

RAYMOND MHLABA LOCAL MUNICIPALITY

EC 129



FINANCIAL STATEMENTS

30 JUNE 2018

RAYMOND MHLABA LOCAL MUNICIPALITY

INDEX

<u>Content</u>	<u>Page</u>
General Information	1 - 3
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	9 - 10
- Statement of Financial Performance	11 - 12
- Cash Flow Statement	13 - 14
Accounting Policies	15 - 47
Notes to the Financial Statements	48 - 111
APPENDICES - Unaudited	
A Schedule of External Loans	112
B Disclosure of Grants and Subsidies	113

RAYMOND MHLABA LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

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

LEGAL FORM

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

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 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. The comparative year presented covers a period of 328 days.

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	Mlumgiseleli 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	Nomthetheleli Vece	Ward 20
Councillor	Sinethemba Mjakuca	Ward 21
Councillor	Frans Christian	Ward 22
Councillor	Mhlobo Douglas Dywili	Ward 23
Mayor	Bandile Ketelo	
Speaker	Anele Ntsangani	
Chief Whip	Lindelwa Doris Penisi	
Councillor	Bukelwa Sharon Tyhali	MPAC Chairperson
Councillor	Leonora Louisa Bruintjies	Portfolio Head Corporate Service
Councillor	Mandla Johnson Makeleni	Portfolio Head Finance
Councillor	Nomonde Mavis Geza	Portfolio Head Engineering
Councillor	Pasika Jack	Portfolio Head Community Service
Councillor	Sinovuyo Kley	Portfolio Head Sports, Arts and
Councillor	Portia Sabane	Portfolio Head LED
Councillor	Ernst Lombard	
Councillor	Siphiwo Mavuso	
Councillor	Zingiswa Modelia Rasmeni	
Councillor	Thembisa Patricia Dwanya	
Councillor	Vuyiswa Ndevu	
Councillor	Nombuyiselo Agreenette Metuse	
Councillor	Nobesutu Makhenyane	
Councillor	Nomzamo Zibonda	
Councillor	Kayaletu Baliso	
Councillor	Cecilia Anne Auld	
Councillor	Sivuyile Mahlengele	
Councillor	Kwanele Macakela	
Councillor	Buyiswa Eunice Mfondini	

MUNICIPAL MANAGER

Ms Unathi Malinzi

CHIEF FINANCIAL OFFICER

Mrs Busisiwe 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

Hanesworth and Nienaber Attorneys

Lionel Trichardt & Associates

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 year ended 30 June 2018, which are set out on pages 1 to 113 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 2019 and I am satisfied that despite the current financial status, the Municipality can continue in operational existence for the foreseeable future.

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

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

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

Ms Unathi Malinzi
Municipal Manager

Date

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

		30 JUNE 2018 R	30 JUNE 2017 R
	Notes		
ASSETS			
Current Assets		68 604 380	62 858 415
Cash and Cash Equivalents	2	19 570 834	19 557 653
Receivables from exchange transactions	3	19 267 502	17 850 515
Receivables from non-exchange transactions	4	17 040 953	14 650 418
VAT Receivable	5	12 717 737	10 185 125
Operating Lease Assets	6	7 355	14 360
Inventory	7	-	600 346
Non-Current Assets		616 966 161	571 277 143
Investment Property	8	42 412 570	42 700 770
Property, Plant and Equipment	9.1	560 524 537	514 246 632
Property, Plant and Equipment - Capitalised Restoration Cost	9.2	13 957 867	14 246 847
Heritage Assets	10	70 000	70 000
Intangible Assets	11	1 187	12 893
Total Assets		685 570 541	634 135 558
Current Liabilities		187 623 330	196 151 325
Current Portion of Long-term Liabilities	12	225 118	510 279
Consumer Deposits	13	2 173 688	1 999 319
Payables from exchange transactions	14	170 049 067	177 128 291
Unspent Conditional Government Grants	15	957 620	3 472 571
Current Employee benefits	16	14 217 838	13 040 865
Non-Current Liabilities		73 246 932	69 309 888
Long-term Liabilities	12	-	225 118
Employee benefits	17	34 083 744	32 911 468
Non-Current Provisions	18	39 163 188	36 173 302
Total Liabilities		260 870 262	265 461 213
NET ASSETS		424 700 279	368 674 346
COMMUNITY WEALTH			
Accumulated Surplus	19	424 700 279	368 674 346
		424 700 279	368 674 346

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

		30 JUNE 2018	30 JUNE 2017
		R	R
	Notes		
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		338 763 683	252 687 996
Taxation Revenue		59 860 398	51 229 914
Property Rates	20	59 860 398	51 229 914
Transfer Revenue		273 020 085	198 243 796
Government Grants and Subsidies - Capital	21	68 209 325	43 304 171
Government Grants and Subsidies - Operating	21	193 449 761	154 939 625
Public Contributions and Donations	22	11 361 000	-
Other Revenue		5 883 200	3 214 286
Fines	23	89 050	127 910
Actuarial Gains	24	3 513 350	1 896 206
Fair Value Adjustments	25	2 280 800	1 190 170
REVENUE FROM EXCHANGE TRANSACTIONS		105 589 182	89 979 986
Operating Activities		105 589 182	89 979 986
Service Charges	26	75 172 968	62 527 488
Rental of Facilities and Equipment	27	594 786	344 021
Interest Earned - external investments	28	2 722 211	2 121 254
Interest Earned - outstanding debtors	29	21 437 205	20 105 970
Licences and Permits	30	3 356 632	3 515 641
Other Income	31	2 305 380	1 365 612
TOTAL REVENUE		444 352 865	342 667 982
EXPENDITURE			
Employee related costs	32	137 359 451	114 982 972
Remuneration of Councillors	33	16 573 828	13 169 505
Debt Impairment	34	27 528 554	83 219 029
Depreciation and Amortisation	35	29 156 599	31 229 257
Impairments	36	891 532	-
Actuarial Losses	37	12 727	-
Finance Charges	39	15 962 519	13 729 115
Bulk Purchases	40	63 870 551	56 642 349
Transfers and Grants	41	7 577 983	8 787 339
Other Expenditure	42	86 418 846	71 377 043
Loss on disposal of Assets	43	2 974 343	924 409
TOTAL EXPENDITURE		388 326 932	394 061 020
NET SURPLUS/(DEFICIT) FOR THE YEAR		56 025 933	(51 393 038)

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2018

	Note	ACCUMULATED SURPLUS R	TOTAL R
Balance on 6 August 2016		428 170 571	428 170 571
Adjustments on Merger	44.7	(8 103 187)	(8 103 187)
Restated Balance on 6 August 2016		420 067 384	420 067 384
Net Deficit for the period		(51 393 038)	(51 393 038)
Restated Balance on 30 June 2017		368 674 346	368 674 346
Net Surplus for the year		56 025 933	56 025 933
Balance on 30 June 2018		424 700 279	424 700 279

RAYMOND MHLABA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

		30 JUNE 2018	30 JUNE 2017
		R	R
	Notes		
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		54 076 249	36 327 184
Service charges		67 487 156	46 476 831
Other Income		14 331 527	3 438 001
Government - operating		195 583 705	153 375 069
Government - capital		67 276 838	37 970 550
Interest Income		5 959 217	2 774 735
Payments			
Suppliers and employees		(310 626 609)	(202 063 227)
Finance charges		(11 620 819)	(10 765 165)
Transfers and Grants		(7 577 983)	(8 787 339)
NET CASH FROM OPERATING ACTIVITIES	45	74 889 282	58 746 639
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(74 540 190)	(42 757 088)
NET CASH USED INVESTING ACTIVITIES		(74 540 190)	(42 757 088)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		174 369	123 026
Payments			
Loans repaid		(510 279)	(6 548 848)
NET CASH USED FINANCING ACTIVITIES		(335 910)	(6 425 822)
NET INCREASE IN CASH HELD		13 181	9 563 730
Cash and Cash Equivalents at the beginning of the year		19 557 653	9 993 922
Cash and Cash Equivalents at the end of the year		19 570 834	19 557 653
NET INCREASE IN CASH HELD		13 181	9 563 730

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
ASSETS			
Current assets			
Cash	19 570 834	2 100 000	17 470 834
Consumer debtors	31 145 426	105 111 907	(73 966 481)
Other Debtors	17 888 120	24 892 668	(7 004 548)
Inventory	-	600 346	(600 346)
Total current assets	68 604 380	132 704 922	(64 100 542)
Non current assets			
Investment property	42 412 570	49 737 270	(7 324 700)
Property, plant and equipment	574 482 404	562 141 784	12 340 620
Heritage Assets	70 000	-	70 000
Intangible Assets	1 187	12 893	(11 706)
Total non current assets	616 966 161	611 891 947	5 074 214
TOTAL ASSETS	685 570 541	744 596 869	(59 026 328)
LIABILITIES			
Current liabilities			
Borrowing	225 118	510 279	(285 161)
Consumer deposits	2 173 688	2 149 319	24 369
Trade and other payables	171 006 686	260 654 157	(89 647 471)
Provisions and Employee Benefits	14 217 838	11 772 689	2 445 149
Total current liabilities	187 623 330	275 086 445	(87 463 114)
Non current liabilities			
Borrowing	-	36 398 420	(36 398 420)
Provisions and Employee Benefits	73 246 932	45 311 468	27 935 464
Total non current liabilities	73 246 932	81 709 888	(8 462 957)
TOTAL LIABILITIES	260 870 262	356 796 333	(95 926 071)
NET ASSETS	424 700 279	387 800 536	36 899 743
COMMUNITY WEALTH			
Accumulated Surplus	424 700 279	387 800 536	36 899 743
TOTAL COMMUNITY WEALTH/EQUITY	424 700 279	387 800 536	36 899 743

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R	2018 R	2018 R
	(Approved Budget)	(Adjustments)	(Final Budget)
ASSETS			
Current assets			
Cash	1 152 323	947 677	2 100 000
Consumer debtors	96 342 043	8 769 865	105 111 907
Other Debtors	25 787 466	(894 798)	24 892 668
Current portion of long-term receivables	15 925 715	(15 925 715)	-
Inventory	898 205	(297 859)	600 346
Total current assets	140 105 752	(7 400 830)	132 704 922
Non current assets			
Investment property	61 826 000	(12 088 730)	49 737 270
Property, plant and equipment	569 468 996	(7 327 212)	562 141 784
Intangible Assets	106 800	(93 907)	12 893
Total non current assets	631 401 796	(19 509 849)	611 891 947
TOTAL ASSETS	771 507 548	(26 910 679)	744 596 869
LIABILITIES			
Current liabilities			
Borrowing	1 200 000	(689 721)	510 279
Consumer deposits	1 932 583	216 736	2 149 319
Trade and other payables	191 319 181	69 334 976	260 654 157
Provisions and Employee Benefits	11 772 689	-	11 772 689
Total current liabilities	206 224 453	68 861 991	275 086 445
Non current liabilities			
Borrowing	-	36 398 420	36 398 420
Provisions and Employee Benefits	74 117 365	(28 805 897)	45 311 468
Total non current liabilities	74 117 365	7 592 523	81 709 888
TOTAL LIABILITIES	280 341 819	76 454 514	356 796 333
NET ASSETS	491 165 729	(103 365 193)	387 800 536
COMMUNITY WEALTH			
Accumulated Surplus	491 165 729	(103 365 193)	387 800 536
TOTAL COMMUNITY WEALTH/EQUITY	491 165 729	(103 365 193)	387 800 536

