



UBUHLEBEZWE LOCAL MUNICIPALITY
(DERMACATION CODE KZN 434)
ANNUAL FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 30 JUNE 2021

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the 12 Months ended 30 June 2021

General Information

Mayoral Committee

Her worship, The Mayor

Cllr. E.B. Ngubo (Mayor)

Cllr .Z. Mngