820</b>
Percentage Loss:				
Non-technical losses	21 %	17 %	- %	- %
<b>45. Contracted services</b>				
<b>Outsourced Services</b>				
Burial Services	8 976	2 000	8 976	2 000
Catering Services	306 715	318 737	306 715	317 246
Cleaning Services	86 957	64 005	86 957	64 005
Litter Picking and Street Cleaning	2 689 705	25 440	2 689 705	25 440
Refuse Removal	1 319 246	1 931 020	1 319 246	1 931 020
Security Services	219 130	354 668	219 130	353 043
Transport Services	689 724	295 224	689 724	295 224
<b>Consultants and Professional Services</b>				
Business and Advisory	20 146 508	3 996 489	20 135 184	3 983 737
Infrastructure and Planning	-	95 525	-	95 525
Legal Cost	1 638 806	2 949 370	1 638 806	2 949 370



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>45. Contracted services (continued)</b>				
<b>Contractors</b>				
Building	577 675	170 775	577 675	170 775
Employee Wellness	98 590	48 168	98 590	48 168
Maintenance of Equipment	4 993 072	135 821	4 993 072	135 821
Maintenance of Unspecified Assets	6 637 969	5 571 087	6 637 969	5 571 087
Safeguard and Security	11 017	-	11 017	-
	<b>39 424 090</b>	<b>15 958 329</b>	<b>39 412 766</b>	<b>15 942 461</b>
<b>46. Transfer and subsidies</b>				
<b>Grants paid to ME's</b>				
Raymond Mhlaba Economic Development Agency	-	-	3 093 303	2 865 790
<b>47. General expenses</b>				
Advertising	363 802	299 772	363 802	299 772
Auditors remuneration	5 947 457	6 410 609	4 993 284	5 222 966
Bank charges	373 027	732 809	356 033	709 307
Cleaning	289 722	195 772	289 722	195 772
Commission paid	1 379 328	875 661	1 379 328	875 661
Consumables	637 459	253 011	637 459	253 011
Discount allowed	214 646	158 437	214 646	158 437
Entertainment	-	8 100	-	8 100
Fines and penalties	-	2 061 179	-	2 061 179
Gifts	249 320	315 841	249 320	315 841
Hire	6 568 915	5 892 434	6 568 915	5 892 434
Insurance	1 207 209	1 791 050	1 207 209	1 734 475
Conferences and seminars	16 470	331 714	16 470	331 714
IT expenses	867 311	688 810	867 311	685 673
Motor vehicle expenses	4 855 170	821 350	4 855 170	821 350
Fuel and oil	3 154 654	2 848 856	3 154 654	2 848 856
Postage and courier	1 116 305	787 791	1 116 305	787 791
Printing and stationery	1 229 505	1 385 367	1 229 505	1 385 367
Protective clothing	815 071	395 974	815 071	395 974
Software expenses	4 588 731	938 289	4 588 731	938 289
Subscriptions and membership fees	2 454 293	2 410 260	2 445 194	2 403 533
Telephone and fax	4 260 732	5 874 397	4 260 732	5 799 240
Transport and freight	50 977	6 200	50 977	6 200
Travel - local	1 676 394	911 408	1 676 394	911 408
Electricity	-	24 568	-	-
Municipal services	7 404 510	14 153 657	7 404 510	14 153 657
Tourism development	-	92 500	-	92 500
Achievements and awards	-	115 683	-	115 683
Indigent relief	7 092 797	8 319 873	7 092 797	8 319 873
Internships	518 224	549 489	518 224	549 489
Ward committees remuneration	4 352 415	3 485 241	4 172 439	3 485 241
Manufacturing - Raw materials consumed	370 870	-	-	-
	<b>62 055 314</b>	<b>63 136 102</b>	<b>60 524 202</b>	<b>61 758 793</b>
<b>48. Fair value adjustments</b>				
Investment property (Fair value model)	(1 293 821)	1 062 150	(1 293 821)	1 062 150

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>49. Impairment loss</b>				
<b>Impairments</b>				
Property, plant and equipment	6 922 983	2 584 505	6 922 983	2 584 505
<b>50. Auditors' remuneration</b>				
Fees	5 947 457	6 410 609	4 993 284	5 222 966
<b>51. Cash generated from operations</b>				
(Deficit) surplus	(121 786 333)	118 142 184	(121 828 576)	118 388 433
<b>Adjustments for:</b>				
Depreciation and amortisation	201 398 716	23 374 577	201 380 394	23 356 255
Loss on sale disposa of fixed assets	9 626 130	169 755	9 626 130	169 755
Fair value adjustments	1 293 821	(1 062 150)	1 293 821	(1 062 150)
Finance costs - Finance leases	3 410 361	3 325 387	3 410 361	3 325 387
Impairment deficit	6 922 983	2 584 505	6 922 983	2 584 505
Debt impairment	100 879 313	(9 363 307)	100 879 313	(9 363 307)
Bad debts written off	43 083 452	4 801 384	43 083 452	4 801 384
Movements in retirement benefit assets and liabilities	10 599 448	24 887 668	10 599 448	24 887 668
Movement in employee benefits	7 500 641	3 756 077	7 500 641	3 756 077
Discounts received	-	-	-	(11 540 891)
Donations received	-	(5 183 885)	-	(5 183 885)
Other non-cash items	-	-	-	(2 887 521)
<b>Changes in working capital:</b>				
Inventories	(80 750)	(22 304)	-	-
Other receivables from exchange transactions	(200 416 991)	(47 952 353)	(200 416 991)	(47 952 353)
Consumer debtors	(24 458 067)	(80 996 853)	(24 458 067)	(80 996 853)
Statutory receivables	3 521 837	(4 343 337)	3 521 837	(4 343 337)
VAT	27 996 232	11 220 092	27 996 232	11 220 092
Unspent conditional grants and receipts	1 948 620	(6 337)	1 948 620	(6 337)
Payables from exchnage transactions	(12 272 940)	7 883 363	(12 359 730)	23 147 208
Payables from non exchange transactions	28 335 387	(4 787 446)	28 335 387	(4 787 446)
	<b>87 501 860</b>	<b>46 427 020</b>	<b>87 435 255</b>	<b>47 512 684</b>
<b>52. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>Economic entity - 2024</b>				
<b>Financial assets</b>				
			At amortised cost	Total
Trade and other receivables from exchange transactions			177 380 559	177 380 559
Cash and cash equivalents			9 848 975	9 848 975
			<b>187 229 534</b>	<b>187 229 534</b>
<b>Financial liabilities</b>				
			At amortised cost	Total
Trade and other payables from exchange transactions			198 587 212	198 587 212
Current portion of long term liabilities			161 258 958	161 258 958

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 52. Financial instruments disclosure (continued)

**359 846 170    359 846 170**

#### Economic entity - 2023

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	169 018 041	169 018 041
Cash and cash equivalents	8 017 923	8 017 923
	<b>177 035 964</b>	<b>177 035 964</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	428 277 417	428 277 417
Current portion of long term liabilities	208 815	208 815
	<b>428 486 232</b>	<b>428 486 232</b>

#### Controlling entity - 2024

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	9 738 469	9 738 469
Receivables from exchange transactions	177 380 559	177 380 559
	<b>187 119 028</b>	<b>187 119 028</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	198 587 212	198 587 212
Current portion of long term liabilities	161 258 958	161 258 958
	<b>359 846 170</b>	<b>359 846 170</b>

#### Controlling entity - 2023

##### Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 974 022	7 974 022
Receivables from exchange transactions	169 018 041	169 018 041
	<b>176 992 063</b>	<b>176 992 063</b>

##### Financial liabilities

At amortised cost    Total

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 52. Financial instruments disclosure (continued)

Current portion of long term liabilities			208 815	208 815
Payables from exchange transactions			427 015 811	427 015 811
			<b>427 224 626</b>	<b>427 224 626</b>

### 53. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	19 226 532	16 747 830	19 226 532	16 747 830
---------------------------------	------------	------------	------------	------------

##### Total capital commitments

Already contracted for but not provided for	19 226 532	16 747 830	19 226 532	16 747 830
---	------------	------------	------------	------------

##### Total commitments

##### Total commitments

Authorised capital expenditure	19 226 532	16 747 830	19 226 532	16 747 830
--------------------------------	------------	------------	------------	------------

This committed expenditure relates to property and will be financed by government conditional grants.

### 54. Comparative figures

Certain comparative figures have been reclassified.

### 55. Risk management

#### Financial risk management

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 55. Risk management (continued)

#### 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.

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

The following balances are exposed to liquidity risk:

#### Economic entity

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	198 587 212	161 258 958	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease liabilities	208 815	-	-	-
Trade and other payables	428 277 417	-	-	-

#### Controlling entity

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease liabilities	208 815	-	-	-
Trade and other payables	197 328 865	161 258 958	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease liabilities	208 815	-	-	-
Trade and other payables	427 015 811	-	-	-

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 55. Risk management (continued)

#### 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.

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

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

Financial instrument	Economic entity - 2024	Economic entity - 2023	Controlling entity - 2024	Controlling entity - 2023
Cash and cash equivalents	9 848 975	8 017 923	9 738 469	7 974 022
Receivables from exchange transactions	177 380 560	169 018 042	177 380 559	169 018 041

#### 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 SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

#### Receivables from exchange transactions

Receivables comprise of a large number of users, dispersed accross 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 to 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 consumers 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 past 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 past due.