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
REVENUE BY SOURCE			
Property rates	59 860 398	71 895 012	(12 034 614)
Service charges	75 172 968	74 531 757	641 211
Rental of facilities and equipment	594 786	500 000	94 786
Interest earned - external investments	2 722 211	2 000 000	722 211
Interest earned - outstanding debtors	21 437 205	21 000 000	437 205
Fines	89 050	180 000	(90 950)
Licences and permits	3 356 632	3 800 000	(443 368)
Government Grants and Subsidies - Operating	193 449 761	168 519 593	24 930 168
Other revenue	19 460 530	4 849 000	14 611 530
Gain on disposal of PPE	-	1 195 000	(1 195 000)
TOTAL OPERATING REVENUE	376 143 541	348 470 362	27 673 179
EXPENDITURE BY TYPE			
Employee related costs	137 359 451	138 378 020	(1 018 569)
Remuneration of councillors	16 573 828	15 517 134	1 056 694
Debt impairment	27 528 554	30 446 026	(2 917 472)
Depreciation & asset impairment	30 048 131	49 500 000	(19 451 869)
Finance charges	15 962 519	2 650 000	13 312 519
Bulk purchases	63 870 551	79 200 000	(15 329 449)
Contracted services	-	750 000	(750 000)
Grants and subsidies paid	7 577 983	13 000 000	(5 422 017)
Other expenditure	86 431 573	99 774 097	(13 342 524)
Loss on Disposal of Assets	2 974 343	-	2 974 343
TOTAL OPERATING EXPENDITURE	388 326 932	429 215 277	(40 888 345)
OPERATING DEFICIT FOR THE YEAR	(12 183 391)	(80 744 915)	68 561 524
Government Grants and Subsidies - Capital	68 209 325	76 336 042	(8 126 717)
NET SURPLUS/(DEFICIT) FOR THE YEAR	56 025 933	(4 408 874)	60 434 807

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
REVENUE BY SOURCE			
Property rates	80 859 171	(8 964 159)	71 895 012
Service charges	76 849 184	(2 317 427)	74 531 757
Rental of facilities and equipment	2 977 000	(2 477 000)	500 000
Interest earned - external investments	2 000 000	-	2 000 000
Interest earned - outstanding debtors	18 000 000	3 000 000	21 000 000
Fines	180 000	-	180 000
Licences and permits	3 800 000	-	3 800 000
Government Grants and Subsidies - Operating	173 261 700	(4 742 107)	168 519 593
Other revenue	6 720 000	(1 871 000)	4 849 000
Gain on disposal of PPE	-	1 195 000	1 195 000
TOTAL OPERATING REVENUE	364 647 055	(16 176 693)	348 470 362
EXPENDITURE BY TYPE			
Employee related costs	134 397 862	3 980 158	138 378 020
Remuneration of councillors	13 530 799	1 986 336	15 517 134
Debt impairment	21 000 000	9 446 026	30 446 026
Depreciation & asset impairment	45 721 694	3 778 306	49 500 000
Finance charges	2 650 000	-	2 650 000
Bulk purchases	50 000 000	29 200 000	79 200 000
Contracted services	750 000	-	750 000
Grants and subsidies paid	21 200 000	(8 200 000)	13 000 000
Other expenditure	75 396 700	24 377 397	99 774 097
TOTAL OPERATING EXPENDITURE	364 647 055	64 568 222	429 215 277
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	-	(80 744 915)	(80 744 915)
Government Grants and Subsidies - Capital	45 389 300	30 946 742	76 336 042
NET SURPLUS/(DEFICIT) FOR THE YEAR	45 389 300	(49 798 174)	(4 408 874)

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO APPROVED BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	54 076 249	41 380 804	12 695 445
Service Charges	67 487 156	46 099 938	21 387 218
Other Income	14 331 527	13 324 000	1 007 527
Government - Operating	195 583 705	190 881 854	4 701 851
Government - Capital	67 276 838	47 633 150	19 643 688
Interest Income	5 959 217	18 000 000	(12 040 783)
Payments			
Suppliers and Employees	(310 626 609)	(334 119 251)	23 492 643
Finance Charges	(11 620 819)	(2 650 000)	(8 970 819)
Transfers and Grants	(7 577 983)	(13 000 000)	5 422 017
NET CASH FROM OPERATING ACTIVITIES	74 889 282	7 550 495	67 338 787
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in Non-Current Debtors	-	(150 000)	(150 000)
Payments			
Capital assets	(74 540 190)	(47 883 150)	(26 657 040)
NET CASH USED IN INVESTING ACTIVITIES	(74 540 190)	(48 033 150)	(26 807 040)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	174 369	-	174 369
Payments			
Repayment of borrowing	(510 279)	-	(510 279)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(335 910)	-	(335 910)
NET INCREASE/(DECREASE) IN CASH HELD	13 182	(40 482 655)	40 195 837
Cash and Cash Equivalents at beginning of the Year	19 557 653	19 557 653	-
Cash and Cash Equivalents at the end of the Year	19 570 834	(34 325 002)	53 895 836

RAYMOND MHLABA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	37 167 041	4 213 763	41 380 804
Service Charges	38 254 753	7 845 185	46 099 938
Other Income	33 494 189	(20 170 189)	13 324 000
Government - Operating	173 261 700	17 620 154	190 881 854
Government - Capital	45 389 300	2 243 850	47 633 150
Interest Income	16 000 000	2 000 000	18 000 000
Payments			
Suppliers and Employees	(274 075 361)	(60 043 890)	(334 119 251)
Finance charges	(2 650 000)	-	(2 650 000)
Transfers and Grants	(21 200 000)	8 200 000	(13 000 000)
NET CASH FROM OPERATING ACTIVITIES	45 641 623	(38 091 127)	7 550 495
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease in Non-Current Debtors	-	(150 000)	(150 000)
Payments			
Capital assets	(45 389 300)	(2 493 850)	(47 883 150)
NET CASH USED IN INVESTING ACTIVITIES	(45 389 300)	(2 643 850)	(48 033 150)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowing	(1 200 000)	1 200 000	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 200 000)	1 200 000	-
NET DECREASE IN CASH HELD	(947 677)	(39 534 977)	(40 482 655)
Cash and Cash Equivalents at beginning of the Year	2 100 000	17 457 653	19 557 653
Cash and Cash Equivalents at the end of the Year	1 152 323	(35 477 325)	(34 325 002)

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

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

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

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

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

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

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

1.02 TRANSITIONAL PROVISIONS

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

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

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

1.05.1 Prior year comparatives

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.05 COMPARATIVE INFORMATION

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

1.05.2 Amended Accounting Policies

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

1.06 MATERIALITY

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

1.07 BUDGET INFORMATION

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

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

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

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

1.08.1 Effective dates determined

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

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 20	Related Party Disclosures	1 April 2018
GRAP 108	Statutory Receivables	1 April 2018

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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 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.

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

1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

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.

1.08.1.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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

1.08.1.3 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)

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.

1.08.1.4 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

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. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.1.5 iGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

This Interpretation 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.

1.08.1.6 Recognition and Derecognition of Land (effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

1.08.1.7 Liabilities to Pay Levies (effective 1 April 2019)

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

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

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 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.

1.08.2.2 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's treatment is already aligned to the standard.

1.08.2.3 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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

1.08.2.4 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.

1.08.2.5 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.

1.09 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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	YEARS
Land and Buildings	
Land	Indefinite
Buildings	17 - 100
Infrastructure	
Roads and Stormwater	7 - 100
Electricity	11 - 122
Solid Waste	8 - 72
Community Assets	
Park Facilities	24 - 125
Lease Assets	
Computer Equipment	3 - 5
Plant and Machinery	3
Other Assets	
Plant and Machinery	5 - 30
Motor Vehicles	5 - 18
Computer Equipment	4 - 14
Furniture and Office Equipment	5 - 16
Capitalised Restoration Cost	
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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

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 YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
2 CASH AND CASH EQUIVALENTS		
Bank Accounts	19 566 053	17 516 386
Call Deposits	4 781	2 041 267
Total	19 570 834	19 557 653
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	957 620	3 472 571
Working Capital Requirements	18 613 214	16 085 081
	19 570 834	19 557 653
Refer to notes 15 and 21 for more detail relating to unspent conditional grants.		
Bank Accounts		
ABSA Bank Ltd - Current Account - 40 8171 6725		
Bank Statement Balance - Opening Balance	7 643 830	1 135 976
Bank Statement Balance - Closing Balance	4 032 796	7 643 830
Cashbook Balance - Opening Balance	6 776 934	922 770
Cashbook Balance - Closing Balance	6 350 216	6 776 934
ABSA Bank Ltd - Current Account - 23 6000 0012		
Bank Statement Balance - Opening Balance	3 379 467	18 319
Bank Statement Balance - Closing Balance	(7 918)	3 379 467
Cashbook Balance - Opening Balance	3 379 466	(337)
Cashbook Balance - Closing Balance	(7 918)	3 379 466
First National Bank Ltd - Current Account - 620 2619 2336		
Bank Statement Balance - Opening Balance	4 830 350	2 067 810
Bank Statement Balance - Closing Balance	11 294 664	4 830 350
Cashbook Balance - Opening Balance	4 830 350	1 353 503
Cashbook Balance - Closing Balance	11 294 664	4 830 350
First National Bank Ltd - Current Account - 516 4001 1783		
Bank Statement Balance - Opening Balance	2 500 900	209 658
Bank Statement Balance - Closing Balance	1 929 091	2 500 900
Cashbook Balance - Opening Balance	2 529 636	46 763
Cashbook Balance - Closing Balance	1 929 091	2 529 636

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
2 CASH AND CASH EQUIVALENTS (CONTINUED)		
There were no overdraft facility at the period ending 30 June 2017 and 30 June 2018.		
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	982	1 062
ABSA Bank Ltd - Call Account - 9103 862 998	1 967	2 931
ABSA Bank Ltd - Call Account - 9116 410 431	1 139	1 139
ABSA Bank Ltd - Call Account - 9081 226 121	693	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
Total	4 781	2 041 267

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2018

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	116 800 163	101 355 647	15 444 515
Electricity	25 330 227	17 568 728	7 761 499
Refuse	78 039 438	72 318 365	5 721 073
Other Receivables	13 430 498	11 468 554	1 961 944
Other Receivables	3 822 986	-	3 822 986
Sundry Receivables	273 385	-	273 385
Sundry Deposit	3 549 601	-	3 549 601
Total	120 623 149	101 355 647	19 267 502

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	101 601 113	87 200 633	14 400 480
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
Other Receivables	3 450 035	-	3 450 035
Sundry Receivables	170 864	-	170 864
Sundry Deposit	3 279 170	-	3 279 170
Total	105 051 148	87 200 633	17 850 515
Balance Previously Reported	101 960 977	87 200 633	14 760 344
Prior Period Adjustment - Refer to note 44.4	3 090 170	-	3 090 170
Restated Balance on 30 June 2017	105 051 148	87 200 633	17 850 515

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

	30 JUNE 2018 R	30 JUNE 2017 R
Ageing of service receivables:		
Electricity Ageing		
Current (0 - 30 days)	2 775 871	3 845 265
Past Due (31 - 60 Days)	1 860 876	2 244 532
Past Due (61 - 90 Days)	1 406 925	1 912 828
Past Due (90 Days +)	19 286 555	20 027 636
Total	25 330 227	28 030 261
Refuse Ageing		
Current (0 - 30 days)	1 541 042	1 328 467
Past Due (31 - 60 Days)	1 434 866	1 256 507
Past Due (61 - 90 Days)	1 403 323	1 199 075
Past Due (90 Days +)	73 660 207	58 510 978
Total	78 039 438	62 295 027

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Other Services Ageing		
Current (0 - 30 days)	606 812	634 761
Past Due (31 - 60 Days)	807 930	355 241
Past Due (61 - 90 Days)	341 960	307 066
Past Due (90 Days +)	11 673 795	9 978 758
Total	13 430 498	11 275 825

Ageing per Customer Classification - 30 June 2018

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	1 705 481	2 018 316	1 199 928
Past Due (31 - 60 Days)	1 619 140	1 416 646	1 067 886
Past Due (61 - 90 Days)	1 524 000	593 038	1 035 170
Past Due (90 Days +)	85 807 485	11 996 650	6 816 422
Sub-Total	90 656 106	16 024 650	10 119 406
Less Allowance for Impairment	(84 455 806)	(12 212 759)	(4 687 082)
Total	6 200 300	3 811 891	5 432 324

Ageing per Customer Classification - 30 June 2017

	Consumers R	Industrial/ Commercial R	National and Provincial Government 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
Sub-Total	73 479 217	18 833 756	9 288 140
Less Allowance for Impairment	(69 539 932)	(12 815 482)	(4 845 218)
Total	3 939 285	6 018 273	4 442 922

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Reconciliation of Allowance for impairment		
Opening Balance	87 200 633	56 926 344
Contribution to the provision	14 155 014	30 274 289
Electricity	(698 054)	9 579 139
Refuse	13 427 404	13 793 689
Other Receivables	1 425 665	6 901 460
Balance at the end of the year	101 355 647	87 200 633

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 2018

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	184 806 640	169 105 729	15 700 911
Rates	184 806 640	169 105 729	15 700 911
Other Receivables	1 340 042	-	1 340 042
Accrued Interest	1 700	-	1 700
Sundry Receivables	1 338 342	-	1 338 342
Total	186 146 682	169 105 729	17 040 953

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	166 180 857	155 732 189	10 448 667
Rates	166 180 857	155 732 189	10 448 667
Other Receivables	4 201 751	-	4 201 751
Government Grants	3 716 410	-	3 716 410
Accrued Interest	42 500	-	42 500
Sundry Receivables	442 841	-	442 841
Total	170 382 607	155 732 189	14 650 418
Balance Previously Reported	173 844 096	155 732 189	18 111 907
Prior Period Adjustment - Refer to note 44.5	(3 461 489)	-	(3 461 489)
Restated Balance on 30 June 2017	170 382 607	155 732 189	14 650 418

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.

Ageing of service receivables:

Rates Ageing

Current (0 - 30 days)	4 606 518	10 392 204
Past Due (31 - 60 Days)	2 698 989	3 329 424
Past Due (61 - 90 Days)	2 533 962	3 269 403
Past Due (90 Days +)	174 967 171	149 189 825
Total	184 806 640	166 180 857

Ageing per Customer Classification - 30 June 2018

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 115 340	382 218	2 108 961
Past Due (31 - 60 Days)	1 882 786	205 378	610 825
Past Due (61 - 90 Days)	1 760 707	163 165	610 090
Past Due (90 Days +)	97 021 647	8 659 410	69 286 113
Sub-Total	102 780 480	9 410 171	72 615 989
Less Allowance for Impairment	(93 075 946)	(8 616 218)	(67 413 565)
Total	9 704 534	793 953	5 202 424

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Ageing per Customer Classification - 30 June 2017

	Consumers R	Industrial/ Commercial R	National and Provincial Government 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 +)	88 824 856	6 134 997	54 229 972
Sub-Total	102 499 349	7 726 871	55 954 636
Less Allowance for Impairment	(95 992 684)	(6 935 578)	(52 803 927)
Total	6 506 665	791 294	3 150 709
		30 JUNE 2018	30 JUNE 2017
		R	R
Reconciliation of Allowance for impairment			
Opening Balance		155 732 189	109 637 072
Contribution to the provision		13 373 540	52 944 741
Bad Debts Written off		-	(6 849 624)
Balance at the end of the year		169 105 729	155 732 189

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.

5 VAT RECEIVABLE

Vat Receivable	12 717 737	10 185 125
Balance Previously Reported		10 117 964
Prior Period Adjustment - Refer to note 44.6		67 161
Total	12 717 737	10 185 125

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
6 OPERATING LEASES		
6.1 OPERATING LEASE ASSETS		
Operating Lease Assets	<u>7 355</u>	<u>14 360</u>
<p>The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.</p>		
Opening Balance	14 360	15 732
Contribution during the year	(7 005)	(1 372)
Balance at the end of the year	<u>7 355</u>	<u>14 360</u>
<p>The municipality will receive the following lease payments from contracts that have defined lease payments and terms.</p>		
Within 1 Year	44 298	62 420
Between 1 and 5 Years	-	44 298
After 5 Years	-	-
	<u>44 298</u>	<u>106 717</u>
<p>The lease payments are in respect of properties being lease out over a period ranging up to 2019.</p>		
<p>As GRAP 13 only requires the disclosure for contracts with defined lease payments and lease terms.</p>		
<p>All rental income generated on properties are included in Rental of Facilities and Equipment.</p>		
7 INVENTORY		
Consumables - General Store	-	466 075
Consumables - Electrical Store	-	134 271
Total	<u>-</u>	<u>600 346</u>
<p>Inventory are disclosed at the lower of cost or net realisable value.</p>		
<p>No inventory were pledged as security for liabilities.</p>		
<p>Inventory written down due to losses identified during the annual stores counts (including obsolete items).</p>		
	<u>38 525</u>	<u>-</u>
Inventory expensed during the year	<u>561 822</u>	<u>613 908</u>

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

8 INVESTMENT PROPERTY

Investment Property - Carrying Value	42 412 570	42 700 770
Balance Previously Reported		49 737 270
Prior Period Adjustment - Refer to note 44.1		(7 036 500)

The movement in investment properties is reconciled as follows:

Opening Fair Value	42 700 770	41 510 600
Fair Value Adjustment	2 280 800	1 190 170
Disposals	(2 569 000)	-
Closing Carrying Value	42 412 570	42 700 770
Fair Value	42 412 570	42 700 770

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 YEAR ENDING 30 JUNE 2018

9.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2018	Opening Balance R	Additions R	Disposals R	WIP Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	73 690 439	-	-	33 827 651	107 518 090	4 541 400	767 000	-	5 308 401	102 209 689
Land	44 085 911	-	-	-	44 085 911	-	-	-	-	44 085 911
Buildings	29 604 528	-	-	33 827 651	63 432 179	4 541 400	767 000	-	5 308 401	58 123 778
Infrastructure	466 711 104	-	-	-	466 711 104	259 752 629	18 626 920	-	278 379 548	188 331 556
Roads and Stormwater	370 359 026	-	-	-	370 359 026	220 516 611	15 449 048	-	235 965 659	134 393 366
Electricity	94 044 079	-	-	-	94 044 079	37 987 414	2 979 898	-	40 967 312	53 076 767
Solid Waste	2 307 999	-	-	-	2 307 999	1 248 604	197 973	-	1 446 577	861 422
Community Assets	58 862 602	-	-	36 161 703	95 024 306	13 779 876	1 828 718	-	15 608 594	79 415 712
Cemetery	4 979 289	-	-	-	4 979 289	893 843	131 375	-	1 025 218	3 954 071
Recreation Grounds	10 095 649	-	-	3 398 344	13 493 993	3 816 206	403 676	-	4 219 882	9 274 111
Community Halls and Centres	43 787 665	-	-	32 763 359	76 551 024	9 069 826	1 293 668	-	10 363 494	66 187 530
Lease Assets	26 619 765	-	-	-	26 619 765	16 218 766	4 442 751	-	20 661 517	5 958 248
Computer Equipment	3 574 781	-	-	-	3 574 781	2 891 691	477 945	-	3 369 636	205 145
Plant and Machinery	23 044 984	-	-	-	23 044 984	13 327 075	3 964 806	-	17 291 881	5 753 103
Other Assets	32 048 525	1 416 039	(1 652 182)	-	31 812 382	15 741 028	2 191 554	(1 246 840)	16 685 742	15 126 640
Plant and Machinery	19 818 619	109 900	(813 712)	-	19 114 807	8 490 671	985 062	(521 808)	8 953 925	10 160 882
Motor Vehicles	6 514 205	-	(319 233)	-	6 194 972	2 756 398	514 827	(205 488)	3 065 737	3 129 235
Computer Equipment	2 471 723	181 786	(422 356)	-	2 231 153	2 022 293	235 285	(435 368)	1 822 210	408 943
Furniture and Office Equipment	3 243 978	1 124 353	(96 881)	-	4 271 450	2 471 667	456 380	(84 176)	2 843 871	1 427 579
Work in Progress	166 347 896	73 124 151	-	(69 989 354)	169 482 693	-	-	-	-	169 482 693
Total	824 280 332	74 540 190	(1 652 182)	-	897 168 340	310 033 699	27 856 943	(1 246 840)	336 643 802	560 524 537

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

9.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2017	Merger Take-on R	Additions R	Disposals R	WIP Transfers R	Closing Balance R	Merger Take-on R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	73 690 439	-	-	-	73 690 439	3 845 847	695 553	-	4 541 400	69 149 039
Land	44 085 911	-	-	-	44 085 911	-	-	-	-	44 085 911
Buildings	29 604 528	-	-	-	29 604 528	3 845 847	695 553	-	4 541 400	25 063 128
Infrastructure	466 711 104	-	-	-	466 711 104	239 964 858	19 787 770	-	259 752 629	206 958 476
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
Community Assets	58 862 602	-	-	-	58 862 602	12 101 168	1 678 708	-	13 779 876	45 082 726
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	43 787 665	-	-	-	43 787 665	7 908 201	1 161 625	-	9 069 826	34 717 838
Lease Assets	26 995 106	-	(375 341)	-	26 619 765	10 524 759	6 136 555	(442 548)	16 218 766	10 400 999
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
Other Assets	33 669 177	1 321 839	(2 942 490)	-	32 048 525	15 584 796	2 107 108	(1 950 875)	15 741 028	16 307 497
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	2 796 846	79 167	(404 290)	-	2 471 723	2 001 570	303 690	(282 967)	2 022 293	449 430
Furniture and Office Equipment	3 604 749	21 940	(382 712)	-	3 243 978	2 453 701	337 061	(319 096)	2 471 667	772 311
Work in Progress	124 912 647	41 435 249	-	-	166 347 896	-	-	-	-	166 347 896
Total	784 841 076	42 757 088	(3 317 831)	-	824 280 332	282 021 428	30 405 694	(2 393 423)	310 033 699	514 246 632
Balance previously Reported	784 704 305	42 135 624	(3 317 831)	-	823 522 098	282 007 615	30 404 168	(2 393 423)	310 018 360	513 503 738
Prior Period Adjustment - Refer to note 44.2	136 771	621 463	-	-	758 234	13 813	1 526	-	15 339	742 895
Restated on 30 June 2017	784 841 076	42 757 088	(3 317 831)	-	824 280 332	282 021 428	30 405 694	(2 393 423)	310 033 699	514 246 632

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 YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
9.1 PROPERTY PLANT AND EQUIPMENT		
Transitional Provision - GRAP 107		
The municipality opted to take advantage of the transitional provision contained in GRAP 107 relating to the measurement of Property, Plant and Equipment (Self constructed assets). The municipality is granted a 2 year measurement period since merger date to ensure compliance with the relevant GRAP standards.		
9.2 PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST		
Capitalised Restoration Cost - Carrying Value	13 957 867	14 246 847
The movement in capitalised restoration cost is reconciled as follows:		
Opening Balance	14 246 847	13 798 954
Additions	1 959 298	1 260 725
Disposals	(68 797)	-
Depreciation for the year	(1 287 949)	(812 832)
Impairments for the year	(891 532)	-
Closing Carrying Value	13 957 867	14 246 847
Cost	26 623 493	24 732 992
Accumulated Depreciation	(11 774 094)	(10 486 145)
Accumulated Impairment	(891 532)	-

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.

