

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022



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for the year ended 30 June 2022

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General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No:117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	Richmond Local Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Municipal Category	Category B municipality
Accounting Officer	B.E. Mswane
Chief Finance Officer (CFO)	M. Ngcobo

Richmond Local Municipality

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General Information

Mayoral Committee	Executive Mayor	Cllr. S. B. Ndlovu (Returning councillor)
	Deputy Mayor	Cllr. B. Mbanjwa (Returning councillor)
	Speaker	Cllr. K.E. Mkize (Returning councillor)
	Member of the Executive Committee	Cllr. S. B. Ndlovu
	Member of the Executive Committee	Cllr.B. Mbanjwa
	Member of the Executive Committee	Cllr. S.L. Kunene (Effective from November 2021)
	Councillor:	L. Ngubo (Effective from November 2021)
	Councillor:	S.T.G. Mkhize (Effective from November 2021)
	Councillor:	V. Maphumulo (Returning councillor)
	Councillor:	M.H. Madlala (Effective from November 2021)
	Councillor:	M.K. Ngongo (Effective from November 2021)
	Councillor:	S.L. Latha (Effective from November 2021)
	Councillor:	F.Z. Zondi (Effective from November 2021)
	Councillor:	B. Mahlangeni (Effective from November 2021)
	Councillor:	S.S. Ngubo (Effective from November 2021)
	Councillor:	T.P. Vezi (Effective from November 2021)
	Councillor:	N.P. Phoswa (Term ended in November)
	Councillor:	B. Ngongo (Term ended in November)
	Councillor:	S.L. Shange (Term ended in November)
	Councillor:	S. Ngubo (Term ended in November)
	Councillor:	N.W. Mjwara (Term ended in November)
	Councillor:	Van der Byl (Term ended in November)
Registered office	57 Shepstone Street Richmond 3610	
Bankers	First National Bank	
Auditors	Auditor General of South of Africa (AGSA)	

Richmond Local Municipality

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MFMA	Municipal Finance Management Act
MEC	Member of the Executive Council
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme Grant
CoGTA	Department of Cooperative Governance and Traditional Affairs
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
VAT	Value Added Tax
PAYE	Pay As You Earn
SCM	Supply Chain Management
COF	Certificate of Fitness
IT	Information Technology
Cllr	Councillor

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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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual 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 accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Accounting Officer
BE Mswane

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	26 902 002	21 049 931
Receivables from exchange transactions	4	763 475	902 305
Receivables from non-exchange transactions	5	11 159 750	15 255 739
VAT receivable	6	1 793 555	5 129 617
		40 618 782	42 337 592
Non-Current Assets			
Heritage assets	7	212 767	212 767
Investment property	8	1 185 899	1 185 899
Intangible assets	9	465 728	484 596
Property, plant and equipment	10	356 774 618	356 668 809
Non-current investment	11	266	266
		358 639 278	358 552 337
Total Assets		399 258 060	400 889 929
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	15 169 318	25 239 166
Payables from non-exchange transactions	13	1 687 808	1 601 323
Unspent conditional grants and receipts	14	11 079 395	4 724 433
Operating lease liability	15	583 542	539 283
Finance lease obligation	16	-	204 568
Employee benefit obligation	17	429 739	388 000
Provisions	18	307 517	288 465
		29 257 319	32 985 238
Non-Current Liabilities			
Employee benefit obligation	17	9 395 496	8 207 000
Provisions	18	8 330 607	7 529 018
		17 726 103	15 736 018
Total Liabilities		46 983 422	48 721 256
Net Assets		352 274 638	352 168 673
Accumulated surplus		352 274 639	352 168 673
Total Net Assets		352 274 639	352 168 673

* See Note 43

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	922 562	777 348
Rental of facilities and equipment	20	1 088 811	1 003 847
Interest earned - Outstanding debtors	21	396 176	327 228
Other income	22	1 221 649	880 846
Interest received - investment	23	1 263 412	1 114 094
Total revenue from exchange transactions		4 892 610	4 103 363
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	19 284 889	18 493 729
Property rates - penalties imposed	24	3 873 297	4 315 712
Licences and permits	25	1 934 591	1 308 287
Transfer revenue			
Government grants & subsidies	26	111 970 405	124 335 511
Fines, Penalties and Forfeits	27	482 784	200 869
Total revenue from non-exchange transactions		137 545 966	148 654 108
Total revenue		142 438 576	152 757 471
Expenditure			
Employee related costs	28	(60 805 140)	(54 917 514)
Remuneration of councillors	29	(5 976 888)	(5 772 938)
Depreciation and amortisation	30	(19 656 201)	(20 212 379)
Finance costs	31	(296 405)	(197 237)
Lease rentals on operating lease	32	(2 591 374)	(779 569)
Contracted services	33	(28 088 818)	(25 466 334)
Inventory Consumed	34	(4 972 376)	(4 492 839)
Operational Cost	35	(14 210 590)	(10 789 975)
Total expenditure		(136 597 792)	(122 628 785)
Operating surplus		5 840 784	30 128 686
Loss on disposal of assets		(180 272)	(136 914)
Fair value adjustments	36	-	(3 389 506)
Actuarial gains/losses	17	(160 235)	(147 295)
Impairment loss	37	(5 386 784)	(4 085 944)
		(5 727 291)	(7 759 659)
Surplus for the year		113 493	22 369 027

* See Note 43

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	346 346 893	346 346 893
Adjustments		
Prior year adjustments	(16 547 247)	(16 547 247)
Balance at 01 July 2020 as restated*	329 799 646	329 799 646
Changes in net assets		
Surplus for the year	22 369 027	22 369 027
Total changes	22 369 027	22 369 027
Restated* Balance at 01 July 2021	352 161 146	352 161 146
Changes in net assets		
Surplus for the year	113 493	113 493
Total changes	113 493	113 493
Balance at 30 June 2022	352 274 639	352 274 639
Note(s)		

* See Note 43

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		28 024 239	18 159 372
Services charges		282 483	297 913
Other income		3 733 029	880 847
Grants		122 669 538	113 816 076
Interest income		1 263 412	1 114 094
Interest received - Human Settlement		120 799	-
		156 093 500	134 268 302
Payments			
Employee costs		(58 486 978)	(54 917 511)
Suppliers		(60 229 783)	(34 516 885)
Remuneration for councillors		(5 976 888)	(5 772 937)
Finance costs		(288 465)	(197 237)
Other cash item		(4 346 918)	-
		(129 329 032)	(95 404 570)
Net cash flows from operating activities	39	26 764 468	38 863 732
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(21 186 282)	(37 590 130)
Proceeds from sale of property, plant and equipment	10	658 559	930 993
Purchase of other intangible assets	9	(172 164)	-
Net cash flows from investing activities		(20 699 887)	(36 659 137)
Cash flows from financing activities			
Finance lease payments		(212 508)	(204 568)
Net increase/(decrease) in cash and cash equivalents		5 852 073	2 000 027
Cash and cash equivalents at the beginning of the year		21 049 931	19 049 896
Cash and cash equivalents at the end of the year	3	26 902 004	21 049 923

* See Note 43

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
	-	-	-	-	-	See variance explanation below
Service charges	590 000	338 000	928 000	922 562	(5 438)	
Rental of facilities and equipment	1 127 000	96 000	1 223 000	1 088 811	(134 189)	
Interest earned - Outstanding debtors	238 000	50 000	288 000	396 176	108 176	
Other income	2 924 000	(72 000)	2 852 000	1 221 649	(1 630 351)	
Interest received - investment	2 041 000	(436 000)	1 605 000	1 263 412	(341 588)	
Total revenue from exchange transactions	6 920 000	(24 000)	6 896 000	4 892 610	(2 003 390)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19 466 000	-	19 466 000	19 284 889	(181 111)	
Licences and Permits	2 333 000	(114 000)	2 219 000	1 934 591	(284 409)	
Transfer revenue						
Government grants & subsidies	85 736 000	(350 000)	85 386 000	84 704 404	(681 596)	
Fines, Penalties and Forfeits	3 764 000	1 000 000	4 764 000	4 356 081	(407 919)	
Total revenue from non-exchange transactions	111 299 000	536 000	111 835 000	110 279 965	(1 555 035)	
Total revenue	118 219 000	512 000	118 731 000	115 172 575	(3 558 425)	
Expenditure						
Employee related costs	(60 427 000)	679 000	(59 748 000)	(60 805 140)	(1 057 140)	
Remuneration of councillors	(6 230 000)	-	(6 230 000)	(5 976 888)	253 112	
Depreciation and amortisation	(20 155 000)	-	(20 155 000)	(19 656 201)	498 799	
Impairment loss	(3 994 000)	-	(3 994 000)	(5 386 784)	(1 392 784)	
Finance costs	(199 000)	-	(199 000)	(296 405)	(97 405)	
Contracted Services	(28 127 000)	18 000	(28 109 000)	(28 088 818)	20 182	
Transfers and Subsidies	(1 037 000)	-	(1 037 000)	(590 122)	446 878	
General Expenses	(17 463 000)	(168 000)	(17 631 000)	(16 211 842)	1 419 158	
Inventory consumed	(5 788 000)	398 000	(5 390 000)	(4 972 376)	417 624	
Total expenditure	(143 420 000)	927 000	(142 493 000)	(141 984 576)	508 424	
Operating deficit	(25 201 000)	1 439 000	(23 762 000)	(26 812 001)	(3 050 001)	
Transfers & Subsidies - capital (monetary allocations) (National/Provincial and District)	31 683 000	5 600 000	37 283 000	31 612 920	(5 670 080)	
Actuarial gains/losses	-	-	-	(160 235)	(160 235)	
Loss on non-current assets held for sale or disposal groups	-	-	-	(180 272)	(180 272)	
	31 683 000	5 600 000	37 283 000	31 272 413	(6 010 587)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	6 482 000	7 039 000	13 521 000	4 460 412	(9 060 588)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	6 482 000	7 039 000	13 521 000	4 460 412	(9 060 588)	
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Non-current investment	-	2 210 000	2 210 000	-	(2 210 000)	
Receivables from exchange transactions	-	-	-	763 476	763 476	
Receivables from non-exchange transactions	36 011 000	(3 678 000)	32 333 000	11 159 750	(21 173 250)	
VAT receivable	-	-	-	1 793 555	1 793 555	
Consumer debtors	3 195 000	(2 039 000)	1 156 000	-	(1 156 000)	
Cash and cash equivalents	18 203 000	1 329 000	19 532 000	26 902 002	7 370 002	
	57 409 000	(2 178 000)	55 231 000	40 618 783	(14 612 217)	
Non-Current Assets						
Biological assets	3 390 000	(3 390 000)	-	-	-	
Investment property	1 186 000	-	1 186 000	1 185 899	(101)	
Property, plant and equipment	364 583 000	9 006 000	373 589 000	356 774 618	(16 814 382)	
Intangible assets	2 739 000	(1 602 000)	1 137 000	465 728	(671 272)	
Heritage assets	-	-	-	212 767	212 767	
Non-current investment	-	-	-	266	266	
Other asset	213 000	3 620 000	3 833 000	-	(3 833 000)	
	372 111 000	7 634 000	379 745 000	358 639 278	(21 105 722)	
Total Assets	429 520 000	5 456 000	434 976 000	399 258 061	(35 717 939)	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	583 542	583 542	
Payables from exchange transactions	14 376 000	23 437 000	37 813 000	15 169 318	(22 643 682)	
Taxes and transfers payable (non-exchange)	-	-	-	1 687 808	1 687 808	
Consumer deposits	5 000	(5 000)	-	-	-	
Employee benefit obligation	-	-	-	429 739	429 739	
Unspent conditional grants and receipts	-	-	-	11 079 395	11 079 395	
Provisions	3 067 000	(5 302 000)	(2 235 000)	307 517	2 542 517	
	17 448 000	18 130 000	35 578 000	29 257 319	(6 320 681)	
Non-Current Liabilities						
Borrowings	-	744 000	744 000	-	(744 000)	
Employee benefit obligation	-	-	-	9 395 496	9 395 496	
Provisions	14 292 000	4 378 000	18 670 000	8 330 607	(10 339 393)	
	14 292 000	5 122 000	19 414 000	17 726 103	(1 687 897)	
Total Liabilities	31 740 000	23 252 000	54 992 000	46 983 422	(8 008 578)	
Net Assets	397 780 000	(17 796 000)	379 984 000	352 274 639	(27 709 361)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Accumulated surplus	397 780 000	(17 796 000)	379 984 000	352 274 639	(27 709 361)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	11 679 000	2 920 000	14 599 000	28 024 239	13 425 239	
Service charges	354 000	729 000	1 083 000	282 483	(800 517)	
Government - Operating	85 386 000	488 000	85 874 000	84 423 537	(1 450 463)	
Government - Capital	29 283 000	10 440 000	39 723 000	38 246 001	(1 476 999)	
Other revenue	20 177 000	(2 073 000)	18 104 000	3 733 029	(14 370 971)	
Interest income	2 041 000	(550 000)	1 491 000	1 384 211	(106 789)	
	148 920 000	11 954 000	160 874 000	156 093 500	(4 780 500)	

Payments

Employee costs and Suppliers	(118 032 000)	316 000	(117 716 000)	(124 693 649)	(6 977 649)	
Finance costs	(199 000)	-	(199 000)	(288 465)	(89 465)	
	(118 231 000)	316 000	(117 915 000)	(124 982 114)	(7 067 114)	

Net cash flows from operating activities	30 689 000	12 270 000	42 959 000	31 111 386	(11 847 614)	
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Cash flows from investing activities

Capital assets	(38 886 000)	(8 697 000)	(47 583 000)	(25 533 201)	22 049 799	
Proceeds from sale of property, plant and equipment	-	-	-	658 559	658 559	
Purchase of other intangible assets	-	-	-	(172 164)	(172 164)	

Net cash flows from investing activities	(38 886 000)	(8 697 000)	(47 583 000)	(25 046 806)	22 536 194	
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Cash flows from financing activities

Finance lease payments	-	-	-	(212 508)	(212 508)	
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Net increase/(decrease) in cash and cash equivalents	(8 197 000)	3 573 000	(4 624 000)	5 852 072	10 476 072	
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Cash and cash equivalents at the beginning of the year	21 288 000	(246 000)	21 042 000	21 049 931	7 931	
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Cash and cash equivalents at the end of the year	13 091 000	3 327 000	16 418 000	26 902 003	10 484 003	
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Reconciliation

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Variance explanation for the Statement of Comparison of Budget and Actual Amounts. (Variance exceeding 10%)

Rental of facilities and equipment: The low performance can be attributed to some of the municipal facilities being vacant for a period longer than usual.

Interest earned - Outstanding debtors: The Interest on outstanding debtors was higher than anticipated, this is due to an increase in the outstanding debtors balance for service charges.

Other income: The low performance can be attributed to the late finalisation of the revenue enhancement strategy. The strategy was only finalised in the last quarter of the financial year with full implementation expected in the 2022/2023 financial year.

Interest received - investments: The low performance can be attributed to adverse market conditions which resulted in the interest rate returns being low.

Licences and permits: The performance on this item is based on demand for the services and other forces outside the municipality's control. The actual revenue was slightly below the budget however better when compared to the previous financial year.

Government grants & subsidies: The municipality received all grants gazetted in the financial year. The municipality spent all operational conditional grants with an exception of the library grant which causing a variance in this item.

Fines, Penalties and Forfeits: The variance can be attributed to property rate penalties and fines which were reduced due to settlement discounts offered to customers or when payment arrangements were concluded.

Employee related costs: The perceived over-expenditure can be attributed to an amount of R 490 000 for skills development levy which is budgeted for under operational cost and presented with employee related cost. Furthermore, included in the employee cost is a leave accrual charge which was higher than anticipated.

Impairment loss: The variance can be attributed to the impairment of Property Plant and Equipment (PPE) items which were not budgeted for.

Finance cost: The variance can be attributed to the interest cost charges for unwinding of long-term provisions. The unwinding of long-term provisions is only done once at the end of each financial year. This poses a risk of under budgeting as it is often difficult to estimate the expected outcome at the beginning of the financial year.

Transfers and subsidies: The variance can be attributed to a small number of people qualifying as indigent for electricity.

Operational cost: The operational costs were kept within budget.

Inventory consumed: The cost for this item were kept within budget.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 is first for individually significant receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For trade receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

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 municipality 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 municipality 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.

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.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are 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 assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as supply and demand, together with economic factors such as exchange rates and inflation.

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 18 - Provisions.

Taxation

The Richmond Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Richmond Local Municipality

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement and long-term obligations 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 and long-term obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for long maturities by extrapolating current market rates along the yield curve.

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

Effective interest rate

The municipality uses the prime interest rate to discount other future cash flows. This interest rate is adjusted for risk where appropriate.

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.

1.5 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the plantations is based on the combined fair value of the land and trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

A biological asset that forms part of an agricultural activity is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of a biological asset that forms part of an agricultural activity is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Investment property

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

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

Richmond Local Municipality

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Accounting Policies

1.6 Investment property (continued)

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

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

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

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

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

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

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

The nature OR type of properties classified as held for strategic purposes.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of investment property; the carrying value of investment property that is taking a significantly longer period of time to complete than expected; and the carrying value of investment property where construction or development has been halted.

1.7 Property, plant and equipment

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

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

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

Richmond Local Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings - Building improvements	Straight-line	10 - 30 years
Community -Community facilities & Recreational facilities	Straight-line	15 - 30 years
Plant and Equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 10 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 15 years
Computer equipment	Straight-line	5 - 10 years
Emergency Equipment	Straight-line	5 - 10 years
Other assets	Straight-line	25 - 30 years
Bins and containers	Straight-line	5 -15 years
Specialised vehicles	Straight-line	10 - 20 years

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

Richmond Local Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified Computer software as an intangible asset.

An asset is identifiable if it either:

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

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 municipality; and
- the cost or fair value of the asset can be measured reliably.

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

Richmond Local Municipality

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Accounting Policies

1.8 Intangible assets (continued)

Intangible assets are initially measured at cost.

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.

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.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

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

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

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

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses .

Richmond Local Municipality

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Accounting Policies

1.9 Heritage assets (continued)

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 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.

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.

Accounting Policies

1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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.

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 unitised 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.

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Accounting Policies

1.10 Financial instruments (continued)

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.

Richmond Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Non-current investments	Financial asset measured at amortised cost
Receivables from Exchange and Non Exchange Transactions	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Cash	Financial asset measured at amortised cost

The municipality 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
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Richmond Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories: All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gain and losses

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognises the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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Accounting Policies

1.10 Financial instruments (continued)

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.11 Value Added Tax

Revenue, expenses and assets are recognized net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The municipality accounts for value-added tax (VAT) on the accrual basis, declarations to SARS are made on payments basis.

1.12 Leases

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

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

Finance leases - lessor

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

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

Richmond Local Municipality

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Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Richmond Local Municipality

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Accounting Policies

1.13 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

Designation

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

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

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Richmond Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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.

1.15 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.

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.

Richmond Local Municipality

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Accounting Policies

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

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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

Designation

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

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the 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.

Richmond Local Municipality

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Accounting Policies

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

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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.

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 municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Richmond Local Municipality

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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 Employee benefits

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

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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

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

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

Richmond Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Richmond Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Employee benefits (continued)

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

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

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

The municipality 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, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- 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 municipality 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 municipality 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 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 municipality 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.

1.17 Provisions and contingencies

A provision is a liability of uncertain timing or amount

Provisions are recognised when:

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality 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 41.

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 municipality 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.

Accounting Policies

1.17 Provisions and contingencies (continued)

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 municipality 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 municipality considers that an outflow of economic resources is probable, an municipality 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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 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.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Commitments

Items are classified as commitments when a municipality 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest income

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

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Recognition

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

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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

Measurement

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

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

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.21 Investment income

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Comparative figures

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

1.23 Segment information

A segment is an activity of a municipality:

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

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on the unauthorised expenditure, refer to note 47- unauthorised expenditure

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 48 - Fruitless and wasteful expenditure.

1.26 Irregular expenditure

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

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 49- Irregular expenditure

1.27 Related parties

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Related parties (continued)

Control is the power to govern the financial and operating policies of a municipality 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 municipality 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 municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.29 Budget information (continued)

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 : Employee Benefits (revised)	To be determined	Unlikely there will be a material impact
• iGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	9 701 455	15 081 980
Short-term deposits	17 200 547	5 967 951
	26 902 002	21 049 931

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Call Account:- First National Bank - Richmond Branch, Richmond - Account number 613 5600 2695	34 791	2 203 382	950 724	34 791	2 203 382	950 724
Housing Operating Account:- First National Bank - Richmond Branch, Richmond - Account number 621 3447 3280	755 109	708 043	643 011	755 109	708 043	643 011
First National Bank - Richmond Branch, Richmond - Account number 628 1001 9217	2 258 688	2 188 008	2 127 328	2 258 688	2 188 008	2 127 328
Municipal Infrastructure Grant Account:- First National Bank - Richmond Branch, Richmond - Account number 622 99629116	-	-	4 200 267	-	-	4 200 267
First National Bank - Richmond Branch, Richmond - Account number 535 65322104	9 701 159	15 081 980	538 645	9 701 159	15 081 980	538 645
Patheni Housing Account:- First National Bank - Richmond Branch, Richmond - Account number 621 1717 0407	169 155	168 454	172 661	169 155	168 454	172 661
Siya Phase II Account:- First National Bank - Richmond Branch, Richmond - Account number 621 76174383	318 921	317 960	326 162	318 921	317 960	326 162
Zwelethu Housing Account:- First National Bank - Richmond Branch, Richmond - Account number 628 33571385	376 197	374 806	384 022	376 197	374 806	384 022
First National Bank - Richmond Branch, Richmond - Account number 628 3356 9900	4 543	4 401	9 705 320	4 543	4 401	9 705 320
First National Bank - Richmond Branch - Account number - 63003024063	152 325	2 897	1 758	152 325	2 897	1 758
First National Bank - Richmond Branch - Account number - 63003663506	6 464 389	-	-	6 464 389	-	-
First National Bank - Richmond Branch - Account number - 63003663506	6 666 426	-	-	6 666 426	-	-
Total	26 901 703	21 049 931	19 049 898	26 901 703	21 049 931	19 049 898

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from exchange transactions		
Consumer debtors - Refuse	3 373 573	2 733 494
Other receivables	1 716 986	1 698 895
Provision for impairment	(4 327 084)	(3 530 084)
	763 475	902 305
Receivables from exchange transactions		
Refuse	3 373 573	2 733 494
Other receivables	1 716 987	1 698 894
	5 090 560	4 432 388
Less: Provision for impairment		
Refuse	(3 058 183)	(2 238 810)
Other receivables	(1 268 901)	(1 291 275)
	(4 327 084)	(3 530 085)
Net Balance		
Refuse	315 390	494 684
Other receivables	448 086	407 620
	763 476	902 304

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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4. Receivables from exchange transactions (continued)

Other Receivables include outstanding debtors for various other services, e.g. deposits, interest, rentals and sundry services like dumping fees, impounding fees, etc.

Receivables from exchange transactions are billed monthly, latest end of month. No interest is charged on receivables until the end of the following month, thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables. The municipality did not pledge any of its receivables as security for borrowing purposes.

Ageing of receivables from exchange transactions

As at 30 June 2022	Current		Past Due		
	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Refuse					
Gross Balances	244 559	104 701	102 358	2 921 954	3 373 572
Subtotal	244 559	104 701	102 358	2 921 954	3 373 572
Less: Provision for impairment	(70 682)	(70 332)	(69 966)	(2 847 201)	(3 058 181)
	173 877	34 369	32 392	74 753	315 391
Other Receivables					
Gross Balances	218 572	67 844	43 719	1 386 852	1 716 987
Subtotal	218 572	67 844	43 719	1 386 852	1 716 987
Less: Provision for impairment	(4 043)	(3 614)	(3 221)	(1 258 023)	(1 268 901)
	214 529	64 230	40 498	128 829	448 086

As at 30 June 2021	Current		Past Due		
	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Refuse					
Gross Balances	412 817	90 932	92 686	2 137 058	2 733 493
Subtotal	412 817	90 932	92 686	2 137 058	2 733 493
Less: Provision for impairment	(65 041)	(64 574)	(64 668)	(2 044 528)	(2 238 811)
	347 776	26 358	28 018	92 530	494 682
Other Receivables					
Gross Balances	161 286	51 604	549 023	936 982	1 698 895
Subtotal	161 286	51 604	549 023	936 982	1 698 895
Less: Provision for impairment	(5 979)	(5 033)	(428 952)	(851 310)	(1 291 274)
	155 307	46 571	120 071	85 672	407 621

As at 30 June 2022

Refuse	Residential	Industrial	Government	Other	Total
0 - 30 Days	200 120	35 780	6 963	1 694	244 557
31-60 Days	90 425	10 152	3 449	673	104 699
61-90 Days	88 695	10 072	2 969	621	102 357
+ 90 Days	2 515 919	284 690	106 312	15 032	2 921 953
Subtotal	2 895 159	340 694	119 693	18 020	3 373 566
	2 895 159	340 694	119 693	18 020	3 373 566

As at 30 June 2021

Richmond Local Municipality

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Figures in Rand	2022	2021
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4. Receivables from exchange transactions (continued)

Refuse	Residential	Industrial	Government	Other	Total
0 - 30 Days	373 329	31 609	6 292	1 587	412 817
31-60 Days	80 978	6 442	2 901	611	90 932
61-90 Days	80 774	8 385	2 937	591	92 687
+ 90 Days	1 826 522	202 018	92 243	16 275	2 137 058
Subtotal	2 361 603	248 454	104 373	19 064	2 733 494
	2 361 603	248 454	104 373	19 064	2 733 494

Credit quality of trade and other receivables

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

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Reconciliation of impairment of trade and other receivables

Opening balance	(3 530 084)	(2 376 361)
Impairment allowance	(728 283)	(1 153 723)
	(4 258 367)	(3 530 084)

5. Receivables from non-exchange transactions

Accrued income	221 401	157 134
Consumer debtors - Rates	46 871 162	48 144 968
Fines	1 360 550	893 250
Sundry debtors	3 059 737	2 614 589
Provision for impairment	(40 353 102)	(36 554 201)
	11 159 748	15 255 740

Gross balances

Accrued income	221 402	157 134
Consumer debtors - rates	46 871 162	48 144 968
Fines	1 360 550	893 250
Sundry debtors	3 059 736	2 614 589
	51 512 850	51 809 941

Less: Provision for impairment

Accrued income	-	-
Consumer debtors - rates	(38 658 891)	(35 026 641)
Fines	(166 650)	(504 200)
Sundry debtors	(1 527 560)	(1 023 360)
	(40 353 101)	(36 554 201)

Net Balance

Accrued income	221 402	157 134
Consumer debtors - rates	8 212 271	13 118 327
Fines	1 193 900	389 050
Sundry debtors	1 532 176	1 591 229
	11 159 749	15 255 740

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for overdraft facilities.

As at 30 June 2022	Current		Past Due		
Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	2 225 024	878 065	865 514	42 902 560	46 871 163
Subtotal	2 225 024	878 065	865 514	42 902 560	46 871 163
Less: Provision for impairment	(885 913)	(482 184)	(479 882)	(36 810 912)	(38 658 891)
	1 339 111	395 881	385 632	6 091 648	8 212 272

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Receivables from non-exchange transactions (continued)

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	221 402	221 402
Subtotal	-	-	-	221 402	221 402
	-	-	-	221 402	221 402

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	6 300	89 000	41 400	1 223 850	1 360 550
Subtotal	6 300	89 000	41 400	1 223 850	1 360 550
Less: Provision for impairment	-	-	-	(166 650)	(166 650)
	6 300	89 000	41 400	1 057 200	1 193 900

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	3 059 737	3 059 737
Subtotal	-	-	-	3 059 737	3 059 737
Less: Provision for impairment	-	-	-	(1 527 560)	(1 527 560)
	-	-	-	1 532 177	1 532 177

As at 30 June 2021

	Current	Past Due			
Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	2 228 972	823 328	844 583	44 248 085	48 144 968
Subtotal	2 228 972	823 328	844 583	44 248 085	48 144 968
Less: Provision for impairment	(625 035)	(516 346)	(567 617)	(33 317 643)	(35 026 641)
	1 603 937	306 982	276 966	10 930 442	13 118 327

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	157 134	157 134
Subtotal	-	-	-	157 134	157 134
Less: Provision for impairment	-	-	-	-	-
	-	-	-	157 134	157 134

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	17 600	113 700	142 300	619 650	893 250
Subtotal	17 600	113 700	142 300	619 650	893 250
Less: Provision for impairment	-	-	-	(504 200)	(504 200)
	17 600	113 700	142 300	115 450	389 050

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	2 614 589	2 614 589
Subtotal	-	-	-	2 614 589	2 614 589
Less: Provision for impairment	-	-	-	(1 023 360)	(1 023 360)
	-	-	-	1 591 229	1 591 229

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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5. Receivables from non-exchange transactions (continued)

Summary of assessment rates debtors customer classification:

As at 30 June 2022	Residential	Commercial	Government	Other	Total
0 - 30 Days	745 625	192 085	748 169	538 137	2 224 016
31- 60 Days	370 028	84 176	182 994	240 861	878 059
61- 90 Days	350 987	81 354	190 874	242 295	865 510
+ 90 Days	12 055 822	2 039 788	18 203 248	10 604 712	42 903 570
Gross Balance	13 522 462	2 397 403	19 325 285	11 626 005	46 871 155
	13 522 462	2 397 403	19 325 285	11 626 005	46 871 155