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

#### Market risk

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 55. Risk management (continued)

#### Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the economic entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax surplus of a 1% shift would be a maximum increase of R 73 302 (2023: R 213 974) or decrease of R (73 302) (2023: R (213 974)), respectively. The simulation is done on a quarterly basis to verify that the maximum deficit potential is within the limit given by the management.

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.

The following balances are exposed to interest rate fluctuations:

#### Financial instrument

Cash and cash equivalents (excluding cash on hand)	9 848 975	8 017 923	9 738 469	7 974 022
--	-----------	-----------	-----------	-----------

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

#### Price risk

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

The municipality recognised the following financial instruments (all balances are recognised at amortised cost):

#### Financial assets

Cash and cash equivalents	9 848 975	8 017 923	9 738 469	7 974 022
Receivables from exchange transactions	177 380 560	169 018 042	177 380 560	169 018 041
	<b>187 229 535</b>	<b>177 035 965</b>	<b>187 119 029</b>	<b>176 992 063</b>

#### Financial liabilities

Current portion of long term liabilities	-	-	-	208 815
Payables from exchange transactions	198 587 212	428 486 232	197 328 865	427 015 811
Long term liabilities	161 258 958	-	-	-
	<b>359 846 170</b>	<b>428 486 232</b>	<b>197 328 865</b>	<b>427 224 626</b>

### 56. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 516 563 767 and that the municipality's total assets exceed its liabilities by R 517 375 231.

The annual consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 56. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

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

#### Financial indicators

Management will continue to put measures in place to ensure that the municipality's current assets are in excess of its current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that leads 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 still takes more than 30 days to pay creditors due to collection days on debtors that are more than 90 days.

#### Other indicators

The municipality has incurred unauthorised, irregular and fruitless and wasteful expenditure as shown in the notes above.

There are material contingent liabilities on each respective reporting period. Refer to note 56 above.

#### Assessment

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

### 57. Events after the reporting date

There were no events after reporting period.

### 58. Irregular expenditure

Opening balance as previously reported	18 516 278	52 446 801	13 393 620	50 579 907
Add: Irregular expenditure - current	5 381 375	43 054 643	5 081 375	40 817 493
Add: Irregular expenditure - prior period	19 647 433	1 018 614	19 647 433	-
Less: Amount written off - current	(16 212 624)	(78 003 780)	(16 212 624)	(78 003 780)
<b>Closing balance</b>	<b>27 332 462</b>	<b>18 516 278</b>	<b>21 909 804</b>	<b>13 393 620</b>

#### Amount written-off

The Irregular expenditure was investigated by the MPAC and a recommendation was made to Council on completion of the said investigations.



## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>59. Fruitless and wasteful expenditure</b>				
Opening balance as previously reported	13 342 431	6 694 177	12 344 346	5 751 908
Add: Fruitless and wasteful expenditure identified - current	10 666 912	23 120 964	10 609 426	23 065 148
Add: Fruitless and wasteful expenditure identified - prior period	-	280 722	-	280 722
Less: Amount written off - current	(22 609 486)	(16 753 432)	(22 609 486)	(16 753 432)
<b>Closing balance</b>	<b>1 399 857</b>	<b>13 342 431</b>	<b>344 286</b>	<b>12 344 346</b>

The Irregular expenditure was investigated by the MPAC and a recommendation was mad to Council on completion of the said investigations.T

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

#### 59. Fruitless and wasteful expenditure (continued)

##### Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings				
SARS -PAYE, UIF and SDL	None taken	58 980	1 915 951	1 494	1 861 715
Eskom	None taken	9 469 008	19 624 741	9 469 008	19 624 741
Auditor General	None taken	1 138 924	1 485 389	1 138 924	1 485 389
Other	None taken	-	374 296	-	374 296
Old Mutual	None taken	-	1 580	-	-
		<b>10 666 912</b>	<b>23 401 957</b>	<b>10 609 426</b>	<b>23 346 141</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

#### 59. Fruitless and wasteful expenditure (continued)

##### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 22 609 486 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

##### Recoverability steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.ditional text

##### Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 60. Deviation from supply chain management regulations

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

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

#### Deviations from the Supply Chain Management Regulations per Directorate:

Accounting Officer	171 640	-	171 640	-
Corporate Services	1 441 151	1 516 128	1 441 151	1 516 128
Technical Services	3 890 413	3 031 898	3 890 413	3 031 898
Community Services	248 862	188 876	248 862	188 876
	<b>5 752 066</b>	<b>4 736 902</b>	<b>5 752 066</b>	<b>4 736 902</b>

The reasons for the deviations can be summarised as follows:

	Emergency	Impractical	Sole Supplier	Total
Community services	145 500	36 994	-	182 494
Budget and treasury	-	-	171 640	171 640
Corporate services	-	212 479	1 228 672	1 441 151
Engineering services	2 835 983	-	1 120 798	3 956 781
	<b>2 981 483</b>	<b>249 473</b>	<b>2 521 110</b>	<b>5 752 066</b>

#### Deviations from the Supply Chain Management Regulations per Supplier:

Supplier	Emergency	Impractical	Sole Supplier	Total
Actom	1 162 195	-	-	1 162 195
Adapt IT	-	-	171 640	171 640
ARB Electrical Wholesalers	-	-	285 540	285 540
CONLOG	-	-	430 445	430 445
Bennacharl Trading	-	127 500	-	127 500
Eyabantu East London	41 176	-	-	41 176
Landis and GYR	-	-	338 445	338 445
Magula Erasmus Consulting Services	37 709	-	-	37 709
Microsoft Ireland Operations Limited	-	-	1 228 672	1 228 672
Sukapha Trading	-	18 000	-	18 000
Gary's Holding	1 194 620	-	-	1 194 620
Surge Elektro	10 836	-	-	10 836
Tanci General Dealer	-	36 994	-	36 994
Lukhanyile Trading Pty LTD	389 448	-	-	389 448
Wesley Pretorious Attorneys	-	278 847	-	278 847
	<b>2 835 984</b>	<b>461 341</b>	<b>2 454 742</b>	<b>5 752 067</b>

### 61. Trading with employees in service of the State

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

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 62. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	13 929 887	11 681 128	13 929 887	11 681 128
Current year subscription / fee	2 460 379	2 248 759	2 460 379	2 248 759
Amount paid - current year	(2 248 759)	-	(2 248 759)	-
	<b>14 141 507</b>	<b>13 929 887</b>	<b>14 141 507</b>	<b>13 929 887</b>

#### Audit fees

Opening balance	12 056 413	17 551 626	12 056 413	17 551 626
Current year subscription / fee	7 918 407	8 857 590	7 918 407	8 857 590
Amount paid - current year	(10 781 836)	(10 510 337)	(10 781 836)	(10 510 337)
National Treasury Grant	-	(3 842 466)	-	(3 842 466)
Debt forgiveness	(3 024 046)	-	1 365 790	987 686
	<b>6 168 938</b>	<b>12 056 413</b>	<b>10 558 774</b>	<b>13 044 099</b>

#### PAYE and UIF

Opening balance	3 422 677	9 135 047	2 291 901	7 705 195
Payments due to SARS	34 005 128	32 648 582	33 756 390	32 430 432
Interest and penalties	1 494	1 853 101	1 494	1 853 101
Amount paid - previous years	(33 710 175)	(40 214 053)	(33 138 712)	(39 696 826)
	<b>3 719 124</b>	<b>3 422 677</b>	<b>2 911 073</b>	<b>2 291 902</b>

#### Pension and Medical Aid Deductions

Opening balance	-	38 542	-	38 542
Payments due to pension fund and medical aid	44 882 632	44 186 152	44 882 632	44 186 152
Amount paid - current year	(41 177 927)	(44 224 694)	(41 177 927)	(44 224 694)
	<b>3 704 705</b>	<b>-</b>	<b>3 704 705</b>	<b>-</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N N Yanta	1 303	54 314	55 617
Councillor P Ntengu	1 010	26 587	27 597
Councillor M Mahleza	1 465	38 912	40 377
Councillor CA Auld	2 078	16 944	19 022
Councillor Tokwe	628	4 873	5 501
Councillor Bantam	1 061	19 058	20 119
	<b>7 545</b>	<b>160 688</b>	<b>168 233</b>

  

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor CA Auld	1 776	9 265	11 041
Councillor M Mahleza	1 450	33 240	34 690
Councillor P Ntengu	1 026	22 649	23 675
Councillor Yanta	1 283	49 262	50 545
	<b>5 535</b>	<b>114 416</b>	<b>119 951</b>

### 63. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 63. Accounting by principals and agents (continued)

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

Department of Transport

The municipality is the agent for the Department of Transport.

##### 1. Motor Vehicle Registration

The Municipality undertakes to handle Motor Vehicle licence issuing on behalf of the Department of Transport and collects a commission of 19% plus VAT. The municipality collects motor registration fees on behalf of Provincial Administration. Payments are made monthly based on the eNatis reports. Agency fees to the value of 19% plus VAT is withheld from the payment to the Province.

##### 2. Drivers Licence Applications

The municipality undertakes to handle Drivers licence applications on behalf of the Department of Transport. The value of application fees is determined by the Provincial administration. The municipality recognise all fees collected as agency fees.

##### 3. Drivers Licence cards.

The municipality undertakes to issue Drivers licence cards on behalf of the Department of Transport. The municipality collect all application fees on behalf of Provincial Administration on behalf of the Department of and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company).

#### Provincial Department of Human Settlements

Administration of the upgrading of informal settlements.

The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review Raymond Mhlaba Municipality was the Agent for the following housing projects: UPGRADING OF INFORMAL SETTLEMENT IN RAYMOND MHLABA MUNICIPALITY.

Raymond Mhlaba Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.

Raymond Mhlaba Municipality, is only the fund administrator, therefore Raymond Mhlaba Municipality does not have the ability to use resources from the transactions substantially for its own benefit.

Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Raymond Mhlaba Municipality is not exposed to variability in the result of the transactions

#### Provincial Department of Roads.

Paving of Healdtown Access Road

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commission is received by the municipality from this arrangement.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 63. Accounting by principals and agents (continued)

#### Entity as agent

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 494 715 (2023: R4 667 674).

##### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R 5 871 440 (2023: R 4 506 578) that is still owed by the municipality and will be paid over to the Department of Transport in the new financial year

#### Additional information

##### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

##### Category(ies) of revenue received or to be received on behalf of the principal, are:

##### Category(ies) of expenses paid or accrued on behalf of the principal, are:

Provincial Department of Human Settlements	125 245 971	1 579 860	125 245 971	1 579 860
Provincial Department of Roads	-	16 000 000	-	16 000 000
Provincial Department of Transport	15 550 692	9 636 951	15 550 692	9 636 951
	<b>140 796 663</b>	<b>27 216 811</b>	<b>140 796 663</b>	<b>27 216 811</b>

##### Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

##### Reconciliation of the carrying amount of receivables

##### Services SETA

Opening balance	994 488	994 488	-	-
-----------------	---------	---------	---	---

The amount above relates to expenditure paid by the entity on behalf of the Service SETA relating to internships provided to the unemployed youth, in line with the contractual agreement between the Entity and the Services SETA.

##### All categories

Opening balance	994 488	994 488	-	-
-----------------	---------	---------	---	---

##### Reconciliation of the carrying amount of payables

##### Provincial Department of Roads

Opening balance	2 834 404	53 167	2 834 404	53 167
Revenue collected on behalf of the Department	16 337 865	15 550 692	16 337 865	15 550 692
Commissions earned on collections	(5 672 544)	(5 367 825)	(5 672 544)	(5 367 825)
Amounts transferred to the principal	(10 384 360)	(7 401 630)	(10 384 360)	(7 401 630)
	<b>3 115 365</b>	<b>2 834 404</b>	<b>3 115 365</b>	<b>2 834 404</b>

The municipality is acting as a collecting agent licensing of motor vehicles for the Department of Roads. The municipality earns a commission of 19% on monies collected.



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 63. Accounting by principals and agents (continued)

#### Provincial Department of Roads

Opening balance	1 672 174	9 294 024	1 672 174	9 294 024
Cash paid on behalf of the principal	(433 313)	(7 621 850)	(433 313)	(7 621 850)
	<b>1 238 861</b>	<b>1 672 174</b>	<b>1 238 861</b>	<b>1 672 174</b>

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commission is received by the municipality from this arrangement.

#### Human Settlement

Expenses incurred on behalf of the principal	197 345 320	125 245 971	197 345 320	125 245 971
Cash paid on behalf of the principal	(199 674 710)	(125 245 971)	(199 674 710)	(125 245 971)
	<b>(2 329 390)</b>	<b>-</b>	<b>(2 329 390)</b>	<b>-</b>

In March 2021 the department of Human Settlements entered into service level agreement with the Raymond Mhlaba Municipality where the municipality would be implementing agents of the department for the purpose of unblocking historically blocked projects within the Raymond Mhlaba Local Municipality. No Commission is received by the municipality from this arrangement.

#### Services SETA

Opening balance	50 516	59 160	-	-
Amounts received - internship and training allocation	-	1 846 549	-	-
Amounts received - internship and training allocation	-	(1 855 193)	-	-
	<b>50 516</b>	<b>50 516</b>	<b>-</b>	<b>-</b>

The amounts owed to the Services SETA relating to internship and training allocations received which were not fully spent at year end and which have not been transferred back to the Principal.]

#### All categories

Opening balance	4 557 094	9 406 351	4 506 578	9 347 191
Expenses incurred on behalf of the principal	213 683 185	142 643 212	213 683 185	140 796 663
Cash paid on behalf of the principal	(205 780 567)	(140 090 839)	(205 780 567)	(138 235 646)
Amounts transferred to the principal	(10 384 360)	(7 401 630)	(10 384 360)	(7 401 630)
	<b>2 075 352</b>	<b>4 557 094</b>	<b>2 024 836</b>	<b>4 506 578</b>

#### Entity as principal

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

The municipality has a binding contract with Contour Technologies (Pty) LTD where Contour c collects revenue from 3rd parties on behalf of the municipality and pay it over to the municipality at the end of each month.

The agent collected a total amount of R28 809 794 (2024: R25 018 880) on behalf of the municipality. The amount net of the commission was paid over to the municipality.

The The resources have not been recognised by the agent in its financial statements.

#### Fee paid

Fee paid as compensation to the agent	1 157 381	1 007 010	1 157 381	1 007 010
---------------------------------------	-----------	-----------	-----------	-----------

Contour Technologies charges the municipality a commission of 3.5% on revenue they have collected on behalf of the municipality through their prepaid electricity vending system.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 64. Contingencies

The municipality were exposed to the following contingent liabilities at year end:

#### Contingent Liabilities

Coega Packaging / Raymond Mhlaba Local Municipality	-	4 800 000	-	4 800 000
IMATU obo Nomnqa / Raymond Mhlaba Local Municipality	606 485	606 485	606 485	606 485
Wayne Channon / Raymond Mhlaba Local Municipality	5 444 764	5 444 764	5 444 764	5 444 764
Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality	5 700 000	5 700 000	5 700 000	5 700 000
Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local municipality	931 739	931 739	931 739	931 739
Peugair Border CC / Raymond Mhlaba Local Municipality	633 626	633 626	633 626	633 626
	<b>13 316 614</b>	<b>18 116 614</b>	<b>13 316 614</b>	<b>18 116 614</b>

## Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

### Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

#### 64. Contingencies (continued)

##### Peugair Border CC / Raymond Mhlaba Local Municipality

This is a matter whereby the plaintiff claims that payments of an amount R483 626.09 in respect of repairs to municipality vehicles.

Contingent liability is estimated at R483 626.09 and estimated legal costs are R150 000.00

##### Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local Municipality, Grahamstown High Court Case No.4541 / 2016

This is a matter whereby the Plaintiff's claim an amount of R731 739.00 against the municipality in respect of a service level agreement.

Estimated contingent liability is R731 739.00 and legal fees are estimated at R200 000.00

##### Inzalo Enterprise / Raymond Mhlaba Local Municipality

This is a tender dispute which is ongoing. The likely financial impact cannot be determined at this and the legal fees are estimated at R50 000.00.

##### Coega Packaging / Raymond Mhlaba Local Municipality

Coega packing approached the court for a claim of R4,8 million for a land invaded by the residents of Newtown and used for burial and the applicant obtained a default judgement. An application for the rescission of the judgment was proceeded with, unsuccessfully and the rescission was appealed against.

The appeal was argued on 18 July 2023 and judgment awaited.

##### IMATU obo Nomnqa / Raymond Mhlaba Local Municipality

IMATU obo Nomnqa / Raymond Mhlaba Local Municipality - Labour Court Case. The municipality launched an application to review and set aside the arbitration award.

##### Wayne Channon / Raymond Mhlaba Local Municipality

Wayne Channon / Raymond Mhlaba Local Municipality - Labour court case. The applicant referred a claim for damages to the Labour Court for unfair discrimination.

##### Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality

Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality - High COurt Case. The plaintiff instituted an action against the municipality on behalf of her minor child for damages resulting from the electrocution of the minor child from an open electricity transformer.

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 65. Related parties

#### Relationships

Accounting Officer

Members of key management

Refer to accounting officers' report note

Ms U Malinzi (Municipal Manager)

Mr M Ngxowa (Chief Financial Officer)

Mr D Mlenzana (Director Technical Services)

Dr L Hanabe (Director Strategic Services)

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

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

Remuneration of related parties are disclosed in notes 28 and 29.

### 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.

The municipality owns the buildings which are occupied and utilised by the entity at no consideration.

### Related party balances

### Related party transactions

### 66. Segment information

#### General information

#### Identification of segments

The segments were organised based on the type and nature of services 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.

#### Aggregated segments

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..

Raymond Mhlaba Local Municipality

(Registration number EC129)  
Annual Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

66. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Public safety	Traffic control and law enforcement
Waste management	Refuse removal and landfill sites
Community and social services	facility management
Energy sources	Electricity services

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 66. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### Controlling entity - 2024

