

# **RAYMOND MHLABA LOCAL MUNICIPALITY**

**EC 129**



## **FINANCIAL STATEMENTS**

**FOR THE PERIOD 6 AUGUST 2016 TO 30 JUNE 2017**

# RAYMOND MHLABA LOCAL MUNICIPALITY

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# RAYMOND MHLABA LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Raymond Mhlaba Local Municipality (EC129) performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

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

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016, being the merger date, and the new Council was sworn in on 18 August 2016.

The financial statements covers a period of 328 days (from 6 August 2016 to 30 June 2017) and in line with the requirements of GRAP 107, paragraph 42, no comparative information is presented.

### JURISDICTION

The Raymond Mhlaba Local Municipality includes the following areas:

Alice	Hogsback	Adelaide	Katberg
Middledrift	Seymour	Bedford	
Fort Beaufort	Balfour	Healdtown	

### MEMBERS OF THE COUNCIL

Position	Councillor	Ward / Additional Portfolio
Councillor	Zukisa Kenneth Qaqawe	Ward 1
Councillor	Wisizwi Justice Nika	Ward 2
Councillor	Nomhle Beauty Sango	Ward 3
Councillor	Xolani Dyantyi	Ward 4
Councillor	Nandipha Colleen Guzi	Ward 5
Councillor	Singilizwe Alfred Nivi	Ward 6
Councillor	Luyolo Lennox Kiswa	Ward 7
Councillor	Elten Bantam	Ward 8
Councillor	Xola Bethwell Jezile	Ward 9
Councillor	Mlungiseleli Lookington Ndongeni	Ward 10
Councillor	Luyanda Tyhobeka	Ward 11
Councillor	Selinah Mkwayimba	Ward 12
Councillor	Zukiswa Mpendu	Ward 13
Councillor	Songezo Mashengqana	Ward 14

# RAYMOND MHLABA LOCAL MUNICIPALITY

## GENERAL INFORMATION

### MEMBERS OF THE COUNCIL (CONTINUED)

Position	Councillor	Ward / Additional Portfolio
Councillor	Thozama Ngaye	Ward 15
Councillor	Xolile Caswell Badi	Ward 16
Councillor	Millicent Nonkoliseko Qawu	Ward 17
Councillor	Thobeka Priscilla Mjo	Ward 18
Councillor	Zamikhaya Lunga Papu	Ward 19
Councillor	Lindelwa Doris Penisi	Ward 20
Councillor	Sinethemba Mjakuca	Ward 21
Councillor	Frans Christian	Ward 22
Councillor	Mhlobo Douglas Dywili	Ward 23
Mayor	Bandile Ketelo	
Speaker	Thozama Precious Njobe	
Chief Whip	Anele Winifed Ntsangani	
Councillor	Mandla Johnson Makeleni	Portfolio Head Finance
Councillor	Zingiswa Modelia Rasmeni	
Councillor	Leonora Louisa Bruintjies	Portfolio Head Corporate Service
Councillor	Pasika Jack	Portfolio Head Community Service
Councillor	Thembisa Patricia Dwanya	
Councillor	Bukelwa Sharon Tyhali	MPAC Chairperson
Councillor	Nomonde Mavis Geza	Portfolio Head Engineering
Councillor	Vuyiswa Ndevu	
Councillor	Nombuyiselo Agreenette Metuse	Portfolio Head Sports, Arts and Culture
Councillor	Sinovuyo Kley	Portfolio Head LED
Councillor	Portia Sabane	
Councillor	Nobesutu Makhenyane	
Councillor	Nomzamo Zibonda	
Councillor	Ernst Lombard	
Councillor	Kayaletu Baliso	
Councillor	Cecilia Anne Auld	
Councillor	Sivuyile Mahlengele	
Councillor	Kwanele Macakela	
Councillor	Buyiswa Eunice Mfondini	
Councillor	Siphiwo Mavuso	

### MUNICIPAL MANAGER

Mr L Menze (Acting Municipal Manager up to 30 June 2017)

Ms U Malinzi (From 1 July 2017 to date)

### CHIEF FINANCIAL OFFICER

Mrs B Lubelwana

# RAYMOND MHLABA LOCAL MUNICIPALITY

## GENERAL INFORMATION

### REGISTERED OFFICE

8 Somerset Street, Fort Beaufort, 5720

### POSTAL ADDRESS

PO Box 36, Fort Beaufort, 5720

### AUDITORS

Office of the Auditor General (EC)

### PRIMARY BANKER

ABSA Bank

### PANEL OF ATTORNEYS

Dyushu Majebe Attorneys

Le Roux Inc Attorneys

Wikus van Rensburg Attorneys

Nevelle Borman and Botha Attorneys

Pumeza Bono Attorneys

### RELEVANT LEGISLATION

Municipal Finance Management Act

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act

Municipal Systems Act

Municipal Planning and Performance Management Regulations

Water Services Act

Housing Act

Municipal Property Rates Act

Electricity Act

Skills Development Levies Act

Employment Equity Act

Unemployment Insurance Act

Basic Conditions of Employment Act

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

# RAYMOND MHLABA LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these financial statements period ended 30 June 2017, which are set out on pages 1 to 115 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

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**Ms U Malinzi**  
**Municipal Manager**

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**Date**

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	30 JUNE 2017 R
<b>ASSETS</b>		
<b>Current Assets</b>		
		<b>60 879 675</b>
Cash and Cash Equivalents	2	17 227 343
Receivables from exchange transactions	3	14 760 344
Receivables from non-exchange transactions	4	18 111 907
VAT Receivable	5	10 165 375
Operating Lease Assets	6	14 360
Inventory	7	600 346
<b>Non-Current Assets</b>		
		<b>577 385 348</b>
Investment Property	8	49 737 270
Property, Plant and Equipment	9.1	513 318 338
Property, Plant and Equipment - Capitalised Restoration Cost	9.2	14 246 847
Heritage Assets	10	70 000
Intangible Assets	11	12 893
<b>Total Assets</b>		
		<b>638 265 024</b>
<b>Current Liabilities</b>		
		<b>189 671 227</b>
Current Portion of Long-term Liabilities	12	510 279
Consumer Deposits	14	1 999 319
Payables from exchange transactions	15	170 648 193
Unspent Conditional Government Grants	16	3 472 571
Current Employee benefits	17	13 040 865
<b>Non-Current Liabilities</b>		
		<b>69 309 888</b>
Long-term Liabilities	12	225 118
Employee benefits	18	32 911 468
Non-Current Provisions	19	36 173 302
<b>Total Liabilities</b>		
		<b>258 981 115</b>
<b>NET ASSETS</b>		
		<b>379 283 909</b>
<b>COMMUNITY WEALTH</b>		
Accumulated Surplus	20	379 283 909
		<b>379 283 909</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017 R
<b>REVENUE</b>		
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>252 005 566</b>
<b>Taxation Revenue</b>		<b>50 367 585</b>
Property Rates	21	50 367 585
<b>Transfer Revenue</b>		<b>198 243 795</b>
Government Grants and Subsidies - Capital	22	43 304 171
Government Grants and Subsidies - Operating	22	154 939 624
<b>Other Revenue</b>		<b>3 394 186</b>
Fines	23	127 910
Actuarial Gains	24	1 896 206
Fair Value Adjustments	25	1 370 070
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>87 799 959</b>
<b>Operating Activities</b>		<b>87 799 959</b>
Service Charges	26	60 483 357
Rental of Facilities and Equipment	27	344 021
Interest Earned - external investments	28	1 985 358
Interest Earned - outstanding debtors	29	20 105 970
Licences and Permits	30	3 515 641
Other Income	31	1 365 612
<b>TOTAL REVENUE</b>		<b>339 805 524</b>
<b>EXPENDITURE</b>		
Employee related costs	32	114 982 972
Remuneration of Councillors	33	13 169 505
Debt Impairment	34	83 219 029
Depreciation and Amortisation	35	31 227 731
Finance Charges	37	13 729 115
Bulk Purchases	38	56 642 349
Transfers and Grants	39	8 281 806
Other Expenditure	40	66 515 269
Loss on disposal of PPE	41	924 409
<b>TOTAL EXPENDITURE</b>		<b>388 692 187</b>
<b>NET DEFICIT FOR THE PERIOD</b>		<b>(48 886 662)</b>



# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDING 30 JUNE 2017

	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 6 August 2016</b>	-	-
Assets acquired and liabilities assumed on merger date - 6 August 2016 - Refer to note 43	445 776 428	<b>445 776 428</b>
Adjustments to Assets acquired and liabilities assumed on merger date - 6 August 2016 - Refer to note 44	(17 605 857)	<b>(17 605 857)</b>
Net Deficit for the period	(48 886 662)	<b>(48 886 662)</b>
<b>Balance on 30 June 2017</b>	<b>379 283 909</b>	<b>379 283 909</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
	Notes	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Property rates		36 327 184
Service charges		44 432 700
Other Income		3 573 897
Government - operating		153 375 070
Government - capital		37 970 550
Interest Income		2 638 839
<b>Payments</b>		
Suppliers and employees		(203 661 801)
Finance charges		(10 765 165)
Transfers and Grants		(8 281 806)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>42</b>	<b>55 609 467</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Payments</b>		
Purchase of Property, Plant and Equipment		(41 950 224)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(41 950 224)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Receipts</b>		
Increase/(Decrease) in Consumer Deposits		123 026
<b>Payments</b>		
Loans repaid		(6 548 848)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(6 425 822)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>7 233 421</b>
Cash and Cash Equivalents on Merger Date		9 993 922
Cash and Cash Equivalents at the end of the period		17 227 343
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>7 233 421</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	17 227 343	2 972 964	14 254 379
Consumer debtors	28 670 501	83 775 689	(55 105 189)
Other Debtors	14 381 485	22 423 883	(8 042 398)
Current portion of long-term receivables	-	13 848 448	(13 848 448)
Inventory	600 346	1 283 150	(682 804)
<b>Total current assets</b>	<b>60 879 675</b>	<b>124 304 134</b>	<b>(63 424 459)</b>
<b>Non current assets</b>			
Investment property	49 737 270	55 041 349	(5 304 079)
Property, plant and equipment	513 318 338	519 449 948	(6 131 610)
Heritage Assets	70 000	-	70 000
Intangible Assets	12 893	106 800	(93 907)
Other non-current assets	14 246 847	-	14 246 847
<b>Total non current assets</b>	<b>577 385 348</b>	<b>574 598 097</b>	<b>2 787 252</b>
<b>TOTAL ASSETS</b>	<b>638 265 024</b>	<b>698 902 231</b>	<b>(60 637 207)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowing	510 279	6 638 308	(6 128 029)
Consumer deposits	1 999 319	1 876 294	123 025
Trade and other payables	174 120 764	171 083 640	3 037 125
Provisions and Employee Benefits	13 040 865	10 237 121	2 803 744
<b>Total current liabilities</b>	<b>189 671 227</b>	<b>189 835 363</b>	<b>(164 136)</b>
<b>Non current liabilities</b>			
Borrowing	225 118	719 030	(493 912)
Provisions and Employee Benefits	69 084 770	64 449 883	4 634 887
<b>Total non current liabilities</b>	<b>258 981 115</b>	<b>255 004 276</b>	<b>3 976 839</b>
<b>TOTAL LIABILITIES</b>	<b>258 981 115</b>	<b>255 004 276</b>	<b>3 976 839</b>
<b>NET ASSETS</b>	<b>379 283 908</b>	<b>443 897 956</b>	<b>(64 614 047)</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	379 283 909	443 897 956	(64 614 047)
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>379 283 909</b>	<b>443 897 956</b>	<b>(64 614 047)</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	-	2 972 964	2 972 964
Consumer debtors	106 251 990	(22 476 301)	83 775 689
Other Debtors	17 217 609	5 206 274	22 423 883
Current portion of long-term receivables	13 865 088	(16 640)	13 848 448
Inventory	1 283 150	-	1 283 150
<b>Total current assets</b>	<b>138 617 837</b>	<b>(14 313 703)</b>	<b>124 304 135</b>
<b>Non current assets</b>			
Investment property	54 971 349	70 000	55 041 349
Property, plant and equipment	466 362 744	53 087 204	519 449 948
Intangible Assets	106 800	-	106 800
Other non-current assets	12 086 626	(12 086 626)	-
<b>Total non current assets</b>	<b>533 527 519</b>	<b>41 070 578</b>	<b>574 598 097</b>
<b>TOTAL ASSETS</b>	<b>672 145 356</b>	<b>26 756 875</b>	<b>698 902 231</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowing	6 638 308	-	6 638 308
Consumer deposits	1 876 294	-	1 876 294
Trade and other payables	125 537 943	45 545 697	171 083 640
Provisions and Employee Benefits	10 237 121	-	10 237 121
<b>Total current liabilities</b>	<b>144 289 666</b>	<b>45 545 697</b>	<b>189 835 363</b>
<b>Non current liabilities</b>			
Borrowing	719 030	-	719 030
Provisions and Employee Benefits	64 449 883	-	64 449 883
<b>Total non current liabilities</b>	<b>209 458 579</b>	<b>45 545 697</b>	<b>255 004 276</b>
<b>TOTAL LIABILITIES</b>	<b>209 458 579</b>	<b>45 545 697</b>	<b>255 004 276</b>
<b>NET ASSETS</b>	<b>462 686 777</b>	<b>(18 788 822)</b>	<b>443 897 956</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	462 686 777	(18 788 821)	443 897 956
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>462 686 777</b>	<b>(18 788 821)</b>	<b>443 897 956</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>REVENUE BY SOURCE</b>			
Property rates	50 367 585	76 210 340	(25 842 755)
Service charges	60 483 357	71 446 050	(10 962 693)
Rental of facilities and equipment	344 021	450 000	(105 979)
Interest earned - external investments	1 985 358	1 800 000	185 358
Interest earned - outstanding debtors	20 105 970	24 000 000	(3 894 030)
Fines	127 910	150 000	(22 090)
Licences and permits	3 515 641	3 500 000	15 641
Government Grants and Subsidies - Operating	154 939 624	154 119 863	819 761
Other revenue	4 631 888	11 850 700	(7 218 812)
<b>TOTAL OPERATING REVENUE</b>	<b>296 501 353</b>	<b>343 526 953</b>	<b>(47 025 600)</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	114 982 972	118 000 000	(3 017 028)
Remuneration of councillors	13 169 505	14 721 723	(1 552 217)
Debt impairment	83 219 029	45 088 446	38 130 584
Depreciation & asset impairment	31 227 731	51 537 690	(20 309 960)
Finance charges	13 729 115	3 320 000	10 409 115
Bulk purchases	56 642 349	45 100 000	11 542 349
Contracted services	-	580 000	(580 000)
Grants and subsidies paid	8 281 806	18 000 000	(9 718 194)
Other expenditure	66 515 269	79 134 861	(12 619 592)
Loss on Disposal of PPE	924 409	-	924 409
<b>TOTAL OPERATING EXPENDITURE</b>	<b>388 692 187</b>	<b>375 482 720</b>	<b>12 285 058</b>
<b>OPERATING DEFICIT FOR THE PERIOD</b>	<b>(92 190 834)</b>	<b>(31 955 767)</b>	<b>(59 310 658)</b>
Government Grants and Subsidies - Capital	43 304 171	39 970 550	3 333 621
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(48 886 662)</b>	<b>8 014 783</b>	<b>(55 977 037)</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property rates	52 755 174	23 455 166	76 210 340
Service charges	65 883 298	5 562 752	71 446 050
Rental of facilities and equipment	450 000	-	450 000
Interest earned - external investments	1 050 000	750 000	1 800 000
Interest earned - outstanding debtors	5 600 000	18 400 000	24 000 000
Fines	270 000	(120 000)	150 000
Licences and permits	3 490 538	9 462	3 500 000
Government Grants and Subsidies - Operating	140 613 450	13 506 413	154 119 863
Other revenue	5 200 000	6 650 700	11 850 700
<b>TOTAL OPERATING REVENUE</b>	<b>275 312 461</b>	<b>68 214 492</b>	<b>343 526 953</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	98 756 942	19 243 058	118 000 000
Remuneration of councillors	13 002 315	1 719 408	14 721 723
Debt impairment	20 507 764	24 580 682	45 088 446
Depreciation & asset impairment	30 761 647	20 776 044	51 537 690
Finance charges	800 000	2 520 000	3 320 000
Bulk purchases	142 000 000	(96 900 000)	45 100 000
Contracted services	580 000	-	580 000
Grants and subsidies paid	21 000 000	(3 000 000)	18 000 000
Other expenditure	110 152 473	(31 017 612)	79 134 861
<b>TOTAL OPERATING EXPENDITURE</b>	<b>437 561 141</b>	<b>(62 078 421)</b>	<b>375 482 720</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(162 248 680)</b>	<b>130 292 913</b>	<b>(31 955 767)</b>
Government Grants and Subsidies - Capital	42 970 550	(3 000 000)	39 970 550
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(119 278 130)</b>	<b>127 292 913</b>	<b>8 014 783</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	36 327 184	37 167 041	(839 857)
Service Charges	44 432 700	35 463 213	8 969 487
Other Income	3 573 897	15 950 700	(12 376 803)
Government - Operating	153 375 070	154 119 863	(744 793)
Government - Capital	37 970 550	37 970 550	-
Interest Income	2 638 839	1 800 000	838 839
<b>Payments</b>			
Suppliers and Employees	(203 661 801)	(253 736 584)	50 074 782
Finance Charges	(10 765 165)	(3 320 000)	(7 445 165)
Transfers and Grants	(8 281 806)	(18 000 000)	9 718 194
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>55 609 467</b>	<b>7 414 783</b>	<b>48 194 684</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Capital assets	(41 950 224)	(40 497 550)	(1 452 674)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(41 950 224)</b>	<b>(40 497 550)</b>	<b>(1 452 674)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase/(decrease) in consumer deposits	123 026	-	123 026
<b>Payments</b>			
Repayment of borrowing	(6 548 848)	(11 300 000)	4 751 152
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6 425 822)</b>	<b>(11 300 000)</b>	<b>4 874 178</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>7 233 420</b>	<b>(44 382 767)</b>	<b>51 616 187</b>
Cash and Cash Equivalents on Merger Date	9 993 922	9 973 649	20 273
Cash and Cash Equivalents at the end of the Period	17 227 343	(34 409 118)	51 636 461

# RAYMOND MHLABA LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	29 057 871	8 109 170	37 167 041
Service Charges	30 581 477	4 881 736	35 463 213
Other Income	9 410 538	6 540 162	15 950 700
Government - Operating	140 613 450	13 506 413	154 119 863
Government - Capital	42 970 550	(5 000 000)	37 970 550
Interest Income	6 650 000	(4 850 000)	1 800 000
<b>Payments</b>			
Suppliers and Employees	(364 491 718)	110 755 135	(253 736 584)
Finance charges	(800 000)	(2 520 000)	(3 320 000)
Transfers and Grants	(21 000 000)	3 000 000	(18 000 000)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>(127 007 833)</b>	<b>134 422 616</b>	<b>7 414 783</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Capital assets	(50 498 000)	10 000 450	(40 497 550)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(50 498 000)</b>	<b>10 000 450</b>	<b>(40 497 550)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase/(decrease) in consumer deposits	-	-	-
<b>Payments</b>			
Repayment of borrowing	(7 500 000)	(3 800 000)	(11 300 000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(7 500 000)</b>	<b>(3 800 000)</b>	<b>(11 300 000)</b>
<b>NET DECREASE IN CASH HELD</b>	<b>(185 005 833)</b>	<b>140 623 066</b>	<b>(44 382 767)</b>
Cash and Cash Equivalents at Merger Date	-	9 973 649	9 973 649
Cash and Cash Equivalents at the end of the Period	(185 005 833)	150 596 715	(34 409 118)



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### **1 ACCOUNTING POLICIES**

#### **1.01 BASIS OF PREPARATION**

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

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

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

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

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

#### **1.02 TRANSITIONAL PROVISIONS**

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

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

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

#### **1.03 PRESENTATION CURRENCY**

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

#### **1.04 GOING CONCERN ASSUMPTION**

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

#### **1.05 COMPARATIVE INFORMATION**

No comparative information is disclosed as the Municipality was only established in the current financial year.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.06 MATERIALITY

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

### 1.07 BUDGET INFORMATION

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

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

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

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

#### 1.08.1 Effective dates determined

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

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

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

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

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

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2019

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

#### 1.08.2 Effective dates not yet determined

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

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

##### 1.08.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

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

##### 1.08.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.34 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

##### 1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

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

##### 1.08.2.4 GRAP 34 - Separate Financial Statements (Original - March 2017)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

#### 1.08.2.5 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### 1.08.2.6 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### 1.08.2.7 GRAP 37 - Joint Arrangements (Original - March 2017)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

#### 1.08.2.8 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

#### 1.08.2.9 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.19.

The impact of this Standard on the financial statements will be minimal.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

#### 1.08.2.10 GRAP 109 - Accounting by Principles and Agents (Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

#### 1.08.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources.

#### 1.08.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

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

### 1.09 INVESTMENT PROPERTY

#### 1.09.1 Initial Recognition

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.09 INVESTMENT PROPERTY (CONTINUED)

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

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

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

#### 1.09.2 Subsequent Measurement – Fair Value Model

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

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

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

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

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

#### 1.09.3 Impairment

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.09 INVESTMENT PROPERTY

#### 1.09.4 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

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

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

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

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

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

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

#### 1.10.2 Subsequent Measurement - Cost Model

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

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

#### 1.10.3 Depreciation

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

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	YEARS
<b>Land and Buildings</b>	
Land	Indefinite
Buildings	17 - 100
<b>Infrastructure</b>	
Roads and Stormwater	7 - 100
Electricity	11 - 122
Solid Waste	8 - 72
<b>Community Assets</b>	
Park Facilities	24 - 125
<b>Lease Assets</b>	
Computer Equipment	3 - 5
Plant and Machinery	3
<b>Other Assets</b>	
Plant and Machinery	5 - 30
Motor Vehicles	5 - 18
Computer Equipment	4 - 18
Furniture and Office Equipment	5 - 15
<b>Capitalised Restoration Cost</b>	
Landfill sites	10 - 92

#### 1.10.4 Impairment

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

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

#### 1.10.5 Derecognition

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

### 1.11 INTANGIBLE ASSETS

#### 1.11.1 Initial Recognition

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

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.11 INTANGIBLE ASSETS (CONTINUED)

#### 1.11.2 Subsequent Measurement - Cost Model

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

#### 1.11.3 Amortisation

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

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

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

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

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

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

	Years
Computer Software	3

#### 1.11.4 Impairment

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

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

#### 1.11.5 Derecognition

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.12 HERITAGE ASSETS

#### 1.12.1 Initial Recognition

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

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

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

#### 1.12.2 Subsequent Measurement – Cost Model

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

#### 1.12.3 Depreciation

Heritage assets are not depreciated.

#### 1.12.4 Impairment

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.12 HERITAGE ASSETS (CONTINUED)

#### 1.12.5 Derecognition

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

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

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

### 1.13 IMPAIRMENT OF NON-MONETARY ASSETS

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

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

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

#### 1.13.1 Recoverable amount of Cash-generating assets

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

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

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

#### 1.13.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

#### 1.13.3 Impairment loss

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

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

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

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

#### 1.13.4 Reversal of an impairment loss

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

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

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

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

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

### 1.14 INVENTORIES

#### 1.14.1 Initial Recognition

Inventories are assets:

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.14 INVENTORIES (CONTINUED)

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

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

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

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

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

#### 1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

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

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

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

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

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



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.15 EMPLOYEE BENEFITS

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

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

#### 1.15.1 Post-Retirement Benefits

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

##### 1.15.1.1 *Multi-employer defined benefit plans*

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

##### 1.15.1.2 *Post Retirement Medical Obligations*

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

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.15 EMPLOYEE BENEFITS (CONTINUED)

#### 1.15.2 Long-term Benefits

##### 1.15.2.1 Long Service Awards

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

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

#### 1.15.3 Short-term Benefits

##### 1.15.3.1 Provision for Staff Leave

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

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

##### 1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

### 1.16 PROVISIONS

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.16 PROVISIONS (CONTINUED)

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

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

### 1.17 LEASES

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

#### 1.17.1 Municipality as Lessee

##### 1.17.1.1 Finance Leases

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.17 LEASES (CONTINUED)

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

#### 1.17.1.2 *Operating leases*

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

### 1.17.2 Municipality as Lessor

#### 1.17.2.1 *Finance Leases*

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

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

#### 1.17.2.2 *Operating Leases*

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

### 1.18 FINANCIAL INSTRUMENTS

#### 1.18.1 Initial Recognition

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.18 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

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

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

#### 1.18.3 Impairment and uncollectability of financial assets

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

##### 1.18.3.1 *Financial assets measured at amortised cost*

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.18 FINANCIAL INSTRUMENTS (CONTINUED)

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

#### 1.18.3.2 *Financial assets measured at cost*

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

### 1.18.4 **Derecognition of financial instruments**

#### 1.18.4.1 *Financial assets*

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

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

#### 1.18.4.2 *Financial liabilities*

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

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

### 1.18.5 **Offsetting of financial instruments**

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.19 STATUTORY RECEIVABLES

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

#### 1.19.1 Initial Recognition

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

#### 1.19.2 Subsequent Measurement

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

#### 1.19.3 Impairment and uncollectability of statutory receivables

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

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

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

#### 1.19.3 Derecognition

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.20 CASH AND CASH EQUIVALENTS

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

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

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

### 1.21 RECEIVABLES

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

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

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

### 1.22 TAXES (VALUE ADDED TAX)

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

### 1.23 PAYABLES AND ANNUITY LOANS

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

### 1.24 CONSUMER DEPOSITS

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



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.25 **CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS**

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

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

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

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

### 1.26 **REVENUE**

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

#### 1.26.1 **Revenue from Non-Exchange Transactions**

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

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

##### 1.26.1.1 *Taxation Revenue*

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

#### 1.26.1.2 *Transfer Revenue*

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

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

#### 1.26.1.3 *Fines*

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

#### 1.26.1.4 *Insurance Receipts*

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

#### 1.26.1.5 *Unclaimed deposits*

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

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

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

#### 1.26.1.7 *Services in-kind*

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

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

#### 1.26.1.8 Contributed Assets

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

### 1.26.2 Revenue from Exchange Transactions

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

#### 1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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

#### 1.26.2.2 Investment income

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

#### 1.26.2.3 Rental income

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

#### 1.26.2.5 *Other Tariffs*

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

#### 1.26.2.6 *Sale of goods*

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

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

#### 1.26.2.7 *Deferred payment*

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

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

### 1.27 BORROWING COSTS

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

### 1.28 UNAUTHORISED EXPENDITURE

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

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

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

### 1.32 CAPITAL COMMITMENTS

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

### 1.33 EVENTS AFTER REPORTING DATE

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.33 EVENTS AFTER REPORTING DATE (CONTINUED)

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

### 1.34 RELATED PARTIES

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

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

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

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

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

#### 1.35.1 Application of Directive 7

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

#### 1.35.2 Impairment of Receivables

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

#### 1.35.3 Useful lives and residual values

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

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

#### 1.35.4 Impairment of non-monetary assets

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

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

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

#### 1.35.5 Post-Retirement and Long-term Benefits

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 1.35.6 Provisions and Contingent Liabilities

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

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

#### 1.35.7 Financial assets and liabilities

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

#### 1.35.8 Revenue Recognition

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

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

### 1.36 MERGERS

A merger is the establishment of a new combined Municipality in which none of the former Municipalities obtain control over any other and no acquirer can be identified.

As of the merger date, the Municipality recognises all the assets acquired and liabilities assumed from the former municipalities. The assets acquired and liabilities assumed are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired and the liabilities assumed, is recognised in accumulated surplus.

Any adjustments made to the carrying amounts as a result of errors in the former municipalities' records, are also recognised in accumulated surplus.



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 1.36 MERGERS (CONTINUED)

Where the former municipalities applied a different basis of accounting, the new combined Municipality recognises the assets acquired and the liabilities assumed of the former municipalities on the merger date at their existing carrying amounts and subsequently adjust it only as a result of conforming with the combined Municipality's accounting policies. Where management is of the opinion that the conforming of accounting policies as on merger date, rather than subsequently to merger date, will be more beneficial to the users of the financial statements, it will state this fact and disclose the items effected as on merger date.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

Assets required and liabilities assumed in the merger are subsequently measured in accordance with the applicable Standards of GRAP applied by the Municipality.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>2 CASH AND CASH EQUIVALENTS</b>	
Bank Accounts	15 186 076
Call Deposits	2 041 267
<b>Total</b>	<b>17 227 343</b>
Due to the short term nature of cash deposits, all balances included above is in line with their fair value	
Cash and Cash Equivalents are held to support the following commitments:	
Unspent Conditional Grants	3 472 571
Working Capital Requirements	13 754 772
	<b>17 227 343</b>
Refer to notes 16 and 22 for more detail relating to unspent conditional grants.	
<b>Bank Accounts</b>	
ABSA Bank Ltd - Current Account - 40 8171 6725	
Bank Statement Balance - Balance on Merger Date	1 135 976
Bank Statement Balance - Closing Balance	6 697 008
Cashbook Balance - Balance on Merger Date	922 770
Cashbook Balance - Closing Balance	4 446 625
ABSA Bank Ltd - Current Account - 23 6000 0012	
Bank Statement Balance - Balance on Merger Date	18 319
Bank Statement Balance - Closing Balance	3 379 467
Cashbook Balance - Balance on Merger Date	(337)
Cashbook Balance - Closing Balance	3 379 466
First National Bank Ltd - Current Account - 620 2619 2336	
Bank Statement Balance - Balance on Merger Date	2 067 810
Bank Statement Balance - Closing Balance	4 830 350
Cashbook Balance - Balance on Merger Date	1 353 503
Cashbook Balance - Closing Balance	4 830 350
First National Bank Ltd - Current Account - 516 4001 1783	
Bank Statement Balance - Balance on Merger Date	209 658
Bank Statement Balance - Closing Balance	2 500 900
Cashbook Balance - Balance on Merger Date	46 763
Cashbook Balance - Closing Balance	2 529 636

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017

R

### 2 CASH AND CASH EQUIVALENTS

There were no overdraft facility at the period ending 30 June 2017

#### Call Deposits

Call Deposits consist out of the following account:

ABSA Bank Ltd - Call Account - 2076 727 872	2 000 000
ABSA Bank Ltd - Call Account - 9167 907 774	1 062
ABSA Bank Ltd - Call Account - 9130 862 998	2 931
ABSA Bank Ltd - Call Account - 9116 410 431	1 139
ABSA Bank Ltd - Call Account - 9081 226 121	1 549
First National Bank Ltd - Call Account - 6257 422 6249	2 476
First National Bank Ltd - Call Account - 6257 422 8716	10 661
First National Bank Ltd - Call Account - 6257 422 7643	21 266
First National Bank Ltd - Call Account - 6257 422 9772	183
<b>Total</b>	<b>2 041 267</b>

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>101 601 113</b>	<b>87 200 633</b>	<b>14 400 480</b>
Electricity	28 030 261	18 266 782	9 763 479
Refuse	62 295 027	58 890 962	3 404 065
Other Receivables	11 275 825	10 042 889	1 232 936
<b>Other Receivables</b>	<b>359 864</b>	-	<b>359 864</b>
Sundry Receivables	170 864	-	170 864
Sundry Deposit	189 000	-	189 000
<b>Total</b>	<b>101 960 977</b>	<b>87 200 633</b>	<b>14 760 344</b>

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017		
		R		
<b>3</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>			
	<b>Ageing of service receivables:</b>			
	<b>Electricity Ageing</b>			
	Current (0 - 30 days)			3 845 265
	Past Due (31 - 60 Days)			2 244 532
	Past Due (61 - 90 Days)			1 912 828
	Past Due (90 Days +)			20 027 636
	<b>Total</b>			<b>28 030 261</b>
	<b>Refuse Ageing</b>			
	Current (0 - 30 days)			1 328 467
	Past Due (31 - 60 Days)			1 256 507
	Past Due (61 - 90 Days)			1 199 075
	Past Due (90 Days +)			58 510 978
	<b>Total</b>			<b>62 295 027</b>
	<b>Other Services Ageing</b>			
	Current (0 - 30 days)			634 761
	Past Due (31 - 60 Days)			355 241
	Past Due (61 - 90 Days)			307 066
	Past Due (90 Days +)			9 978 758
	<b>Total</b>			<b>11 275 825</b>
	<b>Ageing per Customer Classification - 30 June 2017</b>			
		<b>Consumers</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
		R	R	R
	Current (0 - 30 days)	1 755 095	2 514 553	1 538 844
	Past Due (31 - 60 Days)	1 440 745	1 617 037	798 497
	Past Due (61 - 90 Days)	1 558 054	1 294 899	566 016
	Past Due (90 Days +)	68 725 324	13 407 266	6 384 783
	<b>Sub-Total</b>	<b>73 479 217</b>	<b>18 833 756</b>	<b>9 288 140</b>
	Less Allowance for Impairment	(69 539 932)	(12 815 482)	(4 845 218)
	<b>Total</b>	<b>3 939 285</b>	<b>6 018 273</b>	<b>4 442 922</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017

R

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

#### Reconciliation of Allowance for impairment

Balance recognised on Merger Date	56 926 344
Contribution to the provision	30 274 289
Electricity	9 579 139
Refuse	13 793 689
Other Receivables	6 901 460
<b>Balance at the end of the period</b>	<b>87 200 633</b>

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

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>169 642 346</b>	<b>155 732 189</b>	<b>13 910 157</b>
Rates	169 642 346	155 732 189	13 910 157
<b>Other Receivables</b>	<b>4 201 751</b>	-	<b>4 201 751</b>
Government Grants	3 716 410	-	3 716 410
Accrued Interest	42 500	-	42 500
Sundry Receivables	442 841	-	442 841
<b>Total</b>	<b>173 844 097</b>	<b>155 732 189</b>	<b>18 111 907</b>

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>4</b>	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)</b>	
<b>Ageing of service receivables:</b>		
<b>Rates Ageing</b>		
	Current (0 - 30 days)	10 392 204
	Past Due (31 - 60 Days)	3 329 424
	Past Due (61 - 90 Days)	3 269 403
	Past Due (90 Days +)	152 651 315
	<b>Total</b>	<b>169 642 346</b>

### Ageing per Customer Classification -

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	8 469 312	1 319 368	603 525
Past Due (31 - 60 Days)	2 636 434	145 666	547 323
Past Due (61 - 90 Days)	2 568 747	126 840	573 816
Past Due (90 Days +)	91 919 395	6 203 745	54 528 175
<b>Sub-Total</b>	<b>105 593 888</b>	<b>7 795 619</b>	<b>56 252 839</b>
Less Allowance for Impairment	(95 992 684)	(6 935 578)	(52 803 927)
<b>Total</b>	<b>9 601 204</b>	<b>860 041</b>	<b>3 448 912</b>

### Reconciliation of Allowance for impairment

Balance recognised on Merger Date	109 637 072
Contribution to the provision	52 944 741
Bad Debts Written off	(6 849 624)
Balance at the end of the period	<b>155 732 189</b>

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>5</b>	<b>VAT RECEIVABLE</b>	
	Vat Receivable	10 165 375
	<b>Total</b>	<b>10 165 375</b>

VAT is accounted for on the payment/cash basis.

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

### 6 OPERATING LEASES

#### 6.1 OPERATING LEASE ASSETS

Operating Lease Assets	<b>14 360</b>
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The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

Opening Balance	15 732
Asset recognised on Merger Date	-
Adjustments recognised on Merger Date	15 732
Contribution during the period	(1 372)
<b>Total</b>	<b>14 360</b>

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	62 420
Between 1 and 5 Years	44 298
After 5 Years	-
	<b>106 717</b>

The lease payments are in respect of properties being lease out over a period ranging up to 2019.

As GRAP 13 only requires the disclosure for contracts with defined lease payments and lease terms.

All rental income generated on properties are included in Rental of Facilities and Equipment.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>7 INVENTORY</b>	
Consumables - General Store	466 075
Consumables - Electrical Store	134 271
<b>Total</b>	<b>600 346</b>
Inventory are disclosed at the lower of cost or net realisable value.	
No inventory were pledged as security for liabilities.	
Inventory expensed during the year	<b>613 908</b>
<b>8 INVESTMENT PROPERTY</b>	
Investment Property - Carrying Value	<b>49 737 270</b>
The movement in investment properties is reconciled as follows:	
<b>Fair Value on Merger Date</b>	<b>48 367 200</b>
Asset recognised on Merger Date	54 971 349
Adjustments recognised on Merger Date	(6 604 149)
Fair Value Adjustment	1 370 070
<b>Closing Carrying Value</b>	<b>49 737 270</b>
Fair Value	49 737 270

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

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



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 9.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2017	Merger Take-on R	Additions R	Disposals R	Transfers R	Closing Balance R	Merger Take-on R	Additions R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>73 686 439</b>	-	-	-	<b>73 686 439</b>	<b>3 845 847</b>	<b>695 553</b>	-	<b>4 541 400</b>	<b>69 145 039</b>
Land	44 081 911	-	-	-	44 081 911	-	-	-	-	44 081 911
Buildings	29 604 528	-	-	-	29 604 528	3 845 847	695 553	-	4 541 400	25 063 128
<b>Infrastructure</b>	<b>466 711 104</b>	-	-	-	<b>466 711 104</b>	<b>239 964 858</b>	<b>19 787 770</b>	-	<b>259 752 629</b>	<b>206 958 476</b>
Roads and Stormwater	370 359 026	-	-	-	370 359 026	203 812 831	16 703 780	-	220 516 611	149 842 415
Electricity	94 044 079	-	-	-	94 044 079	35 100 855	2 886 560	-	37 987 414	56 056 665
Solid Waste	2 307 999	-	-	-	2 307 999	1 051 173	197 431	-	1 248 604	1 059 396
<b>Community Assets</b>	<b>58 752 602</b>	-	-	-	<b>58 752 602</b>	<b>12 101 168</b>	<b>1 678 708</b>	-	<b>13 779 876</b>	<b>44 972 726</b>
Cemetery	4 979 289	-	-	-	4 979 289	772 830	121 013	-	893 843	4 085 445
Recreation Grounds	10 095 649	-	-	-	10 095 649	3 420 137	396 070	-	3 816 206	6 279 443
Community Halls and Centres	43 677 665	-	-	-	43 677 665	7 908 201	1 161 625	-	9 069 826	34 607 838
<b>Lease Assets</b>	<b>26 995 106</b>	-	<b>(375 341)</b>	-	<b>26 619 765</b>	<b>10 524 759</b>	<b>6 136 555</b>	<b>(442 548)</b>	<b>16 218 766</b>	<b>10 400 999</b>
Computer Equipment	3 950 122	-	(375 341)	-	3 574 781	2 358 026	976 213	(442 548)	2 891 691	683 090
Plant and Machinery	23 044 984	-	-	-	23 044 984	8 166 732	5 160 342	-	13 327 075	9 717 909
<b>Other Assets</b>	<b>33 646 407</b>	<b>1 321 839</b>	<b>(2 942 490)</b>	-	<b>32 025 755</b>	<b>15 570 983</b>	<b>2 105 581</b>	<b>(1 950 875)</b>	<b>15 725 689</b>	<b>16 300 066</b>
Plant and Machinery	20 465 082	-	(646 462)	-	19 818 619	8 060 298	943 301	(512 928)	8 490 671	11 327 948
Motor Vehicles	6 802 500	1 220 731	(1 509 026)	-	6 514 205	3 069 227	523 055	(835 884)	2 756 398	3 757 807
Computer Equipment	2 787 624	79 167	(404 290)	-	2 462 501	1 995 344	303 002	(282 967)	2 015 379	447 122
Furniture and Office Equipment	3 591 201	21 940	(382 712)	-	3 230 429	2 446 115	336 223	(319 096)	2 463 241	767 188
<b>Work in Progress</b>	<b>124 912 647</b>	<b>40 628 386</b>	-	-	<b>165 541 033</b>	-	-	-	-	<b>165 541 033</b>
<b>Total</b>	<b>784 704 305</b>	<b>41 950 224</b>	<b>(3 317 831)</b>	-	<b>823 336 698</b>	<b>282 007 615</b>	<b>30 404 168</b>	<b>(2 393 423)</b>	<b>310 018 360</b>	<b>513 318 338</b>

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease agreement as disclosed in note 12 to the financial statements

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

**9.2 PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST**

Capitalised Restoration Cost - Carrying Value

14 246 847

**Total**

**14 246 847**

The movement in capitalised restoration cost is reconciled as follows:

**Balance on Merger Date**

13 798 954

Asset recognised on Merger Date

12 016 626

Adjustments recognised on Merger Date

1 782 328

Additions

1 260 725

Disposals

-

Depreciation for the period

(812 832)

**Closing Carrying Value**

14 246 847

Cost

24 732 992

Accumulated Depreciation

(10 486 145)

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

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

Refer to note 19 for more detail relating to this asset financed by way of a provision

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 10 HERITAGE ASSETS

Heritage Assets - Carrying Value

70 000

The municipality holds heritage assets, but was unable to obtain fair values of such assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

The following Heritage Assets were identified:

Dr John Knox Bokwe Graves	Alice	-
Fort Woburn	Alice	-
Nkonkobe Garden of Remembrance	Alice	-
Fort Armstrong	Balfour	-
Maqoma Great Place	Balfour	-
Ntsikana Grave	Balfour	-
Oliver Shreiner House	Balfour	-
Fort Beaufort Historical Museum	Fort Beaufort	-
Fort Fordyce Fallen Site	Fort Beaufort	-
Infantry Barracks	Fort Beaufort	-
Lake's Man Fort	Fort Beaufort	-
Lord Charles Somerset House	Fort Beaufort	-
Mansonic Lodge	Fort Beaufort	-
Martello Tower	Fort Beaufort	-
Mater Hill	Fort Beaufort	-
Military Museum	Fort Beaufort	-
Military Hospital	Fort Beaufort	-
Officers Quarters	Fort Beaufort	-
The Fort	Fort Beaufort	-
The Officers Mess	Fort Beaufort	-
Ecology Shrine	Hogsback	-
Fort Michel	Seymour	-
Eland Post	Seymour	-
Christmas Day Massacre Memorial	Woburn Village	-
Tyali's Great Place	Woburn Village	-
The Presidency Sundial	Woburn Village	-
Nontetha's Grave	Middledrift	-
Monument	Adelaide	35 000
Monument	Bedford	35 000
<b>Total</b>		<u><u>70 000</u></u>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017 R
<b>11 INTANGIBLE ASSETS</b>	
Intangible Assets - Carrying Value	12 893
<b>Total</b>	<b>12 893</b>
Opening Balance	23 624
Asset recognised on Merger Date	106 798
Adjustments recognised on Merger Date	(83 174)
Amortisation for the period	(10 731)
<b>Total</b>	<b>12 893</b>

Intangible Assets consist only out of software and licenses

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

## **12 LONG-TERM LIABILITIES**

Finance Lease Liabilities	735 396
<b>Sub-Total</b>	<b>735 396</b>
Less: Current portion of Long-term Liabilities	<b>510 279</b>
Finance Lease Liabilities	510 279
<b>Total</b>	<b>225 118</b>

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 12 LONG-TERM LIABILITIES

#### Finance Lease Liabilities

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

Nr	Institution	Interest Rate	Redemption Date
1	Laman Financial Services - Grader 140K	12.18%	31-Jan-17
2	Laman Financial Services - Backhoe Loader 428 F	12.18%	31-Jan-17
3	Laman Financial Services - Dozer D6R	12.18%	31-Jan-17
4	Laman Financial Services - Excavator 320D	12.18%	31-Jan-17
5	Laman Financial Services - Tipper Truck CLA 26 280	12.18%	31-May-17
6	Laman Financial Services - Water Tanker 18000L	12.18%	31-Jan-17
7	Laman Financial Services - Tow tractor	12.18%	30-Jun-17
8	Laman Financial Services - Tectron Grid Roller	12.18%	31-May-17
9	Laman Financial Services - Refuse Truck 19m 3 Isuzu	12.18%	30-Jun-17
10	Aloe XEROX - 37 different Copier Machines	17.72%	14-Jun-17
11	Aloe XEROX - 14 different Copier Machines	18.84%	30-Jun-18
12	Aloe XEROX - 2 different Copier Machines	18.84%	23-Mar-19
13	Bizhub C203 Digital Copier - E042003104	8.58%	28-Sep-16
14	Bizhub 282 Digital Copier - V041002100	8.58%	30-Sep-18

Only the Bizhub digital copiers have an escalation of 15 % over the respective period. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier at the end of the lease term when the contract is cancelled.

Assets and liabilities associated with finance lease contracts:

Nr	Institution	Carrying Value of Asset	Carrying Value of Liability
		30 JUNE 2017 R	30 JUNE 2017 R
1	Laman Financial Services - Grader 140K	1 149 450	-
2	Laman Financial Services - Backhoe Loader 428 F	552 439	-
3	Laman Financial Services - Dozer D6R	2 237 904	-
4	Laman Financial Services - Excavator 320D	800 771	-
5	Laman Financial Services - Tipper Truck CLA 26 280	847 095	-
6	Laman Financial Services - Water Tanker 18000L	880 577	-
7	Laman Financial Services - Tow tractor	968 911	-
8	Laman Financial Services - Tectron Grid Roller	758 158	-
9	Laman Financial Services - Refuse Truck 19m 3 Isuzu	1 522 605	-

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 13 LONG-TERM LIABILITIES (CONTINUED)

Nr	Institution	Carrying Value of Asset	Carrying Value of Liability
		30 JUNE 2017 R	30 JUNE 2017 R
10	Aloe XEROX - 37 different Copier Machines	26 158	-
11	Aloe XEROX - 14 different Copier Machines	154 031	178 644
12	Aloe XEROX - 2 different Copier Machines	447 412	473 544
13	Bizhub C203 Digital Copier - E042003104	-	-
14	Bizhub 282 Digital Copier - V041002100	55 489	83 209
		<b>10 400 999</b>	<b>735 396</b>
		<b>10 400 999</b>	<b>735 396</b>

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 9.1.

Finance Lease Liabilities are payable as follows:

	30 JUNE 2017 R
Payable within one year	600 715
Payable within two to five years	240 284
<b>Total amount payable</b>	<b>840 999</b>
<b>Less:</b> Outstanding Future Finance Charges	(105 603)
<b>Present value of finance lease liabilities</b>	<b>735 396</b>
	<b>735 396</b>

### 14 CONSUMER DEPOSITS

Electricity	1 999 319
<b>Total</b>	<b>1 999 319</b>
	<b>1 999 319</b>

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>15</b>	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
	Trade Payables	150 240 424
	Debtors with credit balances	6 981 278
	Unidentified Deposits	12 170 377
	Sundry Creditors	1 256 114
	<b>Total</b>	<b>170 648 193</b>

Payables are being recognised net of any discounts received

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

Payables are not secured.

### **16 UNSPENT CONDITIONAL GOVERNMENT GRANTS**

National Government	1 547 975
Provincial Government	1 924 597
<b>Total</b>	<b>3 472 571</b>

Detail reconciliations of all grants received and grant conditions met are included in note 22. Unspent grant balances are recognised to the extent that conditions are not yet met.

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

### **17 CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits	535 912
Current Portion of Long-Service Provisions	850 613
Bonuses	2 458 662
Staff Leave	9 195 677
<b>Total</b>	<b>13 040 865</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 17 CURRENT EMPLOYEE BENEFITS (CONTINUED)

The movement in current employee benefits are reconciled as follows:

#### Bonuses

Opening Balance	2 688 405
Liability recognised on Merger Date	2 668 487
Adjustments recognised on Merger Date	19 918
Contribution during the period	5 171 860
Payments made	(5 401 603)
<b>Closing Balance</b>	<b>2 458 662</b>

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

#### Staff Leave

Liability recognised on Merger Date	8 363 283
Contribution during the period	1 511 212
Payments made	(678 817)
<b>Closing Balance</b>	<b>9 195 677</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>18</b>	<b>EMPLOYEE BENEFITS</b>	
	Post Retirement Medical Benefits	28 101 492
	Long Service Awards	6 196 501
	<b>Sub-Total</b>	<b>34 297 993</b>
	Less: Current portion of Employee Benefits	<b>1 386 525</b>
	Post Retirement Medical Benefits	535 912
	Long Service Awards	850 613
	<b>Total</b>	<b>32 911 468</b>

### 18.1 Post Retirement Medical Benefits

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

Opening Balance	26 350 682
Liability recognised on Merger Date	26 286 008
Adjustments recognised on Merger Date	64 674
Contribution during the period	3 228 878
Current Service Cost	1 513 955
Interest Cost	1 714 923
Payments made	(461 457)
Actuarial Gain	(1 016 611)
Total balance at period-end	<b>28 101 492</b>
Less Current Portion	535 912
<b>Total</b>	<b>27 565 580</b>

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

		30 JUNE 2017
In-service members	212	
Continuation members	11	
<b>Total</b>	<b>223</b>	

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 18 EMPLOYEE BENEFITS (CONTINUED)

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

In-service members	22 626 444
Continuation members	5 475 048
<b>Total Unfunded Liability</b>	<b>28 101 492</b>

The entity was established on 6 August 2016. No comparative information relating to historical liabilities and experience adjustments is available for disclosure as required by GRAP 25.

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

Bonitas  
LA Health  
Hosmed  
Samwumed  
Keyhealth

30 JUNE 2017

Key Actuarial Assumptions used are as follows:

#### Interest Rates

Discount rate	9.91%
Health Care Cost Inflation Rate	8.18%
Net Effective Discount Rate	1.60%

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

#### Mortality Rates

The PA 90 ultimate table, rated down by 2 year of age was used by the actuaries.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 18 EMPLOYEE BENEFITS (CONTINUED)

#### Normal Retirement Age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

#### Last Valuation

The last valuation was performed on 25 August 2017.

#### Actuarial Valuation Method

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

#### Sensitivity Analysis - Liability at period-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	22.626	5.475	28.101	
Health care inflation				
+ 1%	27.136	5.960	33.096	18%
- 1%	18.918	5.053	23.971	-15%
Discount rate				
+ 1%	18.882	5.062	23.944	-15%
- 1%	27.432	5.956	33.388	19%
Post-retirement mortality				
- 1 year	23.344	5.710	23.193	3%
Average retirement age				
- 1 year	24.735	5.475	30.210	8%
Continuation of membership at retirement				
- 10%	20.561	5.475	26.036	-7%

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 18 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	2.060	2.760	4.819	
Health care inflation				
+ 1%	2.520	3.255	5.775	20%
- 1%	1.689	2.350	4.039	-16%
Discount rate				
+ 1%	1.701	2.585	4.285	-11%
- 1%	2.527	2.953	5.479	14%
Post-retirement mortality				
- 1 year	2.124	2.854	4.978	3%
Average retirement age				
- 1 year	2.230	2.969	5.199	8%
Continuation of membership at retirement				
- 10%	1.877	2.555	4.432	-8%

30 JUNE 2017

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### 18.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	6 371 547
Liability recognised on Merger Date	6 343 873
Adjustments recognised on Merger Date	27 674
Contribution during the period	1 082 522
Current Service Cost	689 195
Interest Cost	393 327
Payments made	(377 972)
Actuarial Gain	(879 596)
Total balance at period-end	6 196 501
Less Current Portion	850 613
<b>Total</b>	<b>5 345 888</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 18 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	30 JUNE 2017
In-service members	<u>356</u>

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

	30 JUNE 2017
	R
In-service members	6 196 501
<b>Total Unfunded Liability</b>	<b><u>6 196 501</u></b>

The entity was established on 6 August 2016. No comparative information relating to historical liabilities and experience adjustments is available for disclosure as required by GRAP 25.

Key Actuarial Assumptions used are as follows:

#### Interest Rates

Discount rate	8.35%
General Salary Inflation (long-term)	6.17%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%

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

#### Last Valuation

The last valuation was performed on 25 August 2017.

#### Actuarial Valuation Method

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

18

### EMPLOYEE BENEFITS (CONTINUED)

30 JUNE 2017

#### Sensitivity Analysis - Liability at period-end

Assumption	Total liability (Rm)	% change
Liability	6.197	
General salary inflation		
+ 1%	6.559	6%
- 1%	5.867	-5%
Discount rate		
+ 1%	5.853	-6%
- 1%	6.581	6%
Average retirement age		
- 2 years	5.492	-11%
+ 2 years	6.881	11%
Withdrawal rates		
- 50%	7.330	18%

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

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.676	0.483	1.158	
General salary inflation				
+ 1%	0.723	0.513	1.236	7%
- 1%	0.632	0.455	1.088	-6%
Discount rate				
+ 1%	0.636	0.508	1.145	-1%
- 1%	0.720	0.453	1.173	1%
Average retirement age				
- 2 years	0.619	0.424	1.043	-10%
+ 2 years	0.730	0.538	1.268	9%
Withdrawal rates				
- 50%	0.863	0.577	1.440	24%

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 18 EMPLOYEE BENEFITS (CONTINUED)

#### 18.3 Other Pension Benefits

##### Defined Benefit Plans

30 JUNE 2017

R

Council contributes to the following defined benefit plans:

LA Retirement Fund (former Cape Joint Pension Fund) 7 821 896

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 103.5% (30 June 2015 - 101.4%).

##### Total

7 821 896

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

18	EMPLOYEE BENEFITS (CONTINUED)	30 JUNE 2017 R
	<b>Defined Benefit Plans</b>	
	Council contributes to the following defined benefit plans:	
	Government Employees Pension Fund	21 745
	SALA Pension Fund	1 469 045
	SAMWU National Provident Fund	1 409 585
	Municipal Workers Fund	300 303
	<b>Total</b>	<b>3 200 678</b>
	The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.	
19	<b>NON-CURRENT PROVISIONS</b>	
	Rehabilitation Provision - Landfill Sites	36 173 302
	<b>Total</b>	<b>36 173 302</b>
	The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:	
	Opening Balance	34 056 877
	Liability recognised on Merger Date	33 858 957
	Adjustments recognised on Merger Date	197 920
	Contribution during the year	2 116 425
	Additions	1 260 725
	Interest Cost	855 700
	Total balance at period-end	<b>36 173 302</b>
	Less Current Portion	-
	<b>Total</b>	<b>36 173 302</b>

It is estimated that no site will be rehabilitated within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 19 NON-CURRENT PROVISIONS (CONTINUED)

30 JUNE 2017  
R

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

Site	Expected Closure Date	
Alice	2050	13 831 004
Middledrift	2100	3 937 562
Seymour	2028	3 599 180
Adelaide	2018	8 560 077
Bedford	2021	6 245 479
<b>Total</b>		<b>36 173 302</b>

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 2.51% during the period under review..

30 JUNE 2017

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

The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m<sup>2</sup>):

Alice	31 524
Middledrift	4 836
Seymour	3 317
Adelaide	20 553
Bedford	14 477

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m<sup>2</sup>):

Alice	439
Middledrift	814
Seymour	1 085
Adelaide	416
Bedford	431

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>20</b>	<b>COMMUNITY WEALTH</b>	
	Accumulated Surplus	379 283 909
	<b>Total</b>	<b>379 283 909</b>
<hr/>		
<b>21</b>	<b>PROPERTY RATES</b>	
	Total Property Rates	50 367 585
	<b>Total</b>	<b>50 367 585</b>
<hr/>		
Property rate levied are based on the following rateable valuations:		
	Residential	1 792 723 300
	Business & Commercial	1 766 376 300
	State-owned	2 121 882 300
	<b>Total Valuation</b>	<b>5 680 981 900</b>
<hr/>		

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014 (at former municipalities)

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

The following rates are applicable to the valuations above:

	Former Nxuba	Former Nkonkobe
Agriculture (Residential)	0.005200 c / R	0.007900 c / R
Agriculture (Business)	0.007200 c / R	0.015800 c / R
Agriculture (Other)	-	0.007900 c / R
Privately Owned Town (Serviced by owner)	-	0.008137 c / R
Business and Commercial	0.007200 c / R	0.016274 c / R
Churches/Place of Public Worship	Exempt	Exempt
Government	0.007200 c / R	0.023700 c / R
Guest House/Hotel	-	0.016274 c / R
Industrial	0.007200 c / R	0.016274 c / R
Properties used for multi purpose	0.007200 c / R	0.010000 c / R
Education	-	0.023700 c / R
Public Benefit Organization	Exempt	Exempt
Public service infrastructure	0.006800 c / R	0.001975 c / R

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 21 PROPERTY RATES (CONTINUED)

	Former Nxuba	Former Nkonkobe
Residential/Small holding	0.007200 c / R	0.007900 c / R
Rural communal land	-	0.023700 c / R
Vacant land	-	0.008400 c / R
Sectional Title	-	0.007900 c / R
Municipal properties	Exempt	Exempt
Privately Owned Town (Open space)	-	0.001975 c / R

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

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

**30 JUNE 2017**  
R

### 22 GOVERNMENT GRANTS AND SUBSIDIES

#### Unconditional Grants - National Government

122 870 207

Equitable Share

122 870 207

#### Conditional Grants - National Government

72 543 773

Municipal Finance Management Grant

3 636 725

Municipal Systems Improvement Grant

-

Municipal Infrastructure Grant

45 302 621

Integrated National Electrification Programme (INEP)

2 466 954

Expanded Public Works Program

2 053 767

Municipal Demarcation and Transition Grant

13 427 853

National Treasury Audit Fees Grant 1%

5 508 291

LG-SETA

147 562

#### Conditional Grants - Provincial Government

2 829 815

COGTA Merger Assistance Grant

1 033 023

Library Grant

1 570 000

Quarry Mining Grant

220 292

ECDLGTA - Greening and Beautification

6 500

#### Total

**198 243 795**

Disclosed as:

Government Grants and Subsidies - Capital

43 304 171

Government Grants and Subsidies - Operating

154 939 624

#### Total

**198 243 795**

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
<b>22</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>	
	Grants per Vote (MFMA Sec 123 (c)):	
	Equitable share	122 870 207
	Accounting Officer	226 792
	Budget and Treasury Office	18 493 350
	Community Services	1 570 000
	Corporate Services	5 260 104
	Technical Services	49 823 342
	<b>Total</b>	<b>198 243 795</b>

The movements per grant can be summarised as follows:

### 22.01 Equitable Share

Grants Received	122 870 207
Transferred to Revenue - Operating	(122 870 207)
Closing Unspent Balance	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### 22.02 Municipal Finance Management Grant

Grants Received	3 650 000
Transferred to Revenue - Operating	(3 636 725)
Transfer to/(from) Receivables	(13 275)
Closing Unspent Balance	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

### 22.03 LG-SETA

Grants Received	147 562
Transferred to Revenue - Operating	(147 562)
Closing Unspent Balance	-

The LG SETA Grant is utilised to cover expenditure relating to training.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 22.04 Municipal Systems Improvement Grant

Unspent Balance on Merger Date	142 863
Adjusted by National Treasury	(142 863)
Closing Unspent Balance	-

To assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

#### 22.05 Municipal Infrastructure Grant

Unspent Balance on Merger Date	2 632 003
Grants Received	39 969 000
Transferred to Revenue - Capital	(43 304 171)
Transferred to Revenue - Operating	(1 998 450)
Adjusted by National Treasury	(1 014 791)
Transfer to/(from) Receivables	3 716 409
Closing Unspent Balance	-

The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities .

#### 22.06 Integrated National Electrification Programme (INEP)

Unspent Balance on Merger Date	1 007 553
Grants Received	5 000 000
Transferred to Revenue - Operating	(2 466 954)
Adjusted by National Treasury	(1 007 553)
Transfer to/(from) Receivables	(985 218)
Closing Unspent/(Unpaid) Balance	1 547 828

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 22.07 Expanded Public Works Program

Grants Received	2 167 000
Transferred to Revenue - Operating	(2 053 767)
Adjusted by National Treasury	(113 234)
	<hr/>
Closing Unspent Balance	-
	<hr/> <hr/>

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

#### 22.08 Municipal Demarcation and Transition Grant

Unspent Balance on Merger Date	2 686 000
Grants Received	10 742 000
Transferred to Revenue - Operating	(13 427 853)
	<hr/>
Closing Unspent Balance	147
	<hr/> <hr/>

To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

#### 22.09 National Treasury Audit Fees Grant 1%

Grants Received	5 508 291
Transferred to Revenue - Operating	(5 508 291)
	<hr/>
Closing Unspent Balance	-
	<hr/> <hr/>

This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.

#### 22.10 Library Grant

Grants Received	1 570 000
Transferred to Revenue - Operating	(1 570 000)
	<hr/>
Closing Unspent Balance	-
	<hr/> <hr/>

To provide the municipality with finance for the operation and administration of Community Libraries.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>	
<b>22.11 COGTA Merger Assistance Grant</b>	
Grants Received	2 000 000
Transferred to Revenue - Operating	(1 033 023)
Closing Unspent Balance	<u>966 977</u>
<p>This grant is allocated to municipalities affected by mergers as a result of municipal boundaries that were re-determined effectively from 6 August 2016.</p>	
<b>22.12 Other Provincial Allocations</b>	
Unspent Balance on Merger Date	1 184 412
Grants Received	-
Transferred to Revenue - Operating	(226 792)
Closing Unspent Balance	<u>957 620</u>
<p>Other Provincial Allocations includes the following grants:</p> <ul style="list-style-type: none"><li>- Quarry Mining Grant</li><li>- ECDLGTA - Greening and Beautification</li><li>- LSDF - Middledrift Spatial Development Framework</li></ul>	
<b>22.13 Total Grants</b>	
Unspent Balance on Merger Date	7 652 831
Grants Received	193 624 061
Transferred to Revenue - Capital	(43 304 171)
Transferred to Revenue - Operating	(154 939 625)
Adjusted by National Treasury	(2 278 441)
Transfer to/(from) Receivables	2 717 916
Closing Unspent Balance	<u>3 472 571</u>
<b>23 FINES</b>	
Traffic Fines	127 910
<b>Total</b>	<u>127 910</u>
<b>24 ACTUARIAL GAINS</b>	
Long Service Awards	879 596
Post Retirement Medical Benefits	1 016 611
<b>Total</b>	<u>1 896 206</u>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017 R
<b>25</b>	<b>FAIR VALUE ADJUSTMENTS</b>	
	Investment Property	1 370 070
	<b>Total</b>	<b>1 370 070</b>
<b>26</b>	<b>SERVICE CHARGES</b>	
	Electricity Revenue	50 287 769
	Refuse Removal Revenue	15 452 383
	<b>Total Revenue</b>	65 740 152
	Less: Rebates	(5 256 795)
	Refuse Removal Revenue	(5 256 795)
	<b>Total</b>	<b>60 483 357</b>
	<p>Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.</p>	
<b>27</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>	
	Hall Rental	130 254
	Municipal Houses	61 815
	Equipment	3 016
	Properties	115 996
	Billboards	32 941
	<b>Total</b>	<b>344 021</b>
<b>28</b>	<b>INTEREST EARNED - EXTERNAL INVESTMENTS</b>	
	Short-Term Investments and Current Accounts	1 985 358
	<b>Total</b>	<b>1 985 358</b>
<b>29</b>	<b>INTEREST EARNED - OUTSTANDING DEBTORS</b>	
	Interest Earned - Service Debtors	6 223 876
	Interest Earned - Penalty Interest on Property Rates	13 882 094
	<b>Total</b>	<b>20 105 970</b>
<b>30</b>	<b>LICENCES AND PERMITS</b>	
	Learners and Drivers Testing	3 515 641
	<b>Total</b>	<b>3 515 641</b>



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>31 OTHER INCOME</b>	
Connections - Electricity	91 772
Building Plan Fees	47 072
Burial and Cemetery fees	116 011
Commission Received	93 803
Discount Received	139 863
Tender Deposits	10 000
Valuation Certificates	40 024
Unknown Receipts Recognised as Revenue	18 192
Sundry Income	808 873
<b>Total</b>	<b>1 365 612</b>

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

<b>32 EMPLOYEE RELATED COSTS</b>	
Basic Salaries and Wages	79 042 683
Pension and UIF Contributions	11 931 227
Medical Aid Contributions	4 549 830
Overtime	3 387 387
Annual Bonus	5 171 860
Motor Vehicle Allowance	3 528 292
Housing Allowances	995 960
Other benefits and allowances	2 661 370
Payments in lieu of leave	1 511 212
Long service awards	689 195
Post Retirement Medical Benefits	1 513 955
<b>Total</b>	<b>114 982 972</b>

### Remuneration of Key Personnel

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

#### Remuneration of the Acting Municipal Manager

Basic Salary	568 019
Acting Allowance	153 513
Pension and UIF Contributions	1 636
Motor Vehicle Allowance	136 001
Housing Allowances	181 407
Cellphone Allowance	45 352
Other benefits and allowances	84
<b>Total</b>	<b>1 086 012</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>32 EMPLOYEE RELATED COSTS (CONTINUED)</b>	
<b>Remuneration of the Chief Financial Officer</b>	
Basic Salary	605 815
Pension and UIF Contributions	1 636
Bonus	54 022
Motor Vehicle Allowance	45 352
Housing Allowances	181 353
Cellphone Allowance	45 352
Other benefits and allowances	84
<b>Total</b>	<b>933 614</b>
<b>Remuneration of the Technical Services Manager</b>	
Basic Salary	568 019
Pension and UIF Contributions	1 636
Motor Vehicle Allowance	181 407
Housing Allowances	136 001
Cellphone Allowance	45 352
Other benefits and allowances	84
<b>Total</b>	<b>932 499</b>
<b>Remuneration of the Corporate Services Manager</b>	
Basic Salary	568 019
Pension and UIF Contributions	1 636
Medical Aid Contributions	72 563
Motor Vehicle Allowance	99 774
Housing Allowances	126 931
Cellphone Allowance	63 492
Other benefits and allowances	84
<b>Total</b>	<b>932 499</b>
<b>Remuneration of the Community Services Manager</b>	
Basic Salary	536 000
Pension and UIF Contributions	1 487
Acting Allowance	10 606
<b>Total</b>	<b>548 093</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>33 REMUNERATION OF COUNCILLORS</b>	
Councillor Allowance	12 257 031
Cell Phone Allowance	912 474
<b>Total</b>	<b>13 169 505</b>
Mayor	695 021
Speaker	559 963
Chief Whip	399 757
Executive Committee Members	1 721 980
Councillors	9 509 850
Traditional Leaders	282 936
<b>Total</b>	<b>13 169 505</b>
<b>In-kind Benefits</b>	
The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.	
<b>34 DEBT IMPAIRMENT</b>	
Receivables from exchange transactions	30 274 289
Receivables from non-exchange transactions	52 944 741
<b>Total</b>	<b>83 219 029</b>
<b>35 DEPRECIATION AND AMORTISATION</b>	
Property, Plant and Equipment	30 414 899
Property, Plant and Equipment - Capitalised Restoration Cost	812 832
<b>Total</b>	<b>31 227 731</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017  
R

### 36 REPAIRS AND MAINTENANCE

In the current year the Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by its nature. Accordingly, repairs and maintenance are now included in the relevant line item based on nature. This view is consistent with the proposed treatment in mSCOA going forward into the next financial years.