The impairment recognised in the current year relates to the Adelaide landfill site that reached the end of its useful life on 30 June 2018.

Refer to note 18 for more detail relating to this asset financed by way of a provision

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

		30 JUNE 2018	30 JUNE 2017
		R	R
10	HERITAGE ASSETS		
	Heritage Assets - Carrying Value	<u>70 000</u>	<u>70 000</u>
	The municipality holds heritage assets, but was unable to obtain fair values of such assets, as there are no active market for these assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.		
	The following Heritage Assets were identified:		
	Dr John Knox Bokwe Graves	-	-
	Fort Woburn	-	-
	Nkonkobe Garden of Remembrance	-	-
	Fort Armstrong	-	-
	Maqoma Great Place	-	-
	Ntsikana Grave	-	-
	Oliver Shreiner House	-	-
	Fort Beaufort Historical Museum	-	-
	Fort Fordyce Fallen Site	-	-
	Infantry Barracks	-	-
	Lake's Man Fort	-	-
	Lord Charles Somerset House	-	-
	Mansonic Lodge	-	-
	Martello Tower	-	-
	Mater Hill	-	-
	Military Museum	-	-
	Military Hospital	-	-
	Officers Quarters	-	-
	The Fort	-	-
	The Officers Mess	-	-
	Ecology Shrine	-	-
	Fort Michel	-	-
	Eland Post	-	-
	Christmas Day Massacre Memorial	-	-
	Tyali's Great Place	-	-
	The Presidency Sundial	-	-
	Nontetha's Grave	-	-
	Monument	35 000	35 000
	Monument	35 000	35 000
	Total	<u>70 000</u>	<u>70 000</u>

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
11 INTANGIBLE ASSETS		
Intangible Assets - Carrying Value	<u>1 187</u>	<u>12 893</u>
Opening Balance	12 893	23 624
Amortisation for the year	<u>(11 707)</u>	<u>(10 731)</u>
Closing Carrying Value	1 187	12 893
Cost	62 468	62 468
Accumulated Depreciation	(61 281)	(49 574)

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

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 YEAR ENDING 30 JUNE 2018

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	Aloe XEROX - 14 different Copier Machines	18.84%	30/Jun/18
2	Aloe XEROX - 2 different Copier Machines	18.84%	23/Mar/19
3	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	Carrying Value of Asset	Carrying Value of Asset	Carrying Value of Liability	Carrying Value of Liability
	30 JUNE 2018	30 JUNE 2017	30 JUNE 2018	30 JUNE 2017
	R	R	R	R
1	2 283	154 031	-	178 644
2	191 209	447 412	207 271	473 544
3	11 440	55 489	17 846	83 209
	204 932	656 932	225 118	735 396

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.

	30 JUNE 2018	30 JUNE 2017
	R	R
Finance Lease Liabilities are payable as follows:		
Payable within one year	240 284	600 715
Payable within two to five years	-	240 284
Total amount payable	240 284	840 999
Less: Outstanding Future Finance Charges	(15 166)	(105 603)
Present value of finance lease liabilities	225 118	735 396

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
13 CONSUMER DEPOSITS		
Electricity	2 173 688	1 999 319
Total	2 173 688	1 999 319

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

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	140 863 289	156 720 522
Balance Previously Reported		155 867 334
Prior Period Adjustment - Refer to note 44.3		853 188
Debtors with credit balances	8 936 039	6 981 278
Unidentified Deposits	19 008 614	12 170 377
Sundry Creditors	1 241 126	1 256 114
Total	170 049 067	177 128 291

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.

15 UNSPENT CONDITIONAL GOVERNMENT GRANTS

National Government	-	1 547 975
Provincial Government	957 620	1 924 597
Total	957 620	3 472 571

Detail reconciliations of all grants received and grant conditions met are included in note 21. 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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
16 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits	519 128	535 912
Current Portion of Long-Service Provisions	1 087 791	850 613
Bonuses	2 605 007	2 458 662
Staff Leave	10 005 912	9 195 677
Total	14 217 838	13 040 865

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	2 458 662	2 688 405
Contribution during the year	6 253 480	5 171 860
Payments made	(6 107 136)	(5 401 603)
Closing Balance	2 605 007	2 458 662

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

Staff Leave

Opening Balance	9 195 677	8 363 283
Contribution during the year	2 008 029	1 511 212
Payments made	(1 197 795)	(678 817)
Closing Balance	10 005 912	9 195 677

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 YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
17 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	28 756 773	28 101 492
Long Service Awards	6 933 890	6 196 501
Sub-Total	35 690 663	34 297 993
Less: Current portion of Employee Benefits	1 606 919	1 386 525
Post Retirement Medical Benefits	519 128	535 912
Long Service Awards	1 087 791	850 613
Total	34 083 744	32 911 468

17.1 Post Retirement Medical Benefits

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

Opening Balance	28 101 492	26 350 682
Contribution during the year	4 819 373	3 228 878
Current Service Cost	2 059 668	1 513 955
Interest Cost	2 759 705	1 714 923
Payments made	(650 742)	(461 457)
Actuarial Gain	(3 513 350)	(1 016 611)
Total balance at year-end	28 756 773	28 101 492
Less Current Portion	519 128	535 912
Total	28 237 645	27 565 580

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

	30 JUNE 2018	30 JUNE 2017
In-service members	206	212
Continuation members	14	11
Total	220	223

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
17 EMPLOYEE BENEFITS (CONTINUED)		
The liability in respect of past service has been estimated to be as follows:		
In-service members	22 301 865	22 626 444
Continuation members	6 454 908	5 475 048
Total Unfunded Liability	28 756 773	28 101 492

Experience adjustments were calculated as follows:

	2018
	R m
Liabilities: (Gain)/Loss	(1.065)
Assets: Gain/(Loss)	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are 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 2018	30 JUNE 2017
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	9.74%	9.91%
Health Care Cost Inflation Rate	7.49%	8.18%
Net Effective Discount Rate	2.09%	1.60%
Maximum Subsidy Inflation Rate	5.24%	5.76%
Net-of-maximum-subsidy-inflation discount rate	4.27%	3.92%

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17 EMPLOYEE BENEFITS (CONTINUED)

Mortality Rates

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

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 18 August 2018.

Actuarial Valuation Method

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

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	22.302	6.455	28.757	
Health care inflation				
+ 1%	26.632	7.081	33.713	17%
- 1%	18.743	5.913	24.656	-14%
Discount rate				
+ 1%	18.717	5.928	24.645	-14%
- 1%	26.875	7.074	33.949	18%
Post-retirement mortality				
- 1 year	22.980	6.697	29.677	3%
Average retirement age				
- 1 year	24.715	6.455	31.170	8%
Continuation of membership at retirement				
- 10%	20.168	6.455	26.623	-7%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17 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	2.033	2.776	4.809	
Health care inflation				
+ 1%	2.462	3.259	5.720	19%
- 1%	1.684	2.377	4.061	-16%
Discount rate				
+ 1%	1.698	2.620	4.317	-10%
- 1%	2.465	2.945	5.410	12%
Post-retirement mortality				
- 1 year	2.094	2.866	4.960	3%
Average retirement age				
- 1 year	2.146	3.011	5.157	7%
Continuation of membership at retirement				
- 10%	1.841	2.568	4.409	-8%

17.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

	30 JUNE 2018 R	30 JUNE 2017 R
Opening Balance	6 196 501	6 371 547
Contribution during the year	1 158 146	1 082 522
Current Service Cost	675 536	689 195
Interest Cost	482 610	393 327
Payments made	(433 484)	(377 972)
Actuarial Loss/(Gain)	12 727	(879 596)
Total balance at year-end	6 933 890	6 196 501
Less Current Portion	1 087 791	850 613
Total	5 846 099	5 345 888

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	30 JUNE 2018	30 JUNE 2017
In-service members	<u>337</u>	<u>356</u>

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

	30 JUNE 2018 R	30 JUNE 2017 R
In-service members	<u>6 933 890</u>	<u>6 196 501</u>
Total Unfunded Liability	<u>6 933 890</u>	<u>6 196 501</u>

Experience adjustments were calculated as follows:

	2018 R m
Liabilities: (Gain)/Loss	0.505
Assets: Gain/(Loss)	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	8.45%	8.35%
General Salary Inflation (long-term)	6.08%	6.17%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	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 18 August 2018.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17 EMPLOYEE BENEFITS (CONTINUED)

Actuarial Valuation Method

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

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	6.934	
General salary inflation		
+ 1%	7.336	6%
- 1%	6.568	-5%
Discount rate		
+ 1%	6.552	-6%
- 1%	7.361	6%
Average retirement age		
- 2 years	6.225	-10%
+ 2 years	7.702	11%
Withdrawal rates		
- 50%	8.165	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	0.675	0.541	1.216	
General salary inflation				
+ 1%	0.724	0.575	1.299	7%
- 1%	0.631	0.510	1.141	-6%
Discount rate				
+ 1%	0.635	0.569	1.204	-1%
- 1%	0.720	0.509	1.228	1%
Average retirement age				
- 2 years	0.622	0.483	1.105	-9%
+ 2 years	0.734	0.606	1.340	10%
Withdrawal rates				
- 50%	0.853	0.645	1.498	23%

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17 EMPLOYEE BENEFITS (CONTINUED)

17.3 Other Pension Benefits

Defined Benefit Plans	30 JUNE 2018 R	30 JUNE 2017 R
Council contributes to the following defined benefit plans:		
LA Retirement Fund (former Cape Joint Pension Fund)	8 989 521	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 2017 revealed that the fund is in a sound financial position with a funding level of 102.6% (30 June 2016 - 103.5%).		
Total	8 989 521	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 Pension Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

17	EMPLOYEE BENEFITS (CONTINUED)	30 JUNE 2018 R	30 JUNE 2017 R
	Defined Benefit Plans		
	Council contributes to the following defined benefit plans:		
	Government Employees Pension Fund	19 122	21 745
	SALA Pension Fund	479 190	1 469 045
	SAMWU National Provident Fund	1 626 789	1 409 585
	Municipal Workers Fund	355 881	300 303
	Total	2 480 982	3 200 678

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.

18 NON-CURRENT PROVISIONS

Rehabilitation Provision - Landfill Sites	39 163 188	36 173 302
Total	39 163 188	36 173 302

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	36 173 302	34 056 877
Contribution during the year	2 989 885	2 116 425
Additions	1 959 298	1 260 725
Disposals	(68 797)	-
Interest Cost	1 099 385	855 700
Total balance at year-end	39 163 188	36 173 302
Less Current Portion	-	-
Total	39 163 188	36 173 302

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 YEAR ENDING 30 JUNE 2018

18	NON-CURRENT PROVISIONS (CONTINUED)	30 JUNE 2018	30 JUNE 2017
		R	R
	The total obligation at period-end can be attributed to the following sites:		
	Expected Closure		
	Site		
	Date		
	Alice	14 950 218	13 831 004
	Middledrift	4 339 678	3 937 562
	Seymour	3 795 027	3 599 180
	Adelaide	9 711 769	8 560 077
	Bedford	6 366 496	6 245 479
	Total	39 163 188	36 173 302

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 3.04% (2017 - 2.51%) during the year under review..

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

The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m²):

	30 JUNE 2018	30 JUNE 2017
Alice	31 524	31 524
Middledrift	4 836	4 836
Seymour	3 317	3 317
Adelaide	20 553	20 553
Bedford	14 477	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/m²):

	30 JUNE 2018	30 JUNE 2017
Alice	474	439
Middledrift	897	814
Seymour	1 144	1 085
Adelaide	473	416
Bedford	440	431

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
19 COMMUNITY WEALTH		
Accumulated Surplus	424 700 279	368 674 346
Total	424 700 279	368 674 346
20 PROPERTY RATES		
Total Property Rates	59 860 398	51 229 914
Total	59 860 398	51 229 914
Property rate levied are based on the following rateable valuations:		
Agricultural	1 309 863 000	1 330 491 300
Business & Commercial	400 483 800	364 280 300
Churches and Educational	575 415 700	128 974 700
Government	2 061 072 300	2 017 450 500
Municipal	15 478 800	28 758 800
Public Benefit Organisations	486 900	486 900
Public Service Infrastructure	17 653 650	17 816 100
Residential	1 626 920 600	1 742 779 600
Vacant Land	58 489 200	49 943 700
Total Valuation	6 065 863 950	5 680 981 900

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:

	30 JUNE 2018			30 JUNE 2017		
	Raymond Mhlaba	Former Nxuba	Former Nkonkobe	Raymond Mhlaba	Former Nxuba	Former Nkonkobe
Agriculture (Residential)	0.007980 c / R	0.005200 c / R	0.007900 c / R	0.007980 c / R	0.005200 c / R	0.007900 c / R
Agriculture (Business)	-	0.007200 c / R	0.015800 c / R	-	0.007200 c / R	0.015800 c / R
Agriculture (Other)	-	-	0.007900 c / R	-	-	0.007900 c / R
Privately Owned Town	0.005925 c / R	-	0.008137 c / R	0.005925 c / R	-	0.008137 c / R
Business and Commercial	0.016274 c / R	0.007200 c / R	0.016274 c / R	0.016274 c / R	0.007200 c / R	0.016274 c / R
Churches/Place of Public Worship	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Government	0.023700 c / R	0.007200 c / R	0.023700 c / R	0.023700 c / R	0.007200 c / R	0.023700 c / R

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20 PROPERTY RATES (CONTINUED)

	30 JUNE 2018	30 JUNE 2017	
	Raymond Mhlaba	Former Nxuba	Former Nkonkobe
Guest House/Hotel	0.016274 c / R	-	0.016274 c / R
Industrial	0.016274 c / R	0.007200 c / R	0.016274 c / R
	0.0079 to 0.0095		
Properties used for multi purpose	c / R	0.007200 c / R	0.010000 c / R
Education	0.023700 c / R	-	0.023700 c / R
Public Benefit Organization	Exempt	Exempt	Exempt
Public service infrastructure	0.001975 c / R	0.006800 c / R	0.001975 c / R
Residential/Small holding	0.007900 c / R	0.007200 c / R	0.007900 c / R
Rural communal land	0.023700 c / R	-	0.023700 c / R
Vacant land - residential	0.0100 c / R	-	0.008400 c / R
Vacant land - commercial	0.0125 c / R	-	-
Sectional Title	0.007110 c / R	-	0.007900 c / R
Municipal properties	Exempt	Exempt	Exempt
Privately Owned Town (Open space)	0.00079 c / R	-	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.

21 GOVERNMENT GRANTS AND SUBSIDIES

	30 JUNE 2018	30 JUNE 2017
	R	R
Unconditional Grants - National Government	149 375 000	122 870 207
Equitable Share	149 375 000	122 870 207
Conditional Grants - National Government	82 467 584	72 543 773
Municipal Finance Management Grant	3 800 000	3 636 725
Municipal Infrastructure Grant	41 160 590	45 302 621
Integrated National Electrification Programme (INEP)	4 999 828	2 466 954
Expanded Public Works Program	1 662 000	2 053 767
Municipal Demarcation and Transition Grant	4 566 147	13 427 853
National Treasury Audit Fees Grant 1%	26 228 251	5 508 291
LG-SETA	50 767	147 562

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
Conditional Grants - Provincial Government	29 816 502	2 829 815
COGTA Merger Assistance Grant	3 966 977	1 033 023
COGTA Audit Readiness	576 700	-
Office of the Premier	23 702 825	-
Library Grant	1 570 000	1 570 000
Quarry Mining Grant	-	220 292
ECDLGTA - Greening and Beautification	-	6 500
Total	261 659 085	198 243 795
Disclosed as:		
Government Grants and Subsidies - Capital	68 209 325	43 304 171
Government Grants and Subsidies - Operating	193 449 761	154 939 625
Total	261 659 085	198 243 795
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	149 375 000	122 870 207
Accounting Officer	-	226 792
Budget and Treasury Office	39 188 843	23 753 454
Community Services	1 570 000	1 570 000
Technical Services	71 525 243	49 823 342
Total	261 659 085	198 243 796

The movements per grant can be summarised as follows:

21.01 Equitable Share

Grants Received	149 375 000	122 870 207
Transferred to Revenue - Operating	(149 375 000)	(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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
21.02 Municipal Finance Management Grant		
Grants Received	3 800 000	3 650 000
Transferred to Revenue - Operating	(3 800 000)	(3 636 725)
Transfer to/(from) Receivables	-	(13 275)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
21.03 LG-SETA		
Grants Received	50 767	147 562
Transferred to Revenue - Operating	(50 767)	(147 562)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
The LG SETA Grant is utilised to cover expenditure relating to training.		
21.04 Municipal Systems Improvement Grant		
Opening Balance	-	142 863
Adjusted by National Treasury	-	(142 863)
	<u>-</u>	<u>-</u>
Closing Unspent Balance	<u>-</u>	<u>-</u>
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.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

21	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	30 JUNE 2018	30 JUNE 2017
		R	R
	21.05 Municipal Infrastructure Grant		
	Opening Balance	-	2 632 003
	Grants Received	44 877 000	39 969 000
	Transferred to Revenue - Capital	(39 506 672)	(43 304 171)
	Transferred to Revenue - Operating	(1 653 918)	(1 998 450)
	Adjusted by National Treasury	-	(1 014 792)
	Transfer to/(from) Receivables	(3 716 410)	3 716 410
	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.

21.06 Integrated National Electrification Programme (INEP)

	Opening Balance	1 547 828	1 007 553
	Grants Received	5 000 000	5 000 000
	Transferred to Revenue - Capital	(4 999 828)	-
	Transferred to Revenue - Operating	-	(2 466 954)
	Adjusted by National Treasury	(1 548 000)	(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.

21.07 Expanded Public Works Program

	Grants Received	1 662 000	2 167 000
	Transferred to Revenue - Operating	(1 662 000)	(2 053 767)
	Adjusted by National Treasury	-	(113 234)
	Closing Unspent Balance	-	-

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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
21.08 Municipal Demarcation and Transition Grant		
Opening Balance	147	2 686 000
Grants Received	4 566 000	10 742 000
Transferred to Revenue - Operating	(4 566 147)	(13 427 853)
Closing Unspent Balance	<u>-</u>	<u>147</u>
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.		
21.09 National Treasury Audit Fees Grant		
Grants Received	26 228 251	5 508 291
Transferred to Revenue - Operating	(26 228 251)	(5 508 291)
Closing Unspent Balance	<u>-</u>	<u>-</u>
This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		
21.10 Library Grant		
Grants Received	1 570 000	1 570 000
Transferred to Revenue - Operating	(1 570 000)	(1 570 000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
To provide the municipality with finance for the operation and administration of Community Libraries.		
21.11 COGTA Assistance		
Opening Balance	966 977	-
Grants Received	3 576 700	2 000 000
Transferred to Revenue - Operating	(4 543 677)	(1 033 023)
Closing Unspent Balance	<u>-</u>	<u>966 977</u>
The grant includes both funds for Merger assistance as well as Audit Readiness Assistance. The Merger Assistance grant is allocated to municipalities affected by mergers as a result of municipal boundaries that were re-determined effectively from 6 August 2016.		

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
21.12 Office of the Premier		
Grants Received	23 702 825	-
Transferred to Revenue - Capital	(23 702 825)	-
Closing Unspent Balance	-	-
<p>This grant is allocated to municipalities directly from the Office of the Premier. The fund were utilised in two projects namely the Alice Revitalisation Project and the Green Energy Farming Project.</p>		
21.13 Other Provincial Allocations		
Opening Balance	957 620	1 184 412
Transferred to Revenue - Operating	-	(226 792)
Closing Unspent Balance	957 620	957 620
<p>Other Provincial Allocations includes the following grants:</p> <ul style="list-style-type: none"> - Quarry Mining Grant - ECDLGTA - Greening and Beautification - LSDF - Middeldrift Spatial Development Framework 		
21.14 Total Grants		
Opening Balance	3 472 571	7 652 831
Grants Received	264 408 543	193 624 061
Transferred to Revenue - Capital	(68 209 325)	(43 304 171)
Transferred to Revenue - Operating	(193 449 761)	(154 939 625)
Adjusted by National Treasury	(1 548 000)	(2 278 441)
Transfer to/(from) Receivables	(3 716 410)	2 717 917
Closing Unspent Balance	957 620	3 472 571
22 PUBLIC CONTRIBUTIONS AND DONATIONS		
COGHTA	11 361 000	-
Total	11 361 000	-

COGHTA contributed R 11 361 000 towards the outstanding Eskom liability of the municipality.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
23 FINES		
Traffic Fines	89 050	127 910
Total	89 050	127 910
24 ACTUARIAL GAINS		
Long Service Awards	-	879 596
Post Retirement Medical Benefits	3 513 350	1 016 611
Total	3 513 350	1 896 206
25 FAIR VALUE ADJUSTMENTS		
Investment Property	2 280 800	1 190 170
Total	2 280 800	1 190 170
26 SERVICE CHARGES		
Electricity Revenue	59 842 202	52 331 900
Refuse Removal Revenue	19 098 567	15 452 383
Total Revenue	78 940 769	67 784 283
Less: Rebates	(3 767 800)	(5 256 795)
Refuse Removal Revenue	(3 767 800)	(5 256 795)
Total	75 172 968	62 527 488
<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>		
27 RENTAL OF FACILITIES AND EQUIPMENT		
Hall Rental	398 923	130 254
Municipal Houses	63 750	61 815
Equipment	6 099	3 016
Properties	92 907	115 996
Billboards	33 108	32 941
Total	594 786	344 021
28 INTEREST EARNED - EXTERNAL INVESTMENTS		
Short-Term Investments and Current Accounts	2 722 211	2 121 254
Total	2 722 211	2 121 254

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
29 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	8 950 189	6 223 876
Interest Earned - Penalty Interest on Property Rates	12 487 016	13 882 094
Total	21 437 205	20 105 970
30 LICENCES AND PERMITS		
Learners and Drivers Testing	3 356 632	3 515 641
Total	3 356 632	3 515 641
31 OTHER INCOME		
Connections - Electricity	131 550	91 772
Building Plan Fees	242 023	47 072
Burial and Cemetery fees	159 089	116 011
Commission Received	54 012	93 803
Discount Received	-	139 863
Tender Deposits	61 999	10 000
Valuation Certificates	36 380	40 024
Unknown Receipts Recognised as Revenue	1 446 927	18 192
Sundry Income	173 400	808 873
Total	2 305 380	1 365 612
Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the financial statements.		
32 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	93 826 581	79 042 683
Pension and UIF Contributions	13 600 047	11 931 227
Medical Aid Contributions	5 376 584	4 549 830
Overtime	5 310 642	3 387 387
Annual Bonus	6 253 480	5 171 860
Motor Vehicle Allowance	4 342 882	3 528 292
Housing Allowances	858 237	995 960
Other benefits and allowances	3 047 765	2 661 370
Payments in lieu of leave	2 008 029	1 511 212
Long service awards	675 536	689 195
Post Retirement Medical Benefits	2 059 668	1 513 955
Total	137 359 451	114 982 972