As at 30 June 2021	Residential	Commercial	Government	Other	Total
0 - 30 Days	657 634	173 374	804 979	592 985	2 228 972
31- 60 Days	289 864	69 996	240 168	223 300	823 328
61- 90 Days	285 993	48 919	262 693	246 979	844 584
+ 90 Days	10 505 675	1 623 914	22 342 427	9 776 070	44 248 086
Gross Balance	11 739 166	1 916 203	23 650 267	10 839 334	48 144 970
	11 739 166	1 916 203	23 650 267	10 839 334	48 144 970

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

Opening balance	(36 554 202)	(36 256 407)
Provision for impairment	(3 798 900)	(297 795)
	(40 353 102)	(36 554 202)

The creation and release of provision for impaired receivables have been included in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment. No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable

6. VAT receivable

VAT	1 793 555	5 129 617
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Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	212 767	-	212 767	212 767	-	212 767

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	212 767	212 767

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical buildings	212 767	212 767

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 185 899	-	1 185 899	1 185 899	-	1 185 899

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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8. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	1 185 899	1 185 899

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	1 185 899	1 185 899

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.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 191 856	(1 726 128)	465 728	2 019 692	(1 535 096)	484 596

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	484 596	172 164	(191 032)	465 728

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	938 171	(453 575)	484 596

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	67 380 835	-	67 380 835	67 380 835	-	67 380 835
Leased assets	682 982	(682 982)	-	682 982	(493 266)	189 716
Plant and machinery**	6 742 973	(3 996 791)	2 746 182	5 981 640	(3 155 815)	2 825 825
Furniture and fixtures	2 296 014	(1 612 215)	683 799	2 080 802	(1 407 377)	673 425
Motor vehicles	11 509 474	(6 619 191)	4 890 283	12 716 847	(5 460 418)	7 256 429
Office equipment	6 121 522	(3 781 786)	2 339 736	5 405 503	(3 027 510)	2 377 993
Infrastructure	337 654 225	(149 184 701)	188 469 524	323 553 746	(137 246 303)	186 307 443
Community	78 292 691	(30 869 426)	47 423 265	78 292 691	(27 175 390)	51 117 301
Buildings	38 418 683	(16 712 602)	21 706 081	38 418 682	(15 682 879)	22 735 803
Work in progress- Roads	7 597 774	-	7 597 774	4 469 903	-	4 469 903
Work in progress- Buildings	2 205 114	-	2 205 114	2 205 114	-	2 205 114
Work in progress - Community**	12 873 576	(1 541 551)	11 332 025	10 670 573	(1 541 551)	9 129 022
Total	571 775 863	(215 001 245)	356 774 618	551 859 318	(195 190 509)	356 668 809

****Note**

Refer to Note 43 - Prior year adjustment

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	67 380 835	-	-	-	-	-	-	-	67 380 835
Leased Office Equipment	189 716	-	-	-	-	(189 716)	-	-	-
Plant and machinery	2 825 825	761 332	-	-	-	(798 230)	(42 745)	-	2 746 182
Furniture and fixtures	673 425	215 216	-	-	-	(199 138)	(5 704)	-	683 799
Motor vehicles	7 256 429	-	(812 060)	-	-	(1 549 736)	(4 350)	-	4 890 283
Office equipment	2 377 993	778 381	(26 771)	-	-	(789 985)	118	-	2 339 736
Infrastructure	186 307 443	-	-	14 100 479	-	(11 249 053)	(689 345)	-	188 469 524
Community	51 117 301	-	-	-	-	(3 699 774)	-	5 738	47 423 265
Buildings	22 735 803	-	-	-	-	(989 537)	(40 185)	-	21 706 081
Work in progress- Infrastructure	4 469 903	17 228 350	-	-	(14 100 479)	-	-	-	7 597 774
Work in progress- Buildings	2 205 114	-	-	-	-	-	-	-	2 205 114
Work in progress - Community	9 129 022	2 203 003	-	-	-	-	-	-	11 332 025
	356 668 809	21 186 282	(838 831)	14 100 479	(14 100 479)	(19 465 169)	(782 211)	5 738	356 774 618

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	67 380 835	-	-	-	-	-	-	-	67 380 835
Leased assets	417 377	-	-	-	-	(227 661)	-	-	189 716
Plant and machinery	3 049 818	479 978	(17 171)	-	-	(672 687)	(14 113)	-	2 825 825
Furniture and fixtures	651 606	181 774	(5 396)	-	-	(151 262)	(3 297)	-	673 425
Motor vehicles	10 006 135	650 636	(1 025 473)	-	-	(1 249 284)	(1 125 585)	-	7 256 429
Office equipment	2 250 365	842 045	(19 577)	-	-	(690 445)	(4 395)	-	2 377 993
Infrastructure	171 789 106	279 714	-	26 991 350	-	(12 758 206)	-	5 479	186 307 443
Community	31 792 227	795 653	-	21 466 935	-	(2 972 336)	-	34 822	51 117 301
Buildings	23 758 800	-	(290)	-	-	(1 036 923)	-	14 216	22 735 803
Assets under construction-Infrastructure	10 486 996	24 720 866	-	-	(30 737 959)	-	-	-	4 469 903
Assets under construction- Buildings	10 383 934	1 697 405	-	-	(9 876 225)	-	-	-	2 205 114
Assets under construction- Community assets	10 572 616	7 942 059	-	-	(7 844 102)	-	(1 541 551)	-	9 129 022
	342 539 815	37 590 130	(1 067 907)	48 458 285	(48 458 286)	(19 758 804)	(2 688 941)	54 517	356 668 809

Halted projects:

Included in property plant and equipment are projects that have been identified as taking significantly longer time to complete than expected, due to the following:

Kwabulawayo Sportfield - The project is taking longer than expected due to lack of funding. As at 30 June 2022, no additional work has been performed. An amount of R 1 541 551 was recognised as impairment in the 2021 financial year resulting to a carrying amount of R 6 166 205. The project has been assessed for impairment in the current financial year and there was no indication of further impairment.

Completion of the Richmond Testing Ground - The project is taking longer than expected due to lack of funding. As at 30 June 2022, no additional work has been performed. The project was assessed for impairment in the current financial year and there was no indication of impairment or impairment recognized.

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment is included in Statement of Financial Performance		
Building and facilities	3 106 348	327 522
Equipment	2 514 697	1 705 056
Infrastructure	2 212 472	3 877 911
	7 833 517	5 910 489

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.

11. Non-current investment

Investment	266	266
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12. Payables from exchange transactions

Trade payables	3 612 043	14 957 454
Retentions	5 144 630	5 127 829
Accrued leave pay	4 716 151	3 442 814
Bonus accrual	1 685 894	1 711 069
Deposits received	10 600	-
	15 169 318	25 239 166

13. Payables from non-exchange transactions

Payments received in advance	1 513 722	1 427 237
Unallocated receipts	174 086	174 086
	1 687 808	1 601 323

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human Settlement Grant	3 878 070	3 757 271
Library Grant	509 424	790 290
UDM Grant	47 820	47 820
Scheme Support Programme Grant	11 000	11 000
Expanded Public Works Programme Grant	-	118 052
Integrated National Electrification Programme Grant	6 633 081	-
	11 079 395	4 724 433

15. Operating lease liability (accrual)

Current liabilities	(583 542)	(539 283)
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Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Finance lease obligation		
Minimum lease payments due		
- within one year	-	212 486
	-	212 486
less: future finance charges	-	(7 918)
Present value of minimum lease payments	-	204 568
Present value of minimum lease payments due		
- within one year	-	202 568

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Employee benefit obligations		
Defined benefit plan		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-Retirement Medical obligation	(6 990 881)	(6 269 000)
Long Service Awards	(2 834 354)	(2 326 000)
	(9 825 235)	(8 595 000)
Non-current assets	-	-
Non-current liabilities	(9 395 496)	(8 207 000)
Current liabilities	(429 739)	(388 000)
	(9 825 235)	(8 595 000)
Post-retirement health care benefits liability		
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by One Pangaea Expertises and Solutions a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	6 270 000	5 696 000
Net expense recognised in the statement of financial performance	721 881	574 000
	6 991 881	6 270 000
Net expense recognised in the statement of financial performance		
Current service cost	338 000	286 000
Subsidy (benefit) payments	(219 000)	(223 116)
Interest cost	625 000	591 000
Actuarial (gains) losses	(22 119)	234 116
Curtailment / Application of maximum subsidy	-	(314 000)
	721 881	574 000
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(22 119)	234 116
Key assumptions used		
The following summarizes the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.		
Discount rates used	13,16 %	10,15 %
Health Care Cost Inflation Rate	9,68 %	6,81 %
Net Effective Discount Rate	3,17 %	3,13 %

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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17. Employee benefit obligations (continued)

Key Demographic Assumptions

<u>Assumptions</u>	<u>Active employees</u>	<u>Pensioners</u>
Normal retirement age	62	N/A
Fully accrued age (to take account for ill-health and early, retirement decrements)	62	N/A
Employment age used for past service period	Actual service entry ages	Actual service entry ages.
Age difference between spouses	5 years	Actual ages used
Proportion married	60% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)-1 with a 1% mortality improvement per annum from 2010.