	Law enforcement	Energy sources	Waste management	Eliminations	Total
<b>Revenue</b>					
Service charges	-	78 877 885	37 500 141	-	116 378 026
Rental of facilities	-	-	-	1 458 463	1 458 463
Interest received - receivables from exchange transactions	-	8 021 231	18 065 864	203 575	26 290 670
Licences and permits	1 606 365	-	-	-	1 606 365
Commissions received	4 494 715	-	-	-	4 494 715
Other income	-	385 972	-	1 970 166	2 356 138
Interest earned - external investments	-	-	-	3 887 768	3 887 768
Property rates	-	-	-	106 130 470	106 130 470
Government grants and subsidies	-	5 666 420	-	284 739 960	290 406 380
Public contributions and donations	-	-	-	107 991	107 991
Fines, penalties and forfeits	70 686	-	-	-	70 686
Interest from property rates	-	-	-	37 456 737	37 456 737
Debt forgiveness	-	-	-	86 271 022	86 271 022
<b>Total segment revenue</b>	<b>6 171 766</b>	<b>92 951 508</b>	<b>55 566 005</b>	<b>522 226 152</b>	<b>676 915 431</b>
<b>Entity's revenue</b>					<b>676 915 431</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

	Law enforcement	Energy sources	Waste management	Eliminations	Total
<b>66. Segment information (continued)</b>					
<b>Expenditure</b>					
Employee related costs	(42 641 417)	(13 270 758)	(17 820 185)	(144 054 116)	(217 786 476)
Remuneration of councillors	-	-	-	(20 267 389)	(20 267 389)
Depreciation and amortisation	-	(28 484 464)	(8 195 250)	(164 700 680)	(201 380 394)
Finance costs	(3 410 361)	-	-	(13 470 289)	(16 880 650)
Debt Impairment	-	-	(100 842 132)	(37 181)	(100 879 313)
Bulk purchases	-	(90 081 099)	-	-	(90 081 099)
Bad debts written off	-	-	-	(43 083 452)	(43 083 452)
Contracted services	-	(9 164 414)	(3 572 462)	(26 675 890)	(39 412 766)
General Expenses	(344 567)	(16 185 004)	(884 426)	(43 110 206)	(60 524 203)
Loss on disposal of Property plant and equipment	-	-	-	(9 626 130)	(9 626 130)
Fair value adjustments	-	-	-	(1 293 821)	(1 293 821)
Acturial loss	-	-	-	12 487 970	12 487 970
Impairment loss	-	-	-	(6 922 983)	(6 922 983)
<b>Total segment expenditure</b>	<b>46 396 345</b>	<b>157 185 739</b>	<b>131 314 455</b>	<b>460 754 167</b>	<b>795 650 706</b>
<b>Total segmental surplus/(deficit)</b>	<b>(40 224 579)</b>	<b>(64 234 231)</b>	<b>(75 748 450)</b>	<b>61 471 985</b>	<b>(118 735 275)</b>
<b>Assets</b>					
Cash and cash equivalents	-	-	-	9 738 468	9 738 468
Receivables from exchange transactions	-	57 424 762	49 550 545	70 405 252	177 380 559
Receivables from non exchange transactions	-	-	-	188 452 618	188 452 618
Vat	-	-	-	24 835 092	24 835 092
Other statutory receivables	-	-	-	821 500	821 500
Property plant and equipment	129 841	61 505 849	13 141 151	558 863 437	633 640 278
Intangible assets	-	-	-	92 322	92 322
Investment properties	-	-	-	44 573 854	44 573 854
Heritage assets	-	-	-	70 000	70 000
<b>Total segment assets</b>	<b>129 841</b>	<b>118 930 611</b>	<b>62 691 696</b>	<b>897 852 543</b>	<b>1 079 604 691</b>
<b>Total assets as per Statement of financial Position</b>					<b>1 079 604 691</b>

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

	Law enforcement	Energy sources	Waste management	Eliminations	Total
<b>66. Segment information (continued)</b>					
<b>Liabilities</b>					
Payables from non exchange transactions	5 469 316	-	-	402 126	5 871 442
Payables from exchange transactions	-	80 629 479	-	152 543 556	233 173 035
Vat payables	-	-	-	23 193 165	23 193 165
Unspent conditional grants	-	233 704	-	2 821 954	3 055 658
Current liabilities - Employee benefit obligation	-	-	-	25 845 001	25 845 001
Current liabilities - Provisions	-	-	3 293 593	-	3 293 593
Non current liabilities - employee benefits	-	-	-	40 325 000	40 325 000
Non current liabilities - Provisions	-	-	66 213 611	-	66 213 611
<b>Total segment liabilities</b>	<b>5 469 316</b>	<b>80 863 183</b>	<b>69 507 204</b>	<b>245 130 802</b>	<b>400 970 505</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>400 970 505</b>

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

## 67. Budget differences

Material differences between budget and actual amounts



# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 67. Budget differences (continued)

Budget variances are considered significant when they are above 15% of the budget amount. Below are explanations for the material variances:

#### Statement of Financial Position

##### Inventories

No Inventory was held by the municipality.

##### Receivables from Exchange

Receivables are higher than budget due to change of calculating impairment, the impairment has now decreased.