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
32 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of Key Personnel		
<p>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:</p>		
Remuneration of the Municipal Manager		
Basic Salary	768 129	568 019
Acting Allowance	-	153 513
Pension and UIF Contributions	1 785	1 636
Motor Vehicle Allowance	495 470	136 001
Housing Allowances	-	181 407
Cellphone Allowance	-	45 352
Other benefits and allowances	99	84
Total	1 265 483	1 086 012
<p>The Municipal Manager was appointed on 1 July 2017. The prior year disclosure relates to the interim Municipal Manager.</p>		
Remuneration of the Chief Financial Officer		
Basic Salary	744 979	659 837
Acting Allowance	2 456	-
Pension and UIF Contributions	1 785	1 636
Motor Vehicle Allowance	51 777	45 352
Housing Allowances	207 014	181 353
Cellphone Allowance	51 777	45 352
Other benefits and allowances	99	84
Total	1 059 888	933 614
<p>The prior year figures were restated to include the "bonus" previously disclosed as part of the basic salary. The bonus payment is only the result of how the total package CFO is structured.</p>		
Remuneration of the Technical Services Manager		
Basic Salary	54 723	568 019
Pension and UIF Contributions	191	1 636
Motor Vehicle Allowance	16 838	181 407
Housing Allowances	12 621	136 001
Cellphone Allowance	4 210	45 352
Payments in lieu of leave	193 975	-
Other benefits and allowances	8	84
Total	282 566	932 499

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
32 EMPLOYEE RELATED COSTS (CONTINUED)		
<p>The Technical Services position was vacant from 1 August 2017 and is yet to be filled with a permanent appointment</p>		
Remuneration of the Corporate Services Manager		
Basic Salary	646 582	568 019
Pension and UIF Contributions	1 785	1 636
Medical Aid Contributions	82 844	72 563
Motor Vehicle Allowance	113 910	99 774
Housing Allowances	144 882	126 931
Cellphone Allowance	72 488	63 492
Payments in lieu of leave	203 675	-
Other benefits and allowances	99	84
Total	1 266 263	932 499
Remuneration of the Community Services Manager		
Basic Salary	166 950	536 000
Pension and UIF Contributions	526	1 487
Acting Allowance	-	10 606
Payments in lieu of leave	55 943	-
Total	223 418	548 093
<p>The Community Services position was vacant from 1 October 2017 and is yet to be filled with a permanent appointment</p>		
33 REMUNERATION OF COUNCILLORS		
Councillor Allowance	15 197 281	12 257 031
Cell Phone Allowance	1 376 547	912 474
Total	16 573 828	13 169 505
Mayor	836 728	695 021
Speaker	694 642	559 963
Chief Whip	572 567	399 757
Executive Committee Members	3 793 014	1 721 980
Councillors	10 352 876	9 509 850
Traditional Leaders	324 000	282 936
Total	16 573 828	13 169 505

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
33 REMUNERATION OF COUNCILLORS (CONTINUED)		
In-kind Benefits		
The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
34 DEBT IMPAIRMENT		
Receivables from exchange transactions	14 155 014	30 274 289
Receivables from non-exchange transactions	13 373 540	52 944 741
Total	27 528 554	83 219 029
35 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	27 856 943	30 405 694
Intangible Assets	11 707	10 731
Property, Plant and Equipment - Capitalised Restoration Cost	1 287 949	812 832
Sub-Total	29 156 599	31 229 257
Less: Capitalised to Property Plant and Equipment		
Total	29 156 599	31 229 257
36 IMPAIRMENTS		
Property, Plant and Equipment - Capitalised Restoration Cost	891 532	-
Total	891 532	-
37 ACTUARIAL LOSSES		
Long Service Awards	12 727	-
Total	12 727	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
38 REPAIRS AND MAINTENANCE		
The Accounting Standards Board (ASB) issued a FAQ during the prior year which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by its nature. Accordingly, repairs and maintenance are now included in the relevant line item based on nature.		
However, In line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:		
Furniture, Office Equipment and Tools	472 258	268 794
Buildings and Commonage	576 730	249 286
Plant, Machinery and Vehicles	1 550 340	1 337 148
Infrastructure: Roads and Stormwater	152 321	78 037
Infrastructure: Electricity	5 635 768	1 675 978
Total	8 387 417	3 609 244
39 FINANCE CHARGES		
Finance Lease Liabilities	90 437	472 718
Post Retirement Medical Benefits	2 759 705	1 714 923
Long Service Awards	482 610	393 327
Rehabilitation Provision - Landfill Sites	1 099 385	855 700
Creditors	11 530 382	10 292 447
Total	15 962 519	13 729 115
40 BULK PURCHASES		
Electricity	63 870 551	56 642 349
Total	63 870 551	56 642 349
41 TRANSFERS AND GRANTS		
Indigent Subsidy (Eskom Consumers)	4 375 474	3 603 817
Indigent Subsidy (Paraffin Hampers)	187 881	78 483
Raymond Mhlaba Economic Development Agency (RMEDA)	3 014 628	-
Nkonkobe Economic Development Agency (NEDA)	-	5 105 040
Total	7 577 983	8 787 339

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
42 OTHER EXPENDITURE		
Advertising	515 813	258 769
Audit Committee Allowances	194 730	375 905
Audit fees	6 964 564	8 021 144
Bank Charges	665 492	275 983
Commissions Paid	372 142	47 415
Consumables	400 899	269 857
Entertainment costs	182 194	170 507
Employee Wellness	334 767	182 117
Events	302 731	155 270
Fuel and Oil	4 432 930	2 798 429
Insurance	1 363 143	872 125
Job creation projects	2 035 264	2 192 173
Legal fees	2 696 438	3 425 308
License fees - Vehicles	372 192	380 485
Maintenance Materials and Small Tools	8 387 417	3 609 244
Operating Grant Expenditure	14 304 700	15 312 066
Financial Management Grant (FMG)	3 762 459	3 324 505
Integrated National Electrification Program (INEP)	932 487	2 163 995
Merger Assistance (NT and PT)	8 998 904	9 691 000
Coghta Audit Readiness	577 000	-
Other Projects	33 850	132 566
Postage and Courier	103 700	160 760
Printing & Stationery	662 140	634 609
Professional & Consultancy Fees	10 840 180	7 434 274
Protective Clothing	738 608	10 351
Rental of Equipment	3 745 868	1 651 265
Refuse Removal	3 189 850	1 821 224
Refuse Bags	148 800	98 179
Security Services	288 714	261 492
Service Charges	3 507 118	3 431 679
Special Programmes	2 316 138	1 621 011
Stock losses	38 525	-
Subscriptions and Membership Fees	1 692 988	1 451 502
Subsistence & Travel	1 247 458	1 476 739
Telephone Cost	4 381 868	4 256 763
Training	861 072	708 684
Tourism Development	885 019	234 390
Valuation Costs	1 580 394	1 448 302
Ward Committees	3 074 847	1 973 471
General Expenses	3 590 144	4 355 554
Total	86 418 846	71 377 043

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
43 LOSS ON DISPOSAL OF ASSETS		
Movable Assets	405 343	924 409
Investment Property	2 569 000	-
Total	2 974 343	924 409
44 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3		
44.1 INVESTMENT PROPERTY		
Balance Previously Reported		49 737 270
Privately Owned and Unregistered Properties incorrectly taken on to asset register on merger date		(7 036 500)
Effect on Accumulated Surplus (Merger Date) - Refer to note 44.7		(6 856 600)
Effect on Fair Value Adjustments during 2016/17 - Refer to note 44.8		(179 900)
Restated Balance on 30 June 2017		42 700 770
44.2 PROPERTY PLANT AND EQUIPMENT		
Balance Previously Reported		513 503 738
WIP Expenditure incorrectly expenses during 2016/2017 - Refer to note 44.8		559 080
Recognise Accruals previously not recognised on 30 June 2017 - Refer to note 44.3		62 383
Recognise movable assets previously not recognised on merger date		7 431
Effect on Cost - Refer to note 44.7		22 771
Effect on Accumulated Depreciation (Merger date) - Refer to note 44.7		(13 813)
Effect on Depreciation (2016/17) - Refer to note 44.8		(1 526)
Land and Day Care Centre previously not recognised on merger date - Refer to note 44.7		114 000
Restated Balance on 30 June 2017		514 246 632
44.3 PAYABLES FROM EXCHANGE TRANSACTIONS		
Balance Previously Reported		176 275 103
Recognise Accruals previously not recognised on 30 June 2017		853 188
Effect on Property Plant and Equipment - Refer to note 44.2		62 383
Effect on VAT Receivable - Refer to note 44.6		67 161
Effect on Other Expenditure - Refer to note 44.8		723 644
Restated Balance on 30 June 2017		177 128 291

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

30 JUNE 2017
R

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

44.4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported	14 760 344
Recognise Eskom Deposits previously not recognised	3 090 170
Effect on Accumulated Surplus (Merger Date) - Refer to note 44.7	2 954 274
Effect on Interest Earned - External Investments - Refer to note 44.8	135 897
Restated Balance on 30 June 2017	17 850 515

44.5 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance Previously Reported	18 111 907
Correction of rates tariffs incorrectly applied on certain properties in years up to 30 June 2017	(3 461 489)
Effect on during 2016/17 - Refer to note 44.8	862 329
Effect on Accumulated Surplus (Merger Date) - Refer to note 44.7	(4 323 819)
Restated Balance on 30 June 2017	14 650 418

44.6 VAT RECEIVABLE

Balance Previously Reported	10 117 964
Recognise Accruals previously not recognised on 30 June 2017 - Refer to note 44.3	67 161
Restated Balance on 30 June 2017	10 185 125

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

30 JUNE 2017
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44 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3 (CONTINUED)

44.7 ACCUMULATED SURPLUS

Balance Previously Reported	376 125 298
Prior Period Adjustments relating to the 2016/2017 financial year - Refer to note 44.8	652 235
Adjustments relating to merger date - 6 August 2016	(8 103 187)
Recognise Eskom Deposits previously not recognised - Refer to note 44.4	2 954 274
Correction of rates tariffs incorrectly applied on certain properties in years up to 30 June 2016 - Refer to note 44.5	(4 323 819)
Land and Day Care Centre previously not recognised on merger date - Refer to note 44.2	114 000
Privately Owned and Unregistered Properties incorrectly taken on to asset register on merger date - Refer to note 44.1	(6 856 600)
Recognise movable assets previously not recognised on merger date - Refer to note 44.2	8 958
Restated Balance on 30 June 2017	368 674 346

44.8 STATEMENT OF FINANCIAL PERFORMANCE

Net Deficit previously reported	(52 045 273)
WIP Expenditure incorrectly expenses during 2016/2017 - Refer to note 44.2	559 080
Recognise Accruals previously not recognised on 30 June 2017 - Refer to note 44.3	(723 644)
Recognise interest earned on Eskom Deposits previously not recognised - Refer to note 44.4	135 897
Recognise movable assets previously not recognised on merger date (Depreciation) - Refer to note 44.2	(1 526)
Privately Owned and Unregistered Properties incorrectly taken on to asset register on merger date (Effect on Fair Value Adjustments) - Refer to note 44.1	(179 900)
Correction of rates tariffs incorrectly applied on certain properties in years up to 30 June 2017 - Refer to note 44.5	862 329
Restated deficit on 30 June 2017	(51 393 038)