History of Liabilities, Assets and Experience Adjustments

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:

The accrued liabilities and the plan assets for the current period and the previous four periods are as follows:

	2022	2021	2020	2019	2018
Defined benefit obligation	(6 990 881)	(6 269 000)	(5 695 000)	(8 894 000)	(9 482 000)
Surplus (deficit)	(6 990 881)	(6 269 000)	(5 695 000)	(8 894 000)	(9 482 000)

Other long-term employee benefits

Long Services Award

Employee benefit obligation relates to long service award extended to municipal staff who served on the payroll of the municipality for each five-year interval completed as an employee. The most recent actuarial valuations of present value of the defined benefit obligation was carried out as at 30 June 2022 by One Pangaea Expertises and Solutions a fellow of the Actuarial Society of South Africa an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs were measured using the projected Unit Credit Method. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 301 as issued by ASSA, and is consistent with the requirements of GRAP25. The municipality is under no obligation to cover any unfunded benefits

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

Opening balance	2 326 000	2 268 000
Net expense recognised in the statement of financial performance	508 354	58 000
	2 834 354	2 326 000
Net expense recognized in the statement of financial performance		
Current service cost	277 000	274 000
Benefits paid	(169 000)	(290 179)
Interest cost	218 000	161 000
Actuarial (gains) losses	182 354	(86 821)
	508 354	58 000

Calculation of actuarial gains and losses

Richmond Local Municipality

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17. Employee benefit obligations (continued)

Actuarial (gains) losses – Obligation	182 354	(86 821)
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Liability history	2022	2021	2020	2019	2018
Accrued liability	(2 834 354)	(2 326 000)	(2 268 000)	(2 321 000)	(2 292 000)

Assumption	30 June 2022	30 June 2021
Discount rate	11.08%	9.70%
CPI	6.79%	4.94%
Salary increase rate	7.79%	5.94%
Net Discount Rate	3.05%	3.55%

Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA:85-90

18. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Interest cost	Net change in liability	Total
Rehabilitation of landfill site	7 817 483	288 465	532 176	8 638 124

Reconciliation of provisions - 2021

	Opening Balance	Movement	Interest cost	Change in provision of obligation	Total
Rehabilitation of landfill site	7 485 805	165 839	335 142	(169 303)	7 817 483
Non-current liabilities				8 330 607	7 529 018
Current liabilities				307 517	288 465
				8 638 124	7 817 483

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R 8 638 124 as at 30 June 2022 to restore the sites at the end of its useful life. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

19. Service charges

Refuse removal	922 562	777 348
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20. Rental of facilities and equipment

Premises		
Rental of facilities	1 088 811	1 003 847

21. Interest earned - Outstanding debtors

Interest on service charges	396 176	327 228
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Richmond Local Municipality

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22. Other income		
Sundry income	111 529	222 052
Town planning and building fees	189 991	134 215
Tender documents	164 182	119 432
Cementary fees	132 195	204 072
Photocopy charges & printing	1 339	766
Insurance Refund	525 762	128 640
SETA Refunds	96 651	71 669
	1 221 649	880 846
23. Interest received - investment		
Interest revenue		
Bank	67 134	64 823
Short-term investments	1 196 278	1 049 271
	1 263 412	1 114 094
24. Property rates		
Rates received		
Business and Commercial Rates	3 127 947	3 012 246
Agricultural Rates	4 195 805	4 112 985
Residential developed rates	11 020 827	10 468 864
Vacant Land Rates	940 310	899 634
	19 284 889	18 493 729
Property rates - penalties imposed	3 873 297	4 315 712
	23 158 186	22 809 441
Valuations		
Agricultural	2 112 561 000	2 174 402 000
Commercial	246 499 000	246 199 000
Other	24 000	24 000
Place of Worship	13 341 000	13 341 000
Protected Area	10 179 000	10 179 000
Public Benefit Organisation	195 656 600	137 743 600
Public Service Infrastructure	35 186 000	35 436 000
Public Service Property	429 121 000	427 361 000
Residential	504 131 500	501 536 500
Rural Communal	64 758 000	64 758 000
Unauthorised Use	7 135 000	7 135 000
Vacant Land	48 032 700	48 392 700
	3 666 624 800	3 666 507 800
25. Licences and permits (non-exchange)		
Trading	919 462	901 918
Road and Transport	1 015 129	406 369
	1 934 591	1 308 287

Richmond Local Municipality

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26. Government grants and subsidies		
Operational grants		
Disaster Management Grant	-	194 467
EPWP grant	1 101 000	1 875 948
Equitable share	78 424 538	89 247 201
Finance management grant	1 850 000	1 900 000
Library grant	3 328 866	3 058 896
	84 704 404	96 276 512
Capital grants		
Municipal Infrastructure Grant	27 266 001	18 871 750
CoGTA Grant - Small Town	-	9 187 249
	27 266 001	28 058 999
	111 970 405	124 335 511
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	44 525 867	35 088 310
Unconditional grants received	78 424 538	89 247 201
	122 950 405	124 335 511
Equitable share		
Current-year receipts	78 424 538	89 247 201
Conditions met - transferred to revenue	(78 424 538)	(89 247 201)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month.		
Human Settlement		
Balance unspent at beginning of year	3 757 271	3 653 184
Interest capitalized	120 799	104 087
	3 878 070	3 757 271
Conditions still to be met (see note 14).		
The Department of Human Settlement allocated a grant to municipality to assist municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.		
CoGTA Grant - Small Town		
Balance unspent at beginning of year	-	9 187 249
Conditions met - transferred to revenue	-	(9 187 249)
	-	-

Richmond Local Municipality

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26. Government grants and subsidies (continued)

The purpose of the grant was for the rehabilitation of Siyathuthuka / Magoda Road. There is no unspent balance as at 30 June 2022

Library Grant

Balance unspent at beginning of year	790 290	790 290
Current-year receipts	3 048 000	-
Conditions met - transferred to revenue	(3 328 866)	-
	509 424	790 290

Conditions still to be met (see note 14).

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services.

UDM Grant

Balance unspent at beginning of year	47 820	47 820
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The municipality had received funds from uMgungundlovu District Municipality as a contribution towards the clearing of vacant land and plots. No funds have been withheld.

Disaster management grant

Balance unspent at beginning of year	-	194 467
Conditions met - transferred to revenue	-	(194 467)
	-	-

The purpose of the grant was to assist the municipality in attending the COVID19 related challenges and to implement measures in preventing the spread of the pandemic. The municipality submitted the activity plan to National Treasury which was approved. The approved activity plan was executed and balance of the grant was spent in the 2020/2021 financial year.

Scheme support programme grant

Balance unspent at beginning of year	11 000	500 000
Conditions met - transferred to revenue	-	(489 000)
	11 000	11 000

The purpose of the grant was for the development of a single land use scheme for Richmond Local Municipality. The project was completed in the 2021. The balance of the grant will be repaid over to the transferring department in the 2022/2023 financial year.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	118 052	1 505 000
Current-year receipts	1 101 000	-
Conditions met - transferred to revenue	(1 101 000)	(1 386 948)
Grant repaid	(118 052)	-
	-	118 052

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants were met in full.

Richmond Local Municipality

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26. Government grants and subsidies (continued)		
Integrated National Electrification Programme Grant		
Current-year receipts	10 980 000	-
Conditions met	(4 346 919)	-
	6 633 081	-

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

The purpose of the grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings. No grant is withheld at the end of the year. An application for rollover with respect to the unspent balance of the grant will be submitted to the National Treasury.

Financial Management Grant

Current-year receipts	1 850 000	1 900 000
Conditions met - transferred to revenue	(1 850 000)	(1 900 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). No funds have been withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	751 746
Current-year receipts	27 266 001	18 120 000
Conditions met - transferred to revenue	(27 266 001)	(18 871 746)
	-	-

The Municipal Infrastructure Grant (MIG) is for providing specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

27. Fines, Penalties and Forfeits

Pound Fees Fines	3 584	11 969
Municipal Traffic Fines	479 200	188 900
	482 784	200 869

Richmond Local Municipality

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Figures in Rand	2022	2021
28. Employee related costs		
Basic	37 070 747	35 462 386
Bonus	2 721 747	2 730 732
Medical aid - company contributions	2 033 943	2 228 341
UIF	337 593	304 448
SDL	490 143	392 815
Leave accrual expense**	2 931 191	613 976
Overtime payments	1 876 881	1 676 671
Long-service awards	326 000	144 821
Uniform and protective clothing allowance	98 000	86 000
Non-pensionable allowance	528 258	30 390
Car allowance	1 384 224	1 313 000
Housing benefits and allowances	95 123	95 486
Post-employment medical aid contributions	968 865	339 884
Danger allowance	42 000	42 000
Bargaining council	20 399	19 922
Cellular and telephone	373 846	382 620
Pension* *	5 359 446	5 220 377
	56 658 406	51 083 869

***Refer to Note 43 - Prior year adjustment*

Remuneration of Municipal Manager

Annual Remuneration	936 000	390 000
Car Allowance	180 000	82 200
Leave payout	30 457	-
Contributions to UIF, Medical and Pension Funds	2 249	822
Other allowances	13 551	46 635
	1 162 257	519 657

Remuneration of Chief Finance Officer

Annual Remuneration	720 000	720 000
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	2 249	1 932
Other allowances	92 814	93 131
	971 063	971 063

Remuneration of Strategic Manager: Community Services

Annual Remuneration	773 760	90 000
Car Allowance	125 736	71 864
Contributions to UIF, Medical and Pension Funds	1 874	47 689
Other allowances	46 637	325 207
Leave payout	-	103 607
	948 007	638 367

Remuneration of Strategic Manager: Corporate Services

Annual Remuneration	-	78 000
Car Allowance	-	78 000
Bonuses	-	75 840
Contributions to UIF, Medical and Pension Funds	-	36 002
Acting allowance	-	111 831
Leave payout	-	111 573

Richmond Local Municipality

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Figures in Rand	2022	2021
28. Employee related costs (continued)		
Other allowances	-	384 092
	-	875 338
Remuneration of Strategic Manager: Technical Services		
Annual Remuneration	804 000	670 000
Car Allowance	156 000	130 000
Contributions to UIF, Medical and Pension Funds	2 249	1 615
Other allowances	77 075	27 605
Leave payout	26 083	-
	1 065 407	829 220
29. Remuneration of councillors		
Executive Major	888 101	844 859
Deputy Executive Mayor	692 092	718 427
Mayoral Committee Members	399 807	404 593
Speaker	1 004 864	736 302
Councillors	2 992 024	3 068 757
	5 976 888	5 772 938
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
30. Depreciation and amortisation		
Property, plant and equipment	19 465 169	19 758 804
Intangible assets	191 032	453 575
	19 656 201	20 212 379
31. Finance costs		
Finance leases	7 940	197 237
Capitalised	288 465	-
	296 405	197 237
32. Lease rentals on operating lease		
Premises		
Contractual amounts	44 260	55 451
Motor vehicles		
Contractual amounts	2 065 233	168 804
Equipment		
Contractual amounts	423 413	222 223
Plant and equipment		
Contractual amounts	58 468	333 091
	2 591 374	779 569

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Figures in Rand	2022	2021
33. Contracted services		
Outsourced Services		
Burial Services	-	7 500
Business and Advisory	694 203	221 029
Catering Services	386 337	434 650
Hygiene Services	16 484	13 227
Medical Health Services & Support	22 691	22 400
Professional Staff	509 912	120 500
Security Services	11 296 207	9 219 249
Consultants and Professional Services		
Business and Advisory	3 458 530	4 307 645
Legal Cost	1 534 242	2 326 902
Contractors		
Building	7 876	-
Catering Services	-	120 486
Electrical	119 569	841 293
Interior Decorator	30 630	57 460
Maintenance of Buildings and Facilities	3 106 348	270 064
Maintenance of Equipment	2 514 697	1 705 055
Maintenance of Unspecified Assets	2 212 472	3 877 911
Pest Control and Fumigation	2 500	5 500
Plants, Flowers and Other Decorations	55 850	27 800
Prepaid Electricity Vendors	1 872 783	1 711 032
Sports and Recreation	17 500	-
Prepaid Water Vendors	229 987	176 631
	28 088 818	25 466 334
34. Inventory Consumed		
Consumables	4 095 682	3 476 832
Materials and Supplies	876 694	1 016 007
	4 972 376	4 492 839

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35. Operational cost		
Advertising	845 884	531 021
Auditors remuneration	1 814 692	2 232 456
Bank charges	163 984	154 934
Decommissioning Restoration: Landfill sites	532 176	-
Bursaries (Employees)	484 616	469 098
Communication and public participation	-	2 074
Conferences and seminars	729 812	323 011
Vehicle tracking	2 270	-
Fuel and oil	297 679	317 081
Groceries for indigent relief	71 609	88 239
Hire	193 465	54 089
IT expenses	943 105	23 202
Insurance	1 078 715	1 214 220
License and registration	164 045	190 983
Postage and courier	98 477	31 608
Prepaid Electricity and Water vendors	590 122	563 297
Printing and stationery	166 297	73 832
Protective clothing	653 092	679 353
Remuneration of Ward Committees	532 000	800 000
Subscriptions and membership fees	751 901	712 773
Telephone and fax	867 234	730 375
Transport and freight	197 300	145 504
Travel - local	2 643 081	1 064 201
Workmans Compensation	389 034	388 624
	14 210 590	10 789 975
36. Fair value adjustments		
Biological assets - (Fair value model)	-	3 389 506
37. Impairment of assets		
Impairments		
Property, plant and equipment	789 052	2 688 941
Trade and other receivables	501 015	843 972
Other receivables from non-exchange revenue	4 102 574	607 548
	5 392 641	4 140 461
Reversal of impairments		
Property, plant and equipment	(5 857)	(54 517)
Total impairment losses (recognised) reversed	5 386 784	4 085 944
38. Auditors' remuneration		
Fees	1 814 692	2 232 456

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39. Cash generated from operations		
Surplus	113 493	22 369 027
Adjustments for:		
Depreciation and amortisation	19 656 201	20 212 379
Gain on sale of assets and liabilities	180 272	136 914
Fair value adjustments	-	3 389 506
Finance costs	7 940	197 237
Actuarial Gains and Losses	-	147 295
Impairment deficit	5 386 784	4 085 944
Movements in operating lease assets and accruals	44 259	29 530
Movements in retirement benefit assets and liabilities	1 230 235	632 000
Movements in provisions	820 641	(1 068 074)
Other non-cash items	(14 248)	-
Changes in working capital:		
Receivables from exchange transactions	(362 185)	(1 055 348)
Other receivables from non-exchange transactions	(6 585)	(7 721 537)
Payables from exchange transactions	(10 069 848)	9 168 934
VAT	3 336 062	296 564
Taxes and transfers payable (non-exchange)	86 485	(1 437 420)
Unspent conditional grants and receipts	6 354 962	(10 519 219)
	26 764 468	38 863 732

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Roads Infrastructure	13 549 182	12 722 634
• Community	1 373 474	3 345 818
• Electrification	7 552 798	8 970 963
	22 475 454	25 039 415

Total capital commitments

Already contracted for but not provided for	22 475 454	25 039 415
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***See Note 43 on Prior Period Adjustment*

Richmond Local Municipality

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41. Contingencies

Case 1 : Zibonele Funeka vs Richmond Municipality

Municipality employee filed a claim for damages against the Municipality based on defamation of character. The action is based on vicarious liability. During the 2022 financial year there was no movement since the plaintiff's attorney is not further prosecuting the matter.

Case 2 : People vs Richmond Municipality

Municipality was sued as a party to eviction proceedings instituted in the Richmond Magistrate Court pursuant to PIE legislation. However, given that the property in question is a commercial one, the Municipality should not have been joined in these proceedings. This was raised with the Court and the applicant. The applicant was ordered to pay the cost and is in the process of formally withdrawing claim against Municipality. As at 30 June 2022, the case is closed.

Case 3 : G&R Raunbeheimer vs Richmond Municipality

One of the municipal vehicles with registration number NK 3856 was involved in an accident and a claimant filed a claim against the municipality for damages. As at 30 June 2022 the matter was still pending in Court.

Case 4 Phumelela B Madonda vs Richmond Municipality

One of the municipal vehicles with registration number NK 2680 had a mechanical fault and was towed to a repair centre however, it later transpired that no authority was given to send the vehicle to repair center. The vehicle has since remained in the repair Centre and the owner of the repair centre has filed a claim against the municipality for storage costs. The municipality has engaged legal attorneys to the handle matter. As at 30 June 2022, the case was still pending.

Case 5 : Vox communications vs Richmond Municipality

The municipality terminated the services of a telecommunications service provider previously responsible for telephone lines in the municipality however, the service provider filed a claim for early termination citing outstanding contractual fees. The municipality is defending the claim, as at 30 June 2022 the matter was still pending.

Case 6 : DotCom Africa vs Richmond Municipality

An advertising agent claims that the municipality owes the Agent for advertisement related services. The municipality is disputing and the defending the claim. As at 30 June 2022 the agent had commenced with debt collection legal proceedings

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

Summary of contingent liabilities

Case 1	1 000 000	1 000 000
Case 2	-	22 483
Case 3	400 000	300 000
Case 4	218 700	263 116
Case 5	300 000	114 111
Case 6	153 265	-
	2 071 965	1 699 710

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Councillors	Refer Councillors Allowances in note
Members of key management	Refer to Employee related costs note

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43. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment -Community	10	353 048 920	3 619 888	356 668 808
Heritage assets - Historical buildings		3 832 655	(3 619 888)	212 767
Current liabilities - Provisions	18	3 442 814	(3 154 349)	288 465
Non current liabilities - Provisions	18	7 817 483	(288 465)	7 529 018
Current liabilities - Payables from exchange transactions	12	21 796 353	3 442 814	25 239 167
VAT receivable		2 529 148	2 600 467	5 129 617
Receivables from non-exchange transaction		31 435 471	(16 179 732)	15 255 739
Receivables from exchange transactions		1 635 702	(733 397)	902 305
Accumulated surplus		(366 481 335)	14 312 662	(352 161 146)
		59 057 211	-	59 064 740

Statement of financial performance

2021

	Note	As previously reported	Re-classification	Restated
Expenditure	35	40 749 148	(29 959 173)	10 789 975
Contracted services	33	-	25 466 334	25 466 334
Inventory consumed	34	-	4 492 839	4 492 839
Surplus for the year		40 749 148	-	40 749 148

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43. Prior-year adjustments (continued)

Property plant and equipment balance was restated by an amount of R 3 619 888 whilst the balance for Heritage Assets was adjusted by the same amount. The correction was due to an incorrect classification of Community Asset as Heritage Asset. The effect of the correction resulted in an increase in the balance for PPE and a reduction in the balance for Heritage Asset as 30 June 2021.

**** The plant & machinery** cost price and accumulated depreciation & impairment balances have been restated to reflect the amounts as per the Fixed Asset Register. The effect of the correction did not affect the carrying values of the plant and machinery as at 30 June 2021. Therefore, the cost price was reduced by R 1 341 824 whilst the accumulated depreciation & impairment increased by the same amount.

**** The work in progress (WIP)** - community assets cost price and accumulated impairment balances have been restated to reflect the WIP balance before impairment. The effect of the correction did not affect the carrying value of the work in progress as at 30 June 2021. Therefore, the cost price was increased by an amount of R 1 541 551 whilst the accumulated impairment was increased by the same amount.

Provisions balance in the non current liabilities was restated by a net amount of R 3 154 349 whilst the balance for provisions in the current liabilities were adjusted by amount of R 288 465. The restatement was due to a short term portion of the provision not being presented separately in the statement of financial position. The effect of the correction resulted in a decrease in the balance for Provisions in Non-current liabilities and an increase in the balance for Provisions in the Current liabilities as at 30 June 2021.

Payables from exchange transactions balance in the Current Liabilities was restated by an amount of R 3 442 814 in respect of leave accrual which was previously presented as provisions in the current liabilities as at 30 June 2021. The correction was due to an incorrect classification of the leave accrual balance as a provision in the 2020/2021 financial year. The effect of the correction resulted in an increase in the payables from exchange transactions and a decrease in the provisions balance as at 30 June 2021. The effect of the correction in the statement of financial performance resulted in the presentation of leave accrual expense and a removal of the leave pay provision charge item.

Pension:

****** The non-pensionable allowance was incorrectly classified as pension in the prior year. A reclassification from pension to non-pensionable allowance (R 30 390) has been processed in the prior year comparatives.

****** The allowance for uniform and protective clothing was incorrectly classified as pension in the prior year. A reclassification from pension to uniform and protective clothing allowance (R 86 000) has been processed in the prior year comparatives.

VAT receivable balance was restated by an amount of R 2 600 467 whilst the accumulated surplus opening balance was restated by the same amount. The correction was due to an error in the financial system identified when performing the VAT reconciliation in the current year. The effect of the correction was an increase in the balance for VAT receivable and an increase in the accumulated surplus for the prior period.

Receivables from non-exchange transaction balances were restated, to incorporate the impairment of government debt which was initially not provided for. The effect of the correction was R 16 179 732 in the 2021 financial year.

Receivables from exchange transaction balances were restated, to incorporate the impairment of government debt which was initially not provided for. The effect of the correction was R 733 397 in the 2021 financial year.

Commitment disclosure The balance disclosed as commitment was restated by an amount of R 6 720 150 in the 2021 financial to a total of R 25 039 417. The restatement was effected to adjust for an error identified in the commitment schedules.

Unauthorised expenditure disclosure . The balance for the unauthorised expenditure was restated to incorporate the impairment provision of R 19 147 714 which was previously not provided for.

Reclassifications

Operational cost -The municipality previously included contracted services and inventory consumed as part of the operational cost. A reclassification of contracted services and inventory consumed from operational cost has been processed to enhance presentation of material items in the face of the statement of financial performance.

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44. Risk management

Financial risk management

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk is managed on a group basis.

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

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

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

Financial instrument	2022	2021
Cash and cash equivalents	26 902 002	21 042 530
Other financial assets	266	266
Receivables from exchange transactions	1 096 930	1 974 069
Receivables from non-exchange transactions	27 928 150	32 455 021

Market risk

Interest rate risk

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

45. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 352 274 639 and that the municipality's total assets exceed its liabilities by 352 274 639.

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
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46. Events after the reporting date

No event that should be disclosed has come to the municipality's attention after the reporting date that existed at the reporting date.

47. Unauthorised expenditure

Opening balance as previously reported	45 807 767	22 492 584
Correction of prior period error	-	19 024 830
Opening balance as restated	45 807 767	41 517 414
Add: Expenditure identified - current	2 397 647	4 496 646
Less: Approved by council	(30 567 552)	(206 293)
Closing balance	17 637 862	45 807 767

Analysed as follows: non-cash

Provision of impairment	1 392 784	155 847
Depreciation and amortisation	-	814 378
Actuarial gains and (losses)	160 235	-
Loss on valuation of Biological Assets - Plantation	-	3 389 506
Loss on sale of assets	180 272	136 915
Employee related cost - Provision for leave	566 951	-
Finance cost	97 405	-
	2 397 647	4 496 646

Analysed as follows: cash

Unauthorised expenditure: Budget overspending – per municipal department:

Finance and Administration	2 397 647	-
Planning and Development	-	3 389 506
Road Transport	-	970 225
Council	-	136 915
	2 397 647	4 496 646

48. Fruitless and wasteful expenditure

Opening balance as previously reported	9 574 030	9 574 030
Opening balance as restated	9 574 030	9 574 030
Add: Expenditure identified - current	15 221	464 868
Less: Amounts recoverable - current	(589 807)	(462 048)
Less: Amounts recovered	-	(2 820)
Less: Amount written off - current	(8 980 430)	-
Closing balance	19 014	9 574 030

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
48. Fruitless and wasteful expenditure (continued)		
Expenditure identified in the current year include those listed below:		
	Disciplinary steps taken/criminal proceedings	
No value for money	-	442 538
Interest and / penalties	15 221	22 330
	15 221	464 868

49. Irregular expenditure

Opening balance as previously reported	3 700 728	6 234 473
Correction of prior period error	-	(509 783)
Opening balance as restated	3 700 728	5 724 690
Add: Irregular Expenditure - current	1 283 501	22 583 824
Less: Irregular Expenditure - prior period	(3 700 728)	-
Less: Amount written off - current	(1 055 813)	(24 607 786)
Closing balance	227 688	3 700 728

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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2022

2021

49. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings/additionall commetn	
Bids not advertised on the municipality's website	-	189 728
No competitive bidding process followed	1 055 813	10 390 591
Supplier's tax matters not in order	-	9 549 615
The local Content no specified in the request for quotation / Threshold not met	41 330	182 191
Bidder's municipal account in arrears	-	2 171 499
Declaration of interest not completed by winning bidder	-	100 200
Procurement under Section 36 which does not meet the requirements	186 358	-
	1 283 501	22 583 824

50. Deviation from supply chain management regulations

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

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

SCM Regulation Number 36

Appointment of a riot management security company	662 400	-
Service of municipal grader	105 903	-
Fumigation of municipal buildings - Covid 19 cases	-	194 267
	768 303	194 267

All deviations considered by the Accounting Officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee or SCM Quotations Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three functional areas: community and public safety, economic planning and development and trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The municipality is organised and operates in three key reportable functions throughout the seven wards under Richmond demarcations. Segments were aggregated on the basis of service delivery as management considered that the economic characteristics of the segments throughout Richmond were sufficiently similar to warrant aggregation.

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

Community and public safety
Economic planning and development
Trading services

Goods and/or services

Social services delivery
Economic development services delivery
Energy, waste and forestry services

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2022

	Revenue from non- exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Community and public safety	48 957 866	442 427	49 400 293	10 793 363	3 699 773	9 899 095	24 392 231	25 008 062
Economic and environmental services	30 776 445	388 215	31 164 660	20 468 920	14 777 448	10 642 376	45 888 744	(14 724 084)
Trading services	-	1 269 557	1 269 557	2 819 729	-	4 612 149	7 431 878	(6 162 321)
Total	79 734 311	2 100 199	81 834 510	34 082 012	18 477 221	25 153 620	77 712 853	4 121 657
Entity's revenue			81 834 510					
Other reconciling items								
Disposal of Fixed and Intangible Assets								(180 272)
Impairment Loss								(907 682)
Entity's Surplus (deficit) for the period								3 033 703

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

2021

	Revenue from non- exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Community and public safety	3 253 363	539 221	3 792 584	10 177 760	4 372 882	1 783 353	16 333 995	(12 541 411)
Economic and environmental services	31 428 801	480 551	31 909 352	19 889 397	13 795 129	3 212 232	36 896 758	(4 987 406)
Trading services	18 729 000	1 046 583	19 775 583	2 796 488	-	759 158	3 555 646	16 219 937
Total	53 411 164	2 066 355	55 477 519	32 863 645	18 168 011	5 754 743	56 786 399	(1 308 880)
Entity's revenue			55 477 519					
Other reconciling items								
Gains and Losses								3 389 506
Disposal Loss								136 915
Impairment Loss								1 549 559
Reversal of Impairment Loss								(54 517)
Entity's Surplus (deficit) for the period								3 712 583

Segment assets and liabilities

2022

	Total segment assets	Total segment liabilities
Community and public safety	339 122 010	(4 978 871)
Economic and environmental services	76 904 427	(14 085 071)
Trading services	6 968 806	(8 879 822)
Total segment assets	422 995 243	(27 943 764)
Total as per Statement of financial Position	422 995 243	(27 943 764)

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

2021

	Total segment assets	Total segment liabilities
Community and public safety	286 892 879	(7 013 618)
Economic and environmental services	90 057 595	(29 502 581)
Trading services	10 304 115	(2 066 700)
Total segment assets	387 254 589	(38 582 899)
Total as per Statement of financial Position	387 254 589	(38 582 899)

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
52. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	715 280	617 240
Amount paid - current year	(715 280)	(617 240)
	-	-
Audit fees		
Current year fees	1 814 692	2 232 456
Amount paid-current year	(1 814 692)	(2 232 456)
	-	-
PAYE and UIF		
Current year subscription/fee	9 269 448	8 657 665
Amount paid-current year	(9 269 448)	(8 657 665)
	-	-
Pension and Medical aid deductions		
Current year subscription/fee	11 750 032	11 817 199
Amount paid-current year	(11 750 032)	(11 817 199)
	-	-

Councillor's Municipal Accounts in Arrears

There are no councillor's with outstanding or arrear municipal accounts as at 30 June 2022.

53. Agency services

Registering Authority Agency Fee	904 210	888 471
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The municipality is a Registering Authority and in terms of the Agreement between the Department of Transport and Richmond Municipality, the municipality is regarded as an Agency. The municipality currently earns an 8.62% agency fee which is based on the revenue generated from the collection of motor vehicle registration and licensing fees.

54. Accounting by principals and agents

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

Details of the arrangement is as follows:Details of the arrangement is as follows:

The Richmond Local Municipality is party to a principal-agent arrangement with the Department of Energy and Mineral Resources. The Department of Energy provides the Municipality with a grant in terms of the Integrated National Electrification Programme (INEP). The municipality is the agent. The municipality implements electricity infrastructure construction and infills in rural areas on behalf of Eskom using the INEP. Once completed, the projects are handed over to Eskom for energising and future maintenance and do not form part of the municipality's assets. No agency fees are charged for this principal-agent arrangement.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

54. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality currently holds an amount of R 6 633 081 that belongs to the Department of Energy that was transferred to the municipality during the current financial year and was not utilised. The municipality will apply for a Grant Rollover of the remaining amount so that it is not returned to the principle but utilised for the electrification projects in the next financial year.