##### VAT Receivable

VAT Receivable is more than the budget as vat claims were lesser than anticipated due to lower expenditure amounts.

##### Receivables from Non-Exchange

Receivables are higher than budget due to change of calculating impairment, the impairment has now decreased.

##### Cash and Cash Equivalents

A decrease in cash due to more payments being made to arrear debts and current creditors.

##### Investment Properties

Difference is due to Fair values attached to these assets as these cannot be known before hand.

##### Property Plant and Equipment

Movement due to asset additions and depreciation which is difficult to estimate.

##### Intangible Assets

Difference is due to no additional Intangibles purchased and the only movement relates to amortization.

##### Finance Lease Obligation

No additional lease were undertaken in the current year.

##### Payables from Exchange

Amount exceeds budget due to the increase in Eskom debt resulting from interest charges.

##### VAT Payable

Vat has been explained above.

##### Consumer Deposits

Consumer deposits has been recorded under payables from exchange

##### Employee Benefit Obligation

Not budgeted due to the municipality not fully budgeting for balance sheet budget.

##### Unspent Conditional Grants

Variance normal as there were no unspent National Grants.

##### Provisions

Budget was based on prior year AFS and the difference is therefore acceptable.

#### Statement of Financial Performance

##### Services Charges

There were new refuse accounts that were picked up and billed in the current year that were not previously billed and budgeted.

##### Rental of Facilities

More revenue was generated as a result of increased in rentals of municipal properties.

##### Interest received

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 67. Budget differences (continued)

variance considered as reasonable

#### Licence and Permits

The Agency amount as well as licence and fees revenue were budgeted under one budget in the MTREF hence the under collection under licence and permits and over collection under commission received below.

#### Commission received

This line item was budgeted under licences and permits see explanation above.

#### Discount Received

Discount received relates to ADM accounts that have been written off/discounted by ADM.

#### Sale of Goods and rendering of Services

This line item transactions have been recorded under Other Income

#### Other Income

The overbudget is due to the VAT refunds being budgeted under this line in the MTREF budget.

#### Interest Investment

variance considered as reasonable

#### Property Rates

variance considered as reasonable

#### Government grants

Difference immaterial and is due to the Provincial grants not being fully spent as planned and budgeted for.

Public Contributions and donations

These were donated assets from other organs of state that were not planned and therefore not budgeted for.

#### Fines

Amount exceeds the budget due to more operations being held by law enforcement.

#### Employee related Cost

Amount underbudgeted due to not aligning the employee costs budget to the mSCOA budgeting (nature of expenditure)

#### Remuneration of Councillors

Amount considered reasonable and due to changes in councillors due to District deployment of other councillors.

#### Depreciation and Amortization

Budget was based on prior year audited figures, however impairment of assets and most additions being still under WIP resulted in the lower spending.

#### Impairment Loss

Impairment Loss was not budgeted as it was not incurred in the prior year.

#### Finance Costs

More finance costs were incurred due to the growing Eskom debt and not arrangement being in place currently.

#### Debt Impairment

Lesser debt impairment was calculated due to change in the accounting policy being used for calculation of debt impairment.

#### Bulk purchases

Lesser amount incurred due to ongoing electricity cuts

#### Contracted Services

Lesser amount incurred in current year due to cost containment measures and prioritization of old debt settlement.

#### General Expenses

The overspending due to reclassification of expenditures between other expenditure line items, for which the budget was appropriated.

#### Fair value adjustment

The Fair value adjustment was budgeted under other income.

#### Actuarial gains/losses

Budgeted under other income

#### Loss on sale of assets

Not budgeted as the sale was not planned.

### Statement of Cash Flows

#### Taxation (Rates)

Higher than budgeted due to Government departments making payments towards current and arrear debts.

#### Sale of Goods and services

Lesser amount collected due to low collection rates on Refuse than expected.

#### Grants

# Raymond Mhlaba Local Municipality

(Registration number EC129)

Annual Consolidated Financial Statements for the year ended 30 June 2024

## Notes to the Annual Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 67. Budget differences (continued)

Amount budgeted was lower than the actual grants payments due to incorrect budgeting.

#### Interest Income

Interest was not budgeted for as all revenue was budgeted under sale of other receipts

#### Other Receipts

Amount collected exceeded the budget as other line items are reported under this line item.

#### Employee Costs and Payments to Suppliers

Differences are due to savings realised from some of the expenditure line items.

#### Finance Costs

Savings due to lower paid interest for late payments.

#### Transfer and Subsidies

Amount transferred was lower than budgeted due to limited activity at the Development Agency.

#### Property Plant and Equipment

Variance Immaterial as additions are funded by Grants

#### Finance Lease Payments

Payments are budgeted for under payments to suppliers.