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
45 NET CASH FROM OPERATING ACTIVITIES		
Net Surplus/(Deficit) for the year	56 025 933	(51 393 038)
Adjusted for:		
Non-Cash Expenditure	64 943 979	118 336 646
Debt Impairment	27 528 554	83 219 029
Depreciation and Amortisation	29 156 599	31 229 257
Impairments	891 532	-
Actuarial Losses	12 727	-
Finance Charges	4 341 700	2 963 950
Stock Losses	38 525	-
Loss on disposal of PPE	2 974 343	924 409
Non-Cash Revenue	(5 794 150)	(3 086 376)
Actuarial Gains	(3 513 350)	(1 896 206)
Fair Value Adjustments	(2 280 800)	(1 190 170)
Contributions - Provisions and Employee Benefits	10 996 714	8 886 222
Post Retirement Medical Benefits	2 059 668	1 513 955
Long Service Awards	675 536	689 195
Bonuses	6 253 480	5 171 860
Staff Leave	2 008 029	1 511 212
Expenditure - Provisions and Employee Benefits	(8 389 157)	(6 919 849)
Post Retirement Medical Benefits	(650 742)	(461 457)
Long Service Awards	(433 484)	(377 972)
Bonuses	(6 107 136)	(5 401 603)
Staff Leave	(1 197 795)	(678 817)
Other adjustments	(1 540 995)	(9 126 693)
Bad Debts Written Off	-	(6 849 624)
Grants Returned to National Revenue Fund	(1 548 000)	(2 278 441)
Rental Income Accrued	7 005	1 372
Operating Surplus before changes in working capital	116 242 324	56 696 911
Movement in working capital	(41 353 043)	2 049 730
Receivables from exchange and non-exchange transactions	(31 336 076)	(5 056 479)
Inventory	561 822	613 908
Payables from exchange transactions	(7 079 224)	50 915 922
Unspent Conditional Government Grants	(966 952)	(1 901 819)
Deferred Revenue	-	(43 134 242)
VAT Receivable	(2 532 612)	612 440
Cash Flow from Operating Activities	74 889 282	58 746 641

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
46 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Bank Accounts	19 566 053	17 516 386
Call Deposits	4 781	2 041 267
Total	19 570 834	19 557 653

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

47 BUDGET COMPARISONS

47.1 COMPARABLE BASIS

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

The following items are affected by these classification differences:

Statement of financial position

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

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

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

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

Statement of financial performance

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

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

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

47 BUDGET COMPARISONS (CONTINUED)

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

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

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

47.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Consumer Debtors	Increase receivables to account for non-recovery of debtor balances due to low payment rate.
Current portion of long-term receivables	Remove budget incorrectly budgeted for.
Investment Property	Align budget to 2016/2017 audited results
Property, Plant And Equipment	Align budget to 2016/2017 audited results
Trade and Other Payables	Increase budget allocation in line with expected outstanding payable balance. Municipality experiencing cash flow issues.
Borrowing (Non-Current)	Incorrectly budgeted for borrowing.
Provisions and Employee Benefits	Provision reduced in line with expected balance on 30 June 2018.
Accumulated Surplus	Align budget to 2016/2017 audited results

Statement of financial position - Budget versus Actual

Cash	The municipality did not adequately align the budget to the prior year audited cash balance.
Consumer Debtors	The budget did not reduce the outstanding gross debtor balance in line with the recoverable amount (insufficient allowance for debt impairment)
Other Debtors	VAT receivable applied to outstanding PAYE, UIF and SDL balance by SARS.
Property, Plant And Equipment	Municipality did not budget for capitalised restoration cost.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

47 BUDGET COMPARISONS (CONTINUED)

Trade and Other Payables	The municipality received assistance from Coghta (R 11.3 m) as well as rebate on audit fees (R 26 m).
Borrowing (Non-Current)	The municipality did not buy any assets during the year utilising borrowed funding.
Provisions and Employee Benefits	Insufficient budget allocation
Accumulated Surplus	Refer to Trade and Other Payables

Statement of financial performance - Budget Adjustments

Property Rates	Reduce budget in line with expected revenue to be raised.
Government Grants and Subsidies - Operating and Capital	Align budget to gazetted allocations
Employee related costs	Reduce budget in line with expected expenditure to be incurred.
Debt Impairment	Increase budget allocation to incorporate potential non-payment of customers.
Depreciation & Asset Impairment	Align budget in line with prior year expenditure incurred as well as proposed capital program of the municipality.
Bulk Purchases	Align budget in line with expected electricity sales.
Grants and Subsidies Paid	Reduce budget due cash flow concerns to meet initial proposed program.

Statement of financial performance - Budget versus Actual

Property Rates	Actual lower than expected
Government Grants and Subsidies - Operating	Audit fees rebate not budgeted for
Other Revenue	Assistance from Coghta not budgeted for
Debt Impairment	Debt impairment lower than anticipated in budget.
Depreciation & Asset Impairment	WIP projects did not reach completion stage in line with expectation.
Finance Charges	Budget did not include non-cash finance charges

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

47 BUDGET COMPARISONS (CONTINUED)

Bulk Purchases	Lower than expected material losses contributed to saving.
Grants and Subsidies Paid	Actuals lower than anticipated
Other Expenditure	Savings combined with cash constraints lead to lower than expected expenditure levels.
Government Grants and Subsidies - Capital	Actuals lower than anticipated

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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30 JUNE 2018

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48

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

48.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening balance	230 205 209	203 425 214
Transferred from former Nkonkobe Local Municipality		128 108 076
Transferred from former Nxuba Local Municipality		75 317 138
Unauthorised expenditure current year	3 903 371	26 779 995
Approved by Council	-	-
Unauthorised expenditure awaiting approval	234 108 580	230 205 209

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 YEAR ENDING 30 JUNE 2018

48

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2018 (Actual) R	2018 (Final Budget) R	2018 (Unauthorised) R
Unauthorised expenditure - Operating			
Municipal Council	24 562 736	20 758 776	3 803 960
Accounting Officer	24 080 108	35 101 078	-
Budget and Treasury Office	174 523 476	174 938 428	-
Technical Services	134 536 473	141 479 297	-
Community Services	30 624 139	56 937 698	-
Total	388 326 932	429 215 277	3 803 960
Unauthorised expenditure - Capital			
Budget and Treasury Office	1 305 636	1 779 000	-
Technical Services	74 906 453	74 807 042	99 411
Community Services	287 400	500 000	-
Total	76 499 489	77 086 042	99 411
		30 JUNE 2018	30 JUNE 2017
		R	R

48.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	29 461 579	17 933 972
Transferred from former Nkonkobe Local Municipality		2 575 356
Transferred from former Nxuba Local Municipality		15 358 616
Fruitless and wasteful expenditure incurred	12 774 379	11 527 606
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting approval	42 235 957	29 461 579

Details of Fruitless and wasteful expenditure incurred :

Penalties	1 243 996	1 235 160
SARS - PAYE, UIF and SDL	1 243 996	1 227 294
Other	-	7 866

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
Interest on late payments	11 530 382	10 292 447
SARS - PAYE, UIF and SDL	292 904	113 651
Eskom	10 973 945	8 831 452
Auditor General	215 157	1 261 827
Other	48 377	85 518
Total	12 774 379	11 527 606

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

48.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	228 062 126	197 906 220
Transferred from former Nkonkobe Local Municipality		109 049 509
Transferred from former Nxuba Local Municipality		88 856 711
Irregular expenditure incurred	4 329 307	30 155 906
Approved by Council	-	-
Irregular expenditure awaiting approval	232 391 433	228 062 126

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.

429 962	12 410 953
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Michelles Electrical Services - Only electricity supplier where prepaid electricity is bought for Seymour Main Office and Library - Supplier not registered on CSD.

-	4 500
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Colas - Sole supplier not on CSD

-	30 780
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Mpekweni Resort - Accommodation for strategic planning at Mpekweni - Supplier not registered on CSD.

-	307 000
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Edgars - Cellphone replacement - Supplier not registered on CSD.

-	9 999
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RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
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 - Supplier not registered	26 495	4 000
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.	235 330	1 000 000
Abenzi Bencwadi - Sub consultant of Sizwe Ntsaluna Gobodo. 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.	3 637 521	1 881 289
SCM Procedures not followed relating the the extension of the following contracts:		
- Aloe Travel	-	946 336
- Business Connection	-	1 651 844
- Delyn Security Services T/A Watchdog Security	-	272 790
- Dyushu Majebe Attorneys	-	1 109 308
- Gcida Travels	-	294 124
- Impela Alliance CC	-	700 667
- MTN	-	3 782 834
- Payday	-	174 807
- Siyanda Business Solution (Pty) Ltd	-	572 077
- SML Joka Tax and Accounting Services	-	3 025 388
SCM - No proof of delivery of goods/services rendered	-	310 994
Tax clearance certificates not attached to the payments voucher	-	163 435
Order date is after the invoice date	-	17 500
Supply Chain Management Processes not followed for quotations	-	32 100
Original invoice not attached to payment voucher	-	42 910
Declaration of interest forms (MBD4) not attached to payment voucher	-	341 516
Irregular Expenditure on deviation for purchasing a vehicle for the late Honourable Speaker	-	181 700
No proof of advertisement for quotations	-	361 968
The required number of quotations were not obtained	-	26 200
No proof could be obtained that suppliers are registered on a Central Supplier Database	-	469 825
Total	4 329 307	30 155 906

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

The irregular expenditure will be referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred which will be subject the outcome of the investigation. The accumulated irregular balance mainly relates to the balances carried from the two entities prior to the merger. These were previously not condoned by the former councils of the merging entities, however are under investigation by the Raymond Mhlaba Council.

48.4 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	57 369 735	54 345 392
- Units distributed (Kwh)	37 623 814	32 954 041
- Units lost during distribution (Kwh)	19 745 921	21 391 351
- Units lost considered within norm (10%)	5 736 973	5 434 539
- Units lost in excess of norm	14 008 948	15 956 812
- Percentage lost during distribution	24.42%	29.36%
- Rand Value of Loss	10 483 798	13 625 209

30 JUNE 2018

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30 JUNE 2017

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49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

49.1 Salga Contributions [MFMA 125 (1)(b)]

Opening balance	4 453 376	3 914 287
Expenditure incurred	1 621 594	1 093 104
Payments	(741 086)	(554 015)
Outstanding Balance	5 333 884	4 453 376

49.2 Audit Fees [MFMA 125 (1)(c)]

Opening balance	21 792 935	14 298 992
Expenditure incurred	8 164 889	10 405 931
Audit Fees	6 964 564	8 021 144
Interest on outstanding audit fees	215 157	1 261 827
VAT	985 168	1 122 960
NEDA Grant	764 628	3 605 040
National Treasury Rebate	(26 228 251)	(5 508 291)
Settlement Discount	-	(139 863)
Payments	(888 695)	(868 874)
Outstanding Balance	3 605 506	21 792 935

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
49.3 VAT [MFMA 125 (1)(c)]		
Opening balance	2 844 624	8 897 886
Amounts received during the year	(13 234 781)	(9 141 522)
Amounts claimed - current year	16 016 321	3 088 260
Outstanding Balance	5 626 164	2 844 624
Vat in suspense due to cash basis of accounting	7 091 573	7 340 501
<p>VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.</p>		
49.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening Balance	282 546	770 550
Payments due to SARS	21 612 040	16 445 344
Payments	(18 454 658)	(16 933 348)
Outstanding Balance	3 439 927	282 546
49.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening Balance	16 685	1 763 466
Payments due to pension fund and medical aid	21 808 475	25 089 163
Payments	(19 578 321)	(26 835 944)
Outstanding Balance	2 246 839	16 685