Additional information

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

Reconciliation of the carrying amount of payables

Integrated National Electrification Programme Grant

Receipt from principal	10 980 000	-
Expenses incurred on behalf of the principal	(4 346 919)	-
	6 633 081	-

All categories

Receipt from principal	10 980 000	-
Expenses incurred on behalf of the principal	(4 346 919)	-
	6 633 081	-

Richmond Local Municipality

Appendix B

June 2022

Analysis of property, plant and equipment as at 30 June 2022

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)

67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
323 553 745	-	-	14 100 479	-	-	337 654 224	(137 246 302)	-	-	(11 249 049)	(689 342)	(149 184 693)	188 469 531
78 292 690	-	-	-	-	-	78 292 690	(27 175 390)	-	-	(3 699 773)	5 738	(30 869 425)	47 423 265

Richmond Local Municipality

Appendix B

June 2022

Analysis of property, plant and equipment as at 30 June 2022

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets														
General vehicles	12 716 846	-	(1 207 372)	-	-	-	11 509 474	(5 460 417)	395 308	-	(1 549 731)	(4 349)	(6 619 189)	4 890 285
Plant & equipment	5 981 640	761 332	-	-	-	-	6 742 972	(3 155 814)	-	-	(798 229)	(42 745)	(3 996 788)	2 746 184
Furniture & Fittings	2 080 801	215 212	-	-	-	-	2 296 013	(1 407 373)	-	-	(199 143)	(5 704)	(1 612 220)	683 793
Office Equipment	5 405 503	716 018	-	-	-	-	6 121 521	(3 027 510)	35 802	-	(789 985)	(92)	(3 781 785)	2 339 736
Office Equipment - Leased	682 982	-	-	-	-	-	682 982	(493 265)	-	-	(189 717)	-	(682 982)	-
Other buildings	38 418 681	-	-	-	-	-	38 418 681	(15 682 878)	-	-	(989 537)	(40 185)	(16 712 600)	21 706 081
Work in progress	17 345 590	19 431 354	-	(14 100 479)	-	-	22 676 465	(1 541 551)	-	-	-	-	(1 541 551)	21 134 914
	82 632 043	21 123 916	(1 207 372)	(14 100 479)	-	-	88 448 108	(30 768 808)	431 110	-	(4 516 342)	(93 075)	(34 947 115)	53 500 993

Richmond Local Municipality

Appendix B

June 2022

Analysis of property, plant and equipment as at 30 June 2022

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
Infrastructure	323 553 745	-	-	14 100 479	-	-	337 654 224	(137 246 302)	-	-	(11 249 049)	(689 342)	(149 184 693)	188 469 531
Community Assets	78 292 690	-	-	-	-	-	78 292 690	(27 175 390)	-	-	(3 699 773)	5 738	(30 869 425)	47 423 265
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets	82 632 043	21 123 916	(1 207 372)	(14 100 479)	-	-	88 448 108	(30 768 808)	431 110	-	(4 516 342)	(93 075)	(34 947 115)	53 500 993
	552 072 079	21 123 916	(1 207 372)	-	-	-	571 988 623	(195 190 500)	431 110	-	(19 465 164)	(776 679)	(215 001 233)	356 987 390
Intangible assets														
Computers - software & programming	2 019 692	172 163	-	-	-	-	2 191 855	(1 535 094)	-	-	(191 031)	-	(1 726 125)	465 730
	2 019 692	172 163	-	-	-	-	2 191 855	(1 535 094)	-	-	(191 031)	-	(1 726 125)	465 730
Investment properties														
Investment property	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
Total														
Land and buildings	67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
Infrastructure	323 553 745	-	-	14 100 479	-	-	337 654 224	(137 246 302)	-	-	(11 249 049)	(689 342)	(149 184 693)	188 469 531
Community Assets	78 292 690	-	-	-	-	-	78 292 690	(27 175 390)	-	-	(3 699 773)	5 738	(30 869 425)	47 423 265
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets	82 632 043	21 123 916	(1 207 372)	(14 100 479)	-	-	88 448 108	(30 768 808)	431 110	-	(4 516 342)	(93 075)	(34 947 115)	53 500 993
Intangible assets	2 019 692	172 163	-	-	-	-	2 191 855	(1 535 094)	-	-	(191 031)	-	(1 726 125)	465 730
Investment properties	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
	555 277 669	21 296 079	(1 207 372)	-	-	-	575 366 376	(196 725 594)	431 110	-	(19 656 195)	(776 679)	(216 727 358)	358 639 018

Richmond Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2021	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
Infrastructure	296 282 683	279 712	-	26 991 350	-	-	323 553 745	(124 493 575)	-	-	(12 758 205)	5 478	(137 246 302)	186 307 443
Community Assets	56 030 102	795 652	-	21 466 934	-	-	78 292 688	(24 237 875)	-	-	(2 972 335)	34 821	(27 175 389)	51 117 299

Richmond Local Municipality

Appendix B

June 2022

Analysis of property, plant and equipment as at 30 June 2021

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets														
Motor vehicles	14 775 573	650 636	(2 709 363)	-	-	5 217	12 722 063	(4 769 439)	1 577 551	-	(1 249 283)	(1 019 245)	(5 460 416)	7 261 647
Plant & equipment	6 663 272	479 978	(1 161 610)	-	-	-	5 981 640	(3 613 454)	751 709	-	(672 687)	378 617	(3 155 815)	2 825 825
Furniture & Fittings	1 987 788	181 773	(88 760)	-	-	-	2 080 801	(1 336 182)	77 548	-	(151 261)	2 518	(1 407 377)	673 424
Office Equipment	5 126 225	842 044	(562 767)	-	-	-	5 405 502	(2 875 859)	522 613	-	(690 445)	16 181	(3 027 510)	2 377 992
Office Equipment - Leased	682 982	-	-	-	-	-	682 982	(265 604)	-	-	(227 660)	-	(493 264)	189 718
Work in progress	31 443 544	34 360 330	-	(48 458 284)	-	-	17 345 590	-	-	-	-	(1 541 551)	(1 541 551)	15 804 039
	60 679 384	36 514 761	(4 522 500)	(48 458 284)	-	5 217	44 218 578	(12 860 538)	2 929 421	-	(2 991 336)	(2 163 480)	(15 085 933)	29 132 645

Richmond Local Municipality

Appendix B

June 2022

Analysis of property, plant and equipment as at 30 June 2021

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
Infrastructure	296 282 683	279 712	-	26 991 350	-	-	323 553 745	(124 493 575)	-	-	(12 758 205)	5 478	(137 246 302)	186 307 443
Community Assets	56 030 102	795 652	-	21 466 934	-	-	78 292 688	(24 237 875)	-	-	(2 972 335)	34 821	(27 175 389)	51 117 299
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets	60 679 384	36 514 761	(4 522 500)	(48 458 284)	-	5 217	44 218 578	(12 860 538)	2 929 421	-	(2 991 336)	(2 163 480)	(15 085 933)	29 132 645
	480 585 770	37 590 125	(4 522 500)	-	-	5 217	513 658 612	(161 591 988)	2 929 421	-	(18 721 876)	(2 123 181)	(179 507 624)	334 150 988
Agricultural/Biological assets														
Biological assets	3 390 000	-	-	-	-	-	3 390 000	-	-	-	-	(3 390 000)	(3 390 000)	-
	3 390 000	-	-	-	-	-	3 390 000	-	-	-	-	(3 390 000)	(3 390 000)	-
Intangible assets														
Computers software	2 019 692	-	-	-	-	-	2 019 692	(1 081 520)	-	-	(453 574)	-	(1 535 094)	484 598
	2 019 692	-	-	-	-	-	2 019 692	(1 081 520)	-	-	(453 574)	-	(1 535 094)	484 598
Investment properties														
Investment property	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
Total														
Land and buildings	67 380 834	-	-	-	-	-	67 380 834	-	-	-	-	-	-	67 380 834
Infrastructure	296 282 683	279 712	-	26 991 350	-	-	323 553 745	(124 493 575)	-	-	(12 758 205)	5 478	(137 246 302)	186 307 443
Community Assets	56 030 102	795 652	-	21 466 934	-	-	78 292 688	(24 237 875)	-	-	(2 972 335)	34 821	(27 175 389)	51 117 299
Heritage assets	212 767	-	-	-	-	-	212 767	-	-	-	-	-	-	212 767
Other assets	60 679 384	36 514 761	(4 522 500)	(48 458 284)	-	5 217	44 218 578	(12 860 538)	2 929 421	-	(2 991 336)	(2 163 480)	(15 085 933)	29 132 645
Agricultural/Biological assets	3 390 000	-	-	-	-	-	3 390 000	-	-	-	-	(3 390 000)	(3 390 000)	-
Intangible assets	2 019 692	-	-	-	-	-	2 019 692	(1 081 520)	-	-	(453 574)	-	(1 535 094)	484 598
Investment properties	1 185 898	-	-	-	-	-	1 185 898	-	-	-	-	-	-	1 185 898
	487 181 360	37 590 125	(4 522 500)	-	-	5 217	520 254 202	(162 673 508)	2 929 421	-	(19 175 450)	(5 513 181)	(184 432 718)	335 821 484

Richmond Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2022

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Aug	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Municipal Infrastructure Grant	CoGTA	5 942 000	5 863 000	4 514 000	10 947 000	-	5 769 080	6 995 130	6 452 398	114 597	7 934 793	-	-	-	-	-	Not Applicable	Yes	Complied with the framework
Integrated National Electrification Programme Grant	DMRE	-	-	-	10 980 000	-	-	-	307 694	-	-	-	-	-	-	4 039 225	Late finalisation of prior year's projects	Yes	omplied with the framework
Financial Management Grant	Treasury	1 850 000	-	-	-	-	-	279 952	248 707	402 551	918 788	-	-	-	-	-	Not Applicable	Yes	omplied with the framework
Expanded Public Works Programme (EPWP)	Department of Public Works	-	276 000	495 000	330 000	-	-	257 503	609 050	162 044	72 401	-	-	-	-	-	Not Applicable	Yes	omplied with the framework
Library Grant		-	-	2 806 000	-	-	-	-	-	-	-	-	2 806 000	-	-	-	Delay finalisation of agreement	Yes	omplied with the framework
		7 792 000	6 139 000	7 815 000	22 257 000	-	5 769 080	7 532 585	7 617 849	679 192	8 925 982	-	2 806 000	-	-	4 039 225			