However, In line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:

Furniture, Office Equipment and Tools	268 794
Buildings and Commonage	249 286
Plant, Machinery and Vehicles	1 337 148
Infrastructure: Roads and Stormwater	78 037
Infrastructure: Electricity	1 649 836
<b>Total</b>	<b>3 583 102</b>

### 37 FINANCE CHARGES

Finance Lease Liabilities	472 718
Post Retirement Medical Benefits	1 714 923
Long Service Awards	393 327
Rehabilitation Provision - Landfill Sites	855 700
Creditors	10 292 447
<b>Total</b>	<b>13 729 115</b>

### 38 BULK PURCHASES

Electricity	56 642 349
<b>Total</b>	<b>56 642 349</b>

### 39 TRANSFERS AND GRANTS

Indigent Subsidy (Eskom Consumers)	3 603 817
Indigent Subsidy (Paraffin Hampers)	78 483
Nkonkobe Economic Development Agency (NEDA)	4 599 507
<b>Total</b>	<b>8 281 806</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	30 JUNE 2017
	R
<b>40 OTHER EXPENDITURE</b>	
Advertising	258 769
Audit Committee Allowances	375 905
Audit fees	8 464 594
Bank Charges	275 983
Commissions Paid	47 415
Consumables	216 285
Entertainment costs	170 507
Employee Wellness	182 117
Events	155 270
Fuel and Oil	2 773 354
Insurance	872 125
Job creation projects	2 174 110
Legal fees	2 873 673
License fees - Vehicles	380 485
Maintenance Materials and Small Tools	3 583 102
Operating Grant Expenditure	15 071 157
Financial Management Grant (FMG)	3 105 554
Integrated National Electrification Program (INEP)	2 163 995
Municipal Demarcation and Transitions Grant	9 669 042
Other Projects	132 566
Postage and Courier	160 760
Printing & Stationery	634 609
Professional & Consultancy Fees	6 250 778
Protective Clothing	10 351
Rental of Equipment	1 370 102
Refuse Removal	1 751 224
Refuse Bags	98 179
Security Services	223 905
Service Charges	1 028 594
Special Programmes	1 560 797
Subscriptions and Membership Fees	1 356 178
Subsistence & Travel	1 376 562
Telephone Cost	4 256 763
Training	696 864
Tourism Development	234 390
Valuation Costs	1 387 465
Ward Committees	1 973 471
General Expenses	4 269 429
<b>Total</b>	<b>66 515 269</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

		30 JUNE 2017
		R
41	<b>LOSS ON DISPOSAL OF PPE</b>	
	Movable Assets	924 409
	<b>Total</b>	<u>924 409</u>
42	<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	
	<b>Net Surplus/(Deficit) for the year</b>	(48 886 662)
	<b>Adjusted for:</b>	
	Non-Cash Expenditure	118 335 120
	Debt Impairment	83 219 029
	Depreciation and Amortisation	31 227 731
	Finance Charges	2 963 950
	Loss on disposal of PPE	924 409
	Non-Cash Revenue	(3 266 276)
	Actuarial Gains	(1 896 206)
	Fair Value Adjustments	(1 370 070)
	Contributions - Provisions and Employee Benefits	8 886 222
	Post Retirement Medical Benefits	1 513 955
	Long Service Awards	689 195
	Bonuses	5 171 860
	Staff Leave	1 511 212
	Expenditure - Provisions and Employee Benefits	(6 919 849)
	Post Retirement Medical Benefits	(461 457)
	Long Service Awards	(377 972)
	Bonuses	(5 401 603)
	Staff Leave	(678 817)
	Other adjustments	(9 126 692)
	Bad Debts Written Off	(6 849 624)
	Grants Returned to National Revenue Fund	(2 278 441)
	Rental Income Accrued	1 372
	Operating Surplus before changes in working capital	59 021 861
	Movement in working capital	(3 412 394)
	Receivables from exchange and non-exchange transactions	(4 058 254)
	Inventory	613 908
	Payables from exchange transactions	44 435 824
	Unspent Conditional Government Grants	(1 901 820)
	Deferred Revenue	(43 134 242)
	VAT Receivable	632 190
	<b>Cash Flow from Operating Activities</b>	<u><u>55 609 467</u></u>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 43 ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016 after merger and the following assets and liabilities were transferred from the combining entities:

	<b>Nkonkobe Local Municipality R</b>	<b>Nxuba Local Municipality R</b>	<b>Raymond Mhlaba Municipality R</b>
<b>Current Assets</b>	<b>102 815 586</b>	<b>30 275 159</b>	<b>133 090 745</b>
Cash and Cash Equivalents	9 776 273	217 649	9 993 922
Receivables from exchange transactions	10 183 344	12 179 702	22 363 046
Receivables from non-exchange transactions	77 927 120	7 674 956	85 602 076
VAT Receivable	4 539 575	9 308 975	13 848 550
Operating Lease Asset	-	-	-
Inventory	389 273	893 877	1 283 151
<b>Non-Current Assets</b>	<b>365 919 567</b>	<b>167 663 446</b>	<b>533 583 013</b>
Investment Property	21 208 000	33 763 349	54 971 349
Property, Plant and Equipment	332 694 941	133 723 298	466 418 238
Property, Plant and Equipment - Capitalised Restoration Cost	12 016 626	-	12 016 626
Heritage Assets	-	70 000	70 000
Intangible Assets	-	106 799	106 799
<b>Total Assets</b>	<b>468 735 153</b>	<b>197 938 605</b>	<b>666 673 758</b>
<b>Current Liabilities</b>	<b>83 084 539</b>	<b>72 643 878</b>	<b>155 728 417</b>
Current Portion of Long-term Liabilities	6 554 283	84 025	6 638 308
Consumer Deposits	1 462 349	413 945	1 876 294
Payables from exchange transactions	59 189 871	70 133 992	129 323 863
Unspent Conditional Government Grants	6 403 915	1 248 916	7 652 832
Current Employee benefits	9 474 121	763 000	10 237 121

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 43 ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	Nkonkobe Local Municipality R	Nxuba Local Municipality R	Raymond Mhlaba Municipality R
<b>Non-Current Liabilities</b>	<b>47 117 453</b>	<b>18 051 460</b>	<b>65 168 913</b>
Long-term Liabilities	623 109	95 921	719 029
Employee benefits	26 431 926	4 159 000	30 590 926
Non-Current Provisions	20 062 418	13 796 539	33 858 957
<b>Total Liabilities</b>	<b>130 201 992</b>	<b>90 695 337</b>	<b>220 897 330</b>
<b>NET ASSETS ON MERGER DATE</b>	<b>338 533 161</b>	<b>107 243 267</b>	<b>445 776 428</b>
<b>Accumulated Surplus</b>	<b>338 533 161</b>	<b>107 243 267</b>	<b>445 776 428</b>

### 44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE

In line with GRAP 107, paragraphs 22 and 23, the following differences between the carrying amounts of the assets acquired and the liabilities assumed, including any inconsistencies between the basis employed relating to these assets and liabilities, were identified:

	Assets Acquired and Liabilities assumed on Merger Date R	Adjustments to Carrying Value on Merger Date R	Adjusted Value Recognised on Merger Date R
<b>Current Assets</b>	<b>133 090 745</b>	<b>(5 885 869)</b>	<b>127 204 876</b>
Cash and Cash Equivalents	9 993 922	0	9 993 922
Receivables from exchange transactions	22 363 046	(171 831)	22 191 215
Receivables from non-exchange transactions	85 602 076	(2 609 887)	82 992 189
VAT Receivable	13 848 550	(3 050 985)	10 797 565
Operating Lease Assets	-	15 732	15 732
Inventory	1 283 151	(68 897)	1 214 254
<b>Non-Current Assets</b>	<b>533 583 013</b>	<b>31 373 456</b>	<b>564 956 469</b>
Investment Property	54 971 349	(6 604 149)	48 367 200
Property, Plant and Equipment	466 418 238	36 278 452	502 696 690
Property, Plant and Equipment - Capitalised Restoration Cost	12 016 626	1 782 328	13 798 954
Heritage Assets	70 000	-	70 000
Intangible Assets	106 799	(83 175)	23 624
<b>Total Assets</b>	<b>666 673 758</b>	<b>25 487 587</b>	<b>692 161 345</b>



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	Assets Acquired and Liabilities assumed on Merger Date R	Adjustments to Carrying Value on Merger Date R	Adjusted Value Recognised on Merger Date R
<b>Current Liabilities</b>	<b>155 728 417</b>	<b>42 876 269</b>	<b>198 604 686</b>
Current Portion of Long-term Liabilities	6 638 308	-	6 638 308
Consumer Deposits	1 876 294	-	1 876 294
Payables from exchange transactions	129 323 863	(3 111 494)	126 212 369
Unspent Conditional Government Grants	7 652 832	-	7 652 832
Deferred Revenue	-	43 134 242	43 134 242
Current Employee benefits	10 237 121	2 853 521	13 090 642
<b>Non-Current Liabilities</b>	<b>65 168 913</b>	<b>217 175</b>	<b>65 386 088</b>
Long-term Liabilities	719 029	(73 093)	645 936
Employee benefits	30 590 926	92 348	30 683 274
Non-Current Provisions	33 858 957	197 920	34 056 877
<b>Total Liabilities</b>	<b>220 897 330</b>	<b>43 093 444</b>	<b>263 990 773</b>
<b>NET ASSETS ON MERGER DATE</b>	<b>445 776 428</b>	<b>(17 605 857)</b>	<b>428 170 571</b>
<b>Accumulated Surplus</b>	<b>445 776 428</b>	<b>(17 605 857)</b>	<b>428 170 571</b>

#### DETAIL OF ADJUSTMENTS TO CARRYING VALUE ON MERGER DATE

##### 44.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS

6 AUGUST 2016  
R

VAT portion relating to outstanding debtors on 6 August 2016 incorrectly disclosed as part of Taxes - (Nxuba Local Municipality) - Refer to 44.03	113 359
Immaterial Unsupported balances incorrectly not written off prior to merger (Nkonkobe Local Municipality)	(435)
Suspense Accounts incorrectly included as part of Exchange Receivables (Nkonkobe Local Municipality) - Refer to 44.02	(103 268)
Correction of VAT on outstanding receivables take over from Nxuba Local Municipality	(205 505)
Alignment of Receivables to sub-ledger on 6 August 2016	(51 759)
Account for movement on the Outstanding Conlog Debtor previously not recorded up to 6 August 2016 (Nxuba Local Municipality)	75 777
<b>Total adjustment on Merger Date</b>	<b>(171 831)</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

#### 44.02 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

6 AUGUST 2016

R

Transfers between bank accounts incorrectly receipted to Unallocated Deposits (Nxuba Local Municipality) - Refer to 44.1	(2 859 941)
Creditors VAT Claim Suspense balance on 6 August 2016 incorrectly included as part of Receivables(Nxuba Local Municipality) - Refer to 44.03	215 192
Suspense Accounts in Credit incorrectly included as part of receivables on 6 August 2016 - Refer to note 44.1	2 131
Suspense Accounts incorrectly included as part of Exchange Receivables (Nkonkobe Local Municipality) - Refer to 44.03	103 268
Interest on bank statements previously incorrectly allocated to a suspense account (Nxuba Local Municipality)	25 461
Receipts incorrectly captured against unallocated deposits instead of sundry receivable (Nxuba Local Municipality)	(800 000)
Reverse unsupported journal entries previously recognised (Nxuba Local Municipality)	568 658
Fines receivable incorrectly raised where control of the related asset does not exist in terms of GRAP (Nxuba Local Municipality)	(268 002)
Alignment of Receivables to sub-ledger on 6 August 2016	403 345
<b>Total adjustment on Merger Date</b>	<b>(2 609 887)</b>

#### 44.03 VAT RECEIVABLE

VAT portion relating to outstanding debtors on 6 August 2016 incorrectly disclosed as part of Taxes - (Nxuba Local Municipality) - Refer to 44.01	(113 359)
Creditors VAT Claim Suspense balance on 6 August 2016 incorrectly included as part of Receivables(Nxuba Local Municipality) - Refer to 44.02	(215 192)
Correction of completeness and validity of payables on 6 August 2016	477 934
Recognition of VAT on prepaid electricity sales previously not recognised	(114 932)
Correction of VAT Balances on merger date	(11 486 367)
Correct allocation of SARS refunds up to Merger Date (Nxuba Local Municipality)	8 410 237
Account for movement on the Outstanding Conlog Debtor previously not recorded up to 6 August 2016 (Nxuba Local Municipality)	(9 306)
<b>Total adjustment on Merger Date</b>	<b>(3 050 985)</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

<b>44.04 OPERATING LEASE ASSET</b>	<b>6 AUGUST 2016</b>
	<b>R</b>
Operating Lease Asset incorrectly recognised as Operating Lease Liability (Nxuba Local Municipality) - Refer to note 44.1	(15 275)
Correction of lease asset incorrectly recognised as a credit (liability) instead of a debit (asset) (Nxuba Local Municipality)	30 551
Account for movement on lease asset during period ending 6 August 2016 (Nxuba Local Municipality)	456
<b>Total adjustment on Merger Date</b>	<b>15 732</b>
<hr/>	
<b>44.05 INVENTORY</b>	
Account for movement on inventory up to 6 August 2016 (Nxuba Local Municipality)	(68 897)
<b>Total adjustment on Merger Date</b>	<b>(68 897)</b>
<hr/>	
<b>44.06 INVESTMENT PROPERTY</b>	
Reversal of depreciation previously recognised on investment property at former Nxuba Local Municipality. Investment Properties recognised at fair value in new entity	6 854 112
Adjust Investment properties on merger date to only recognise the fair value of properties controlled by the municipality (Nxuba Local Municipality)	(13 458 261)
<b>Total adjustment on Merger Date</b>	<b>(6 604 149)</b>
<hr/>	
<b>44.07 PROPERTY PLANT AND EQUIPMENT</b>	
Reallocate Capitalised Restoration cost to a separate line item (Nxuba Local Municipality) - Refer to 44.08	(2 536 719)
Correction of completeness and validity of payables on 6 August 2016	2 714 857
Correction of Movable Asset balance on merger date	(46 694)
Finance charges incorrectly capitalised as part of WIP	(7 942)
Expenditure incorrectly not capitalised as part of WIP (Nxuba Local Municipality)	267 242
Recognise unrecorded land on merger date (Nxuba Local Municipality)	42 205 400
Recognise unrecorded buildings on merger date and reallocate infrastructure incorrectly included in buildings on merger balance (Nxuba Local Municipality)	(27 768 356)

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

44	ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)	6 AUGUST 2016 R
	Remove DUM's incorrectly included in Community Assets and record Community Assets previously omitted (Nxuba and Nkonkobe Local Municipality)	20 902 899
	Align and correct depreciation on merger date (Infrastructure Assets)	(763 682)
	Align and correct depreciation on merger date (Buildings)	3 078 932
	Align and correct depreciation on merger date (Community Assets)	(1 767 485)
	<b>Total adjustment on Merger Date</b>	<b>36 278 452</b>
<b>44.08 PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST</b>		
	Reallocate Capitalised Restoration cost to a separate line item (Nxuba Local Municipality)	2 536 719
	Align treatment of rehabilitation cost asset to proposed treatment in iGRAP 2 (Nxuba Local Municipality)	(754 391)
	<b>Total adjustment on Merger Date</b>	<b>1 782 328</b>
<b>44.09 INTANGIBLE ASSETS</b>		
	Correction of Intangible Asset Carrying Value on Merger Date	(83 175)
	<b>Total adjustment on Merger Date</b>	<b>(83 175)</b>
<b>44.10 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Transfers between bank accounts incorrectly receipted to Unallocated Deposits (Nxuba Local Municipality) - Refer to 44.02	(2 979 964)
	Staff Leave and Bonuses incorrectly included as part of Payables (Nxuba Local Municipality) - Refer to 44.12	(2 219 511)
	Suspense Accounts in Credit incorrectly included as part of receivables on 6 August 2016 - Refer to note 44.02	2 131
	Operating Lease Asset incorrectly recognised as Operating Lease Liability (Nxuba Local Municipality) - Refer to note 44.04	(15 275)
	Correction of completeness and validity of payables on 6 August 2016	2 198 241
	Recognised prescribed unallocated deposits previously not recognised as revenue (Nxuba Local Municipality)	(414 783)

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

6 AUGUST 2016

R

Receipts incorrectly captured against unallocated deposits instead of sundry receivable (Nxuba Local Municipality)	(800 000)
Remove unsupported entries and billing integrations from unknown receipts (Nxuba Local Municipality)	(46 041)
Workmens Compensation not accounted for up to 6 August 2016 (Nxuba Local Municipality)	261 801
Account for accrued interest and penalties (SARS) up to 6 August 2016 (Nkonkobe Local Municipality)	120 968
Account for accrued interest and penalties (SARS) up to 6 August 2016 (Nxuba Local Municipality)	75 187
Correct payroll suspense account recognised from Nxuba on Merger Date	705 752
<b>Total adjustment on Merger Date</b>	<b>(3 111 494)</b>

#### 44.11 DEFERRED REVENUE

Rates levied effective 1 Jul 2016 incorrectly recognised in full in period up to 6 August 2016 (Nkonkobe Local Municipality)	43 134 242
<b>Total adjustment on Merger Date</b>	<b>43 134 242</b>

#### 44.12 CURRENT EMPLOYEE BENEFITS

Staff Leave and Bonuses incorrectly included as part of Payables (Nxuba Local Municipality) - Refer to 44.1	2 219 511
Account for movement on current employee benefits previously not recognised up to 6 August 2016 (Nxuba Local Municipality)	634 010
<b>Total adjustment on Merger Date</b>	<b>2 853 521</b>

#### 44.13 LONG-TERM LIABILITIES

Correction of Finance lease balances on Merger Date	(73 093)
<b>Total adjustment on Merger Date</b>	<b>(73 093)</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

<b>44</b>	<b>ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)</b>	
	<b>44.14 EMPLOYEE BENEFITS</b>	<b>6 AUGUST 2016</b>
		<b>R</b>
	Account for current service interest cost for the 37 day period ending 6 August 2016 (Nxuba Local Municipality)	92 348
	<b>Total adjustment on Merger Date</b>	<b>92 348</b>
	<b>44.15 NON-CURRENT PROVISIONS</b>	
	Align rehabilitation provision to the proposed treatment provided by ASB and iGRAP 2 (Nxuba Local Municipality)	197 920
	<b>Total adjustment on Merger Date</b>	<b>197 920</b>
	<b>44.16 NET EFFECT ON ACCUMULATED SURPLUS</b>	<b>(17 605 857)</b>
		<b>30 JUNE 2017</b>
		<b>R</b>
<b>45</b>	<b>CASH AND CASH EQUIVALENTS</b>	
	Cash and Cash Equivalents comprise out of the following:	
	Bank Accounts	15 186 076
	Call Deposits	2 041 267
	<b>Total</b>	<b>17 227 343</b>
	Refer to note 2 for more details relating to cash and cash equivalents.	
<b>46</b>	<b>BUDGET COMPARISONS</b>	
	<b>46.1 COMPARABLE BASIS</b>	
	Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats	
	The following items are affected by these classification differences:	
	<b>Statement of financial position</b>	
	Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.	
	Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.	

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 46 BUDGET COMPARISONS (CONTINUED)

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

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

#### Statement of financial performance

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

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

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

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

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 46.2 MATERIAL VARIANCES

#### Statement of financial position - Budget Adjustments

Cash	Adjustment relates to new consolidated information now available for newly established entity.
Consumer Debtors	Adjustment relates to new consolidated information now available for newly established entity.
Other Debtors	Adjustment relates to new consolidated information now available for newly established entity.
Property, Plant And Equipment	Adjustment relates to new consolidated information now available for newly established entity.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

46

### BUDGET COMPARISONS (CONTINUED)

Other Non-Current Assets	Adjustment relates to new consolidated information now available for newly established entity.
Trade and Other Payables	Adjustment relates to new consolidated information now available for newly established entity.
Accumulated Surplus	Adjustment relates to new consolidated information now available for newly established entity.

### Statement of financial position - Budget versus Actual

Cash	Variance mainly relates to EFT's not yet released prior to year end and now included under payables.
Consumer Debtors	Low recovery rates lead to higher than expected impairment charge recognised on outstanding debtors.
Other Debtors	Correction of VAT receivable mainly relating to the former Nxuba Local Municipality.
Current portion of long-term receivables	Incorrectly budgeted for this line item.
Inventory	Municipality in process of closing down all stores.
Property, Plant And Equipment	Higher than expected depreciation charge recognised in current period
Investment property	Alignment of properties to latest available property record. Includes adjustment of the former Nxuba assets to the fair value model.
Other non-current assets	Cost relating to landfill site rehabilitation not budgeted for separately.
Borrowing (Current and Non-Current)	Budget did not take into account leases that are coming to an end or nearing its redemption date.
Trade and Other Payables	Unpaid EFT's at period end now included under payables.
Provisions and Employee Benefits (Current and Non-Current)	Insufficient provision made for actuarial provisions
Accumulated Surplus	Higher than expected loss, mainly due to debt impairment and depreciation charges recognised.

### Statement of financial performance - Budget Adjustments

Property Rates	Correction of property rates on a pro-rata basis accounted for before and after merger date.
Service Charges	Adjustments based on actual records available for the first 6 months of the period.



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

46

### BUDGET COMPARISONS (CONTINUED)

Interest earned - outstanding debtors	Adjustments based on actual records available for the first 6 months of the period.
Transfers Recognised - Operational	Additional Housing allocations previously not budgeted for.
Government Grants and Subsidies - Operating	Adjustments based on the revised DORA received.
Other revenue	Adjustments based on actual records available for the first 6 months of the period.
Employee related costs	Costs not fully budgeted for under former Nxuba Local Municipality.
Debt Impairment	Adjustments based on actual records available for the first 6 months of the period. Due to poor collections
Depreciation & Asset Impairment	Align current year budget to actual results of the former entities.
Finance Charges	Adjustment to provide for non-cash interest paid on employee benefits
Bulk Purchases	Reduced expenditure in line with affordability levels and agreements with Eskom.
Grants and Subsidies Paid	Increase in subsidies provided to indigents
Other Expenditure	Reduced expenditure in line with affordability levels and agreements with Auditor General.
Government Grants and Subsidies - Capital	Due to DORA adjustments

### Statement of financial performance - Budget versus Actual

Property Rates	Over provided for in budget
Service Charges	Revenue forgone included as a reduction on service charges, not an expense in financial statements compared to the budget.
Interest Earned - Outstanding Debtors	Over provided for in budget
Other Revenue	Over provided for in budget
Employee Related Costs	Vacancies not filled, ie Municipal Manager, not filled, but included in budget.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 46 BUDGET COMPARISONS (CONTINUED)

Debt Impairment	Low recovery rate at municipality
Depreciation & Asset Impairment	Under provided for depreciation, mainly due to assets with shorter than expected useful lives.
Finance Charges	Cash flow concerns resulting in higher than expected interest on arrear accounts.
Bulk Purchases	Consumption higher than anticipated
Grants and Subsidies Paid	Revenue forgone included as a reduction on service charges, not an expense
Other Expenditure	Deviation mainly as a result of cash flow restraints forcing the municipality to cut back on non-essential spending.
Loss on Disposal of PPE	Loss mainly the result of assets not verified during asset count. Municipality did not budget for losses.

#### Cash Flow Statement - Budget Adjustments

All Adjustments	Refer to comments on financial performance and financial position.
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#### Cash Flow Statement - Budget versus Actual

All Adjustments	Refer to comments on financial performance and financial position.
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### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

47

#### 47.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening balance	203 425 214
Transferred from former Nkonkobe Local Municipality	128 108 076
Transferred from former Nxuba Local Municipality (adjusted)	75 317 138
Unauthorised expenditure current year	22 974 713
Approved by Council	-
<b>Unauthorised expenditure awaiting approval</b>	<b>226 399 927</b>

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

	2017 (Actual) R	2017 (Final Budget) R	2017 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Municipal Council	17 094 119	20 091 723	-
Accounting Officer	20 901 410	23 116 835	-
Budget and Treasury Office	151 173 323	146 015 121	5 158 203
Corporate Services	46 133 539	49 561 261	-
Technical Services	128 776 404	110 959 893	17 816 510
Community Services	24 613 392	25 737 887	-
<b>Total</b>	<b>388 692 187</b>	<b>375 482 720</b>	<b>22 974 713</b>
<b>Unauthorised expenditure - Capital</b>			
Municipal Council	-	-	-
Accounting Officer	13 415	20 000	-
Budget and Treasury Office	18 124	22 000	-
Corporate Services	4 556 772	7 940 000	-
Technical Services	38 593 398	39 970 550	-
Community Services	29 241	45 000	-
<b>Total</b>	<b>43 210 949</b>	<b>47 997 550</b>	<b>-</b>

### 47.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	17 933 972
Transferred from former Nkonkobe Local Municipality (adjusted)	2 575 356
Transferred from former Nxuba Local Municipality (adjusted)	15 358 616
Fruitless and wasteful expenditure incurred	11 527 606
Approved by Council	-
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>29 461 579</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

30 JUNE 2017  
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Details of Fruitless and wasteful expenditure incurred :

Penalties	1 235 160
SARS - PAYE, UIF and SDL	1 227 294
Other	7 866
Interest on late payments	10 292 447
SARS - PAYE, UIF and SDL	113 651
Eskom	8 831 452
Auditor General	1 261 827
Other	85 518
<b>Total</b>	<b>11 527 606</b>

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

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### 47.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	128 444 391
Transferred from former Nkonkobe Local Municipality (adjusted)	47 689 774
Transferred from former Nxuba Local Municipality (adjusted)	80 754 617
Irregular expenditure incurred	14 625 461
Approved by Council	-
<b>Irregular expenditure awaiting approval</b>	<b>143 069 851</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

Details of Irregular expenditure incurred :

Kwane Fleet (Former Laman Financial Services) - The contract was awarded to the service provider based on application of Sec. 32 of the SCM policies. The awarding was regarded as irregular where the tender was awarded initially, the Auditor-General declared the awarding at former Nkonkobe as irregular as well.	13 239 621
Michelles Electrical Services - Only electricity supplier where prepaid electricity is bought for Seymour Main Office and Library - Supplier not registered on CSD.	5 000
Colas - Sole supplier not on CSD	30 780
Mpekweni Resort - Accommodation for strategic planning at Mpekweni - Supplier not registered on CSD.	307 000
Edgars - Cellphone replacement - Supplier not registered on CSD.	9 999
Cash Build - Material for Score Red Lion Easter Rugby Tournament for 14-17 April 2017 - Supplier not registered on CSD.	29 061
Von Der Deckon - Payment of coffin of the late destitute family member Ms Paula April residing at Newtown - Supplier not registered	2 000
Von Der Deckon - Payment of coffin of the late destitute family member Mr Douglas Gqirana residing at Healdtown Location - Supplier not registered	2 000
Gemini Garden - Difference in the size of highmast lights which were originally procured at 25 m but on installation the highmast that were installed were 30m long.	1 000 000
<b>Total</b>	<b>14 625 461</b>

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017

47 **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL  
EXPENDITURE (CONTINUED)**

**47.4 MATERIAL LOSSES**

**Electricity distribution losses**

- Units purchased (Kwh)	54 316 334
- Units distributed (Kwh)	32 954 041
- Units lost during distribution (Kwh)	21 362 293
- Units lost considered within norm (10%)	5 431 633
- Units lost in excess of norm	15 930 660
- Percentage lost during distribution	29.33%
- Rand Value of Loss	11 676 201

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48 **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL  
FINANCE MANAGEMENT ACT**

**48.1 Salga Contributions [MFMA 125 (1)(b)]**

Opening balance	3 914 287
Expenditure incurred	1 093 104
Payments	(554 015)
<b>Outstanding Balance</b>	<b>4 453 376</b>

**48.2 Audit Fees [MFMA 125 (1)(c)]**

Opening balance	14 298 992
Expenditure incurred	8 464 594
Interest Paid	1 261 827
NEDA Grant	3 099 507
National Treasury Rebate	(5 331 985)
<b>Outstanding Balance</b>	<b>21 792 935</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

48.3 VAT [MFMA 125 (1)(c)]

Opening balance	8 897 886
Amounts received during the year	(9 141 522)
Amounts claimed - current year	3 088 260
<b>Outstanding Balance</b>	<b>2 844 624</b>
<b>Vat in suspense due to cash basis of accounting</b>	<b>7 320 751</b>

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Opening Balance	770 550
Payments due to SARS	16 445 344
Payments	(16 933 348)
<b>Outstanding Balance</b>	<b>282 546</b>

48.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

Opening Balance	1 763 466
Payments due to pension fund and medical aid	25 089 163
Payments	(26 835 944)
<b>Outstanding Balance</b>	<b>16 685</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

#### 48.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillors had arrear account outstanding for more than 90 days at year end:

Councillor SA Nivi	2 595
Councillor E Bantam	1 763
Councillor ML Ndongeni	1 242
Councillor XC Badi	10 563
Councillor B Ketelo	2 595
Councillor TP Njobe	3 283
Councillor CA Auld	4 630
Councillor BE Mfondini	5 183
Councillor N Blake	1 669
Councillor LD Penisi	1 328
Councillor LL Bruintjies	7 123
Councillor S Mavuso	3 281
<b>Outstanding Balance</b>	<b>45 255</b>

#### 48.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

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

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

Municipal Council	1 229 974
Accounting Officer	61 822
Budget and Treasury Office	103 056
Corporate Services	1 946 288
Technical Services	240 376
Community Services	127 652
<b>Total</b>	<b>3 709 170</b>



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

The reasons for the deviations can be summarised as follows:

	Emergency R	Impractical R	Sole Supplier R
Municipal Council	1 229 974	-	-
Accounting Officer	6 500	55 322	-
Budget and Treasury Office	-	5 917	97 140
Corporate Services	143 610	1 388 256	414 422
Technical Services	163 001	30 294	47 082
Community Services	29 992	16 000	81 660
<b>Total</b>	<b>1 573 077</b>	<b>1 495 788</b>	<b>640 304</b>

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

	Emergency R	Impractical R	Sole Supplier R
Actom	37 022	-	-
Ado Research Labs	-	-	97 140
Anderson Electrical	14 000	-	-
Andres Auto Electrical	-	2 850	-
ARB Electrical wholesalers Pty Ltd	14 908	-	-
Auto Spring Centre	-	5 141	-
B.K Banzi	5 000	-	-
Babcock	-	-	182 814
Barloworld Equipment	-	23 728	23 728
Buffalo Toyota	520 831	11 468	5 094
Candi-Lite Cables cc	-	-	47 082
Construction Equipment	-	-	-
Construction Equipment Supplies	-	-	91 948
Datnis Nissan	-	32 995	10 740
Dewing Service Station	-	67 510	-
Ditsibi Procurement	-	32 000	-
East London Truck and bus	-	65 277	-
Eastern Cape	-	4 730	-
Eastern Cape Tyres	141 160	61 375	-
Eyabantu Professional Services	9 367	8 163	-
Eyethu Entertainment Centre	36 492	-	-
FSJ Enterprise	2 450	7 700	-
Fleet Dynamics	-	-	21 813
G&B	-	3 540	-
Gear Diff Man	-	13 424	-

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

	Emergency R	Impractical R	Sole Supplier R
H. S Toni Attorneys	-	86 860	-
Ikhaya Elihle Trading	21 168	-	-
JMJ Sales	15 799	-	-
Le Roux Inc Attorneys	-	106 099	-
Lee-Gold Music cc	-	38 965	-
Lithotech EL	-	5 917	-
Lupabe Facilities	699 900	-	-
Menzotouch	-	56 515	-
Meyers Motors	-	108 725	35 807
Modern Service GM	-	12 500	-
Nomathemba Electrical Contractors	14 432	-	-
North & Robertsons	31 304	-	-
Nqagwana Trading	-	38 705	-
Port Elizabeth Traffic College	-	-	50 129
Pumeza Bono Attorneys	-	13 348	-
Rand Data Forms	-	-	21 478
Regent Hotel	-	292 500	-
Ronnies Motors	-	-	18 507
Service Provider	-	-	-
SVA Trading	-	4 950	-
The Motorland Group	-	-	14 315
Thesen's Generators	-	2 883	-
Times Media	-	387 923	-
Tractor World	-	-	9 656
Truvelo	-	-	10 054
Vaxobyte	9 243	-	-
<b>Total</b>	<b>1 573 077</b>	<b>1 495 788</b>	<b>640 304</b>

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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

#### 48.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

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

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Name (State institution)

Supplier name

None

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

<u>Name</u>	<u>State institution (Nature of Relationship)</u>	
NC. Melitafa	Rely IT Solution (Husband)	52 389
N. Ndunyana	Mizana Ndunyana Trading (PTY) LTD (Sister)	18 751
N. Tom	SJRNGT (PTY) LTD (Mother)	12 389
N. Tom	Siduli & Jama (Aunt)	183 035
A Boqwana	Tyume Blocks & Retail CC (Brother)	190 352
N. Tom	Sizenza (Pty) Ltd (Aunt)	4 250
M Sijile	Sijile Lumbe Trading (Wife)	3 000
<b>Total</b>		<b>464 165</b>

### 49 CAPITAL COMMITMENTS

#### Commitments in respect of capital expenditure:

Approved and contracted for:	23 551 738
Other	23 551 738
<b>Total</b>	<b>23 551 738</b>

This expenditure will be financed from:

Own Revenue	2 320 501
Municipal Infrastructure Grant	9 193 483
Integrated National Electrification Programme (INEP)	12 037 754
<b>Total</b>	<b>23 551 738</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 50 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

#### 50.1 Credit Risk

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

The following financial assets are exposed to credit risk:

	<b>30 JUNE 2017</b>
	<b>R</b>
Cash and Cash Equivalents	17 227 343
Receivables from exchange transactions	14 760 344
<b>Total</b>	<b>31 987 687</b>

#### Cash and Cash Equivalents

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

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

#### Receivables from Exchange Transactions

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

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

#### 50.2 Currency risk (Market Risk)

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

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

#### 50.3 Interest rate risk (Market Risk)

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

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The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	17 227 343
Long-term Liabilities (Including Current Portion)	(735 396)
Non-Current Provisions (Including Current Portion)	(36 173 302)
<b>Net balance exposed</b>	<b>(19 681 355)</b>

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% increase in interest rates	(98 407)
1% decrease in interest rates	196 814

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 50.4 Liquidity risk

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

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

The following balances are exposed to liquidity risk:

30 JUNE 2017	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	600 715	240 284	-
Payables from exchange transactions	151 496 538	-	-
<b>Total</b>	<b>152 097 253</b>	<b>240 284</b>	<b>-</b>

#### 50.5 Other price risk (Market Risk)

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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### 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Financial Assets

Cash and Cash Equivalents	17 227 343
Receivables from exchange transactions	14 760 344

<b>Total</b>	<b>31 987 687</b>
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#### Financial Liabilities

Current Portion of Long-term Liabilities	510 279
Payables from exchange transactions	151 496 538
Long-term Liabilities	225 118

<b>Total</b>	<b>152 231 934</b>
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### 51 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

#### **Receivables from Non-Exchange Transactions**

Rates	169 642 346
Government Grants	3 716 410
VAT Receivable	10 165 375

<b>Total</b>	<b>183 524 131</b>
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Refer to note 4 for more detail relating to the Government Grants and Rates Receivables, including any provision for impairment raised against the gross amounts as disclosed above

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 52 EVENTS AFTER REPORTING DATE

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effect as from 1 July 2017 .

The main objective of this Regulations is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which-

(a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and

(b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

In order for the municipality to ensure full compliance with the mSCOA regulations it was necessary to do an ICT Due Diligence report on the current financial system's capability and evaluate the performance of the vendors aligned with mSCOA requirements. Based on the assessment done an item was submitted to Council to consider the procurement of a new financial system (SEBATA) by making use of the National Treasury RT25 transversal tender in order for the municipality to ensure full compliance and functionality as per mSCOA requirements with the effective date of implementation 1 July 2017.

### 53 IN-KIND DONATIONS AND ASSISTANCE

No assistance in-kind were received by the municipality during the period under review.

### 54 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.



# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

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### 55 CONTINGENT LIABILITIES

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

#### Claim 1

Prince Queen Marry Trading Enterprise vs Nkonkobe Municipality -The plaintiff instituted legal action against the municipality for money in the sum of R 118 222, which is allegedly due to it in terms of a contract with the municipality. The municipality is appealing the court's judgement against the municipality.

218 222

#### Claim 2

Vaxobyte (Pty) Ltd vs Nkonkobe Municipality - The plaintiff instituted legal action against the municipality for payment of R 1 586 000 as damages suffered as a result of the Municipality's alleged unlawful termination of its contract.

1 786 000

#### Claim 3

Nomalady vs Nkonkobe Municipality - The plaintiff instituted legal action against the municipality on the basis that she was dismissed unfairly. The matter was set down for hearing on 2 November 2016. The hearing was however postponed and the record was to be translated in English and parties also to consult with the purpose of reaching an out of court settlement. The Attorneys has made a proposal on behalf of Nomalady to settle by giving her three year payment, this has not yet been considered by the employer.

60 000

#### Claim 4

Litigation in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries sustained in a bridge at Fort Beaufort.

500 000

#### Claim 5

TRN De Luxe vs Nkonkobe: A claim was lodged against the municipality for a breach of agreement.

650 000

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

30 JUNE 2017

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### 55 CONTINGENT LIABILITIES (CONTINUED)

#### Claim 6

Nkonjane Catering Co-Operative vs Nkonkobe: A claim was lodged against the municipality due the alleged unlawful termination of their contract.

2 610 400

#### Claim 7

There are two cases of litigation that are in process against the municipality by Inquest . Action was instituted by plaintiff and is being defended. Awaiting instructions from Mr Dlomo, rediscovered documentation for purpose of the plea.

1 000 000

#### Claim 8

The service provider was appointed to conduct a VAT review to the municipality . The contingency fee only become payable once the municipality is in the position to realise the VAT saving. In practice the fees will only be on become payable at the time the municipality receives the VAT refunds from SARS. The contingent fees is 10% of the payable amount.

216 463

#### **Total**

**7 041 085**

### 56 CONTINGENT ASSETS

The municipality identified the following contingent assets at year-end:

The municipality successfully obtained a interdict order to restrain its workers from engaging in an unprotected SAMWU strike in December 2015. The attorneys confirmed that the court has issued the final order and the attorneys are in the process of recovering the cost. The inflow of funds is now considered to be probable.

100 000

### 57 RELATED PARTIES

Related parties are defined in note 1.34

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

### 57 RELATED PARTIES (CONTINUED)

Remuneration of related parties are disclosed in notes 32 and 33

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

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

### 58 FINANCIAL SUSTAINABILITY

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

#### Financial Indicators

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

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

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

The municipality experienced material losses in electricity usage to the value of R 11 676 201 for the period up to 30 June 2017. This represents a loss of 29.33%.

#### Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 47 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 55 above.

#### Assessment

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

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

# RAYMOND MHLABA LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE PERIOD ENDING 30 JUNE 2017

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 6 AUGUST 2016 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2017 R
<b><u>FINANCE LEASE LIABILITIES</u></b>					
Laman Financial Services - Grader 140K	12.18%	31-Jan-17	601 203	(601 203)	-
Laman Financial Services - Backhoe Loader 428 F	12.18%	31-Jan-17	272 826	(272 826)	-
Laman Financial Services - Dozer D6R	12.18%	31-Jan-17	1 180 626	(1 180 626)	-
Laman Financial Services - Excavator 320D	12.18%	31-Jan-17	378 510	(378 510)	-
Laman Financial Services - Tipper Truck CLA 26 280	12.18%	31-May-17	477 017	(477 017)	-
Laman Financial Services - Water Tanker 18000L	12.18%	31-Jan-17	403 573	(403 573)	-
Laman Financial Services - Tow tractor	12.18%	30-Jun-17	728 673	(728 673)	-
Laman Financial Services - Tectron Grid Roller	12.18%	31-May-17	431 573	(431 573)	-
Laman Financial Services - Refuse Truck 19 m 3 Isuzu	12.18%	30-Jun-17	1 074 182	(1 074 182)	-
Aloe XEROX - 37 different Copier Machines	17.72%	14-Jun-17	600 169	(600 169)	-
Aloe XEROX - 14 different Copier Machines	18.84%	30-Jun-18	315 509	(136 865)	178 644
Aloe XEROX - 2 different Copier Machines	18.84%	23-Mar-19	677 545	(204 001)	473 544
Bizhub C203 Digital Copier - E042003104	8.58%	28-Sep-16	11 940	(11 940)	-
Bizhub 282 Digital Copier - V041002100	8.58%	30-Sep-18	130 897	(47 689)	83 209
<b>Total Finance Lease Liabilities</b>			<b>7 284 244</b>	<b>(6 548 848)</b>	<b>735 396</b>
<b>Total Long-Term Liabilities</b>			<b>7 284 244</b>	<b>(6 548 848)</b>	<b>735 396</b>

# RAYMOND MHLABA LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE PERIOD ENDING 30 JUNE 2017

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	RETURNED TO NATIONAL TREASURY	TRANSFERRED (FROM)/TO RECEIVABLES	CLOSING BALANCE
	R	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>							
Equitable Share		122 870 207	(122 870 207)	-	-	-	-
Municipal Finance Management Grant	-	3 650 000	(3 636 725)	-	-	(13 275)	-
Municipal Infrastructure Grant	2 632 003	39 969 000	(1 998 450)	(43 304 171)	(1 014 791)	3 716 409	-
Municipal Systems Improvement Grant	142 863	-	-	-	(142 863)	-	-
Expanded Public Works Program	-	2 167 000	(2 053 767)	-	-	(113 234)	-
Integrated National Electrification Programme (INEP)	1 007 553	5 000 000	(2 466 954)	-	(1 007 553)	(985 218)	1 547 828
Municipal Demarcation and Transition Grant	2 686 000	10 742 000	(13 427 853)	-	-	-	147
LG-SETA	-	147 562	(147 562)	-	-	-	-
National Treasury Audit Fees Grant 1%	-	5 508 291	(5 508 291)	-	-	-	-
<b>Total National Government Grants</b>	<b>6 468 419</b>	<b>190 054 061</b>	<b>(152 109 809)</b>	<b>(43 304 171)</b>	<b>(2 165 207)</b>	<b>2 604 683</b>	<b>1 547 975</b>
<b>PROVINCIAL GOVERNMENT</b>							
Library Grant	-	1 570 000	(1 570 000)	-	-	-	-
COGTA Merger Assistance Grant	-	2 000 000	(1 033 023)	-	-	-	966 977
ECDLGTA - Greening and Beautification	714 164	-	(6 500)	-	-	-	707 664
LSDF - Middledrift Spatial Development Framework	147 392	-	-	-	-	-	147 392
Quarry Mining Grant	322 855	-	(220 292)	-	-	-	102 563
<b>Total Provincial Government Grants</b>	<b>1 184 412</b>	<b>3 570 000</b>	<b>(2 829 815)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 924 597</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>7 652 831</b>	<b>193 624 061</b>	<b>(154 939 625)</b>	<b>(43 304 171)</b>	<b>(2 165 207)</b>	<b>2 604 683</b>	<b>3 472 571</b>