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
49.6 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	3 367	2 595
Councillor E Bantam	3 773	1 763
Councillor ML Ndongeni	1 715	1 242
Councillor XC Badi	1 724	10 563
Councillor B Ketelo	1 717	2 595
Councillor TP Njobe	5 037	3 283
Councillor CA Auld	1 378	4 630
Councillor BE Mfondini	6 953	5 183
Councillor N Blake	3 345	1 669
Councillor LD Penisi	1 427	1 328
Councillor LL Bruintjies	8 019	7 123
Councillor S Mavuso	5 035	3 281
Outstanding Balance	43 492	45 255

49.7 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	140 125	1 229 974
Accounting Officer	292 521	61 822
Budget and Treasury Office	86 935	103 056
Corporate Services	3 791 558	1 946 288
Technical Services	448 598	240 376
Community Services	333 608	127 652
Total	5 093 344	3 709 170

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

49 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	113 201	26 924	-
Accounting Officer	-	277 423	15 098
Budget and Treasury Office	-	8 714	78 221
Corporate Services	478 691	2 642 373	670 494
Technical Services	342 592	-	106 006
Community Services	269 750	-	63 858
Total	1 204 234	2 955 433	933 677

Deviations from the Supply Chain Management Regulations per Supplier:

	Emergency R	Impractical R	Sole Supplier R
Actom	24 013	-	60 290
Abdul Autospring	-	8 675	-
Allmans Automative Agencies	-	7 497	-
BK Banzi	50 000	-	-
Boffolo Mechanical Services Centre (Pty) Ltc	-	5 500	-
Babcock Equipment	-	13 075	52 635
Barloworld Equipment	192 472	7 023	-
B & T Electrical Servces cc	57 721	-	-
Biztec Consulting	5 358	-	-
Bhofolo Mechanical Service Center	4 000	-	-
Buffalo Toyota	-	5 058	5 349
Border Air Conditioning cc	9 635	-	-
Cash Build South Africa (Pty) Ltd	88 604	-	-
Colas South Africa Pty Ltd	-	-	30 363
C.Z Mbanjwa Inc	-	274 808	-
Champs	14 220	-	-
Delyn Security Services	-	-	93 795
Datnis Nissan	-	-	40 141
Dispatch Media	-	-	70 462
Dyushu Majebe Attorneys	-	1 004 338	-
Dewing Service Station	-	4 083	-
Eyabantu Professional Services	7 276	-	-
Eastern Cape Tyres	58 050	97 575	-
East London Truck & Bus	-	94 174	-
Eyethu Entertainment Centre	15 750	-	-

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

	Emergency R	Impractical R	Sole Supplier R
FSJ Enterprises	-	9 700	-
Fleet Dynamics	-	57 889	4 849
Forte Community Radio	-	-	19 500
Gear Diff Man	-	13 195	-
Graylor Workwear	-	2 776	-
Gcobani Trading Enterprise	21 200	-	-
High Voltage Southern Africa (Pty) Ltd	93 465	-	-
Idikelethu News	-	6 000	-
JMJ Sales	21 161	-	-
Lexis Nexis	-	-	42 173
L. Jacobs Transport Services Pty Ltd	3 000	-	-
Lionel Trichardt & Associates	-	100 650	-
Menzotouch (Pty) Ltd	114 540	160 635	-
Mpekweni Beach Resort	-	266 530	-
Meyers Motors	-	54 266	8 527
Magula Erasmus Consulting Services CC	50 157	-	-
Nomathemba Electrical Contractors	23 086	-	-
Patel and Associates	75 559	289 711	-
Pumezo Bono Incorporated	-	28 237	-
Ronnie Motors East London	7 512	49 468	16 758
Rencor	-	4 788	18 651
Royal Saverite	-	3 000	-
Siduli and Jama Distributors CC	17 452	-	-
SVA Trading	10 200	-	-
Sheriff	-	214 700	-
Sondlo & Knop Advertising	-	-	5 393
SABC Radio (Umhlobo Wenene)	-	-	63 239
TFM Manufacturers	-	50 070	161 177
Times Media (Tiso Blackstar Group)	-	113 107	184 713
Tractor World	-	8 906	26 109
The Business Zone 1056 CC	6 000	-	-
Truvelo Manufactures	-	-	11 672
Universal Equipment	-	-	17 881
Vanguard Fire and Safety	29 802	-	-
Yakhanani General Trading	120 000	-	-
Zinzi Transport	84 000	-	-
Total	1 204 234	2 955 433	933 677

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

49.8 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.

49.9 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):

		30 JUNE 2018	30 JUNE 2017
		R	R
<u>Name (State institution)</u>	<u>Supplier name</u>		
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)	18 121	52 389
N. Ndunyana	Mizana Ndunyana Trading (PTY) LTD (Sister)	65 166	18 751
N. Tom	SJRNGT (PTY) LTD (Mother)	126 450	12 389
N. Tom	Siduli & Jama (Aunt)	139 635	183 035
A Boqwana	Tyume Blocks & Retail CC (Brother)	1 905 654	190 352
N. Tom	Sizenza (Pty) Ltd (Aunt)	-	4 250
M Sijile	Sijile Lumbe Trading (Wife)	-	3 000
Total		2 255 026	464 165

50 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	35 195 150	19 303 041
This expenditure will be financed from:		
Own Revenue	834 616	1 020 277
Municipal Infrastructure Grant	27 587 934	10 165 713
Integrated National Electrification Programme (INEP)	6 772 600	8 117 051
Total	35 195 150	19 303 041

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

51 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

51.1 Credit Risk

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

The following financial assets are exposed to credit risk:

	30 JUNE 2018	30 JUNE 2017
	R	R
Cash and Cash Equivalents	19 570 834	19 557 653
Receivables from exchange transactions	19 267 502	17 850 515
Total	38 838 335	37 408 167

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 YEAR ENDING 30 JUNE 2018

51 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).

51.2 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.

51.3 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.

The following balances are exposed to interest rate fluctuations:

	30 JUNE 2018	30 JUNE 2017
	R	R
Cash and Cash Equivalents (Excluding Cash on Hand)	19 570 834	19 557 653
Long-term Liabilities (Including Current Portion)	(225 118)	(735 396)
Non-Current Provisions (Including Current Portion)	(39 163 188)	(36 173 302)
Net balance exposed	(19 817 472)	(17 351 046)

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	(99 087)	(86 755)
1% decrease in interest rates	198 175	173 510

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 YEAR ENDING 30 JUNE 2018

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

51.4 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 2018	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	240 284	-	-
Payables from exchange transactions	142 104 414	-	-
Total	142 344 698	-	-
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	157 976 636	-	-
Total	158 577 351	240 284	-

51.5 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 YEAR ENDING 30 JUNE 2018

	30 JUNE 2018	30 JUNE 2017
	R	R
51 FINANCIAL RISK MANAGEMENT (CONTINUED)		
<u>Financial Assets</u>		
Cash and Cash Equivalents	19 570 834	19 557 653
Receivables from exchange transactions	19 267 502	17 850 515
Total	38 838 335	37 408 167
<u>Financial Liabilities</u>		
Current Portion of Long-term Liabilities	225 118	510 279
Payables from exchange transactions	142 104 414	157 976 636
Long-term Liabilities	-	225 118
Total	142 329 532	158 712 032
52 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	184 806 640	166 180 857
Government Grants	-	3 716 410
VAT Receivable	12 717 737	10 185 125
Total	197 524 377	180 082 391
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		
53 EVENTS AFTER REPORTING DATE		
None		
54 IN-KIND DONATIONS AND ASSISTANCE		
Refer to assistance received from COHGTA in note 22		
55 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 YEAR ENDING 30 JUNE 2018

	30 JUNE 2018 R	30 JUNE 2017 R
56 CONTINGENT LIABILITIES		
The municipality were exposed to the following contingent liabilities at year end:		
<u>Claim 1</u>		
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.	300 000	300 000
<u>Claim 2</u>		
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.	500 000	500 000
<u>Claim 3</u>		
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	500 000
<u>Claim 4</u>		
A claim was lodged by the former Municipal Manager of Nxuba Local Municipality, SC Gaca, for payment of alleged severance package after his resignation. The matter is still to be enrolled in the High Court.	400 000	400 000
Total	1 700 000	1 700 000

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

57 CONTINGENT ASSETS

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

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

100 000

100 000

58 RELATED PARTIES

Related parties are defined in note 1.34

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

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

Remuneration of related parties are disclosed in notes 32 and 33

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

On 1 July 2017, all assets and liabilities of Nkonkobe Economic Development Agency Ltd was transferred to Raymond Mhlaba Economic Development Agency (SoC) Ltd as a going concern. The transfer of the assets and liabilities were treated in accordance with GRAP 105 - "Transfer of functions between Entities under common control". Accordingly, the carrying value assets and liabilities were transferred.

Refer to note 41 for grants paid during the period under review

59 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.

RAYMOND MHLABA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

59 FINANCIAL SUSTAINABILITY (CONTINUED)

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 9 380 187 (2017 - R 13 625 209) for the year ending 30 June 2018. This represents a distribution loss of 22.58% (2017 - 29.36%).

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 48 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 56 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 YEAR ENDING 30 JUNE 2018

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2017 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2018 R
<u>FINANCE LEASE LIABILITIES</u>					
Aloe XEROX - 14 different Copier Machines	18.84%	30/Jun/18	178 644	(178 644)	-
Aloe XEROX - 2 different Copier Machines	18.84%	23/Mar/19	473 544	(266 273)	207 271
Bizhub 282 Digital Copier - V041002100	8.58%	30/Sep/18	83 209	(65 362)	17 846
Total Finance Lease Liabilities			735 396	(510 279)	225 118
Total Long-Term Liabilities			735 396	(510 279)	225 118

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

	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
NATIONAL GOVERNMENT							
Equitable Share	-	149 375 000	(149 375 000)	-	-	-	-
Municipal Finance Management Grant	-	3 800 000	(3 800 000)	-	-	-	-
Municipal Infrastructure Grant	-	44 877 000	(1 653 918)	(39 506 672)	-	(3 716 410)	-
Expanded Public Works Program	-	1 662 000	(1 662 000)	-	-	-	-
Integrated National Electrification Programme (INEP)	1 547 828	5 000 000	(932 487)	(4 067 341)	(1 548 000)	-	-
Municipal Demarcation and Transition Grant	147	4 566 000	(4 566 147)	-	-	-	-
LG-SETA	-	50 767	(50 767)	-	-	-	-
National Treasury Audit Fees Grant	-	26 228 251	(26 228 251)	-	-	-	-
Total National Government Grants	1 547 975	235 559 019	(188 268 570)	(43 574 013)	(1 548 000)	(3 716 410)	-
PROVINCIAL GOVERNMENT							
Library Grant	-	1 570 000	(1 570 000)	-	-	-	-
COGTA Merger Assistance Grant	966 977	3 000 000	(3 966 977)	-	-	-	-
COGTA Audit Readiness	-	576 700	(576 700)	-	-	-	-
OTP Alice Revitalisation	-	15 704 173	-	(15 704 173)	-	-	-
OTP Farming - Green Energy	-	7 998 652	-	(7 998 652)	-	-	-
ECDLGTA - Greening and Beautification	707 664	-	-	-	-	-	707 664
LSDF - Middledrift Spatial Development	147 392	-	-	-	-	-	147 392
Quarry Mining Grant	102 563	-	-	-	-	-	102 563
Total Provincial Government Grants	1 924 597	28 849 525	(6 113 677)	(23 702 825)	-	-	957 620
ALL SPHERES GOVERNMENT	3 472 571	264 408 543	(194 382 247)	(67 276 838)	(1 548 000)	(3 716 410)	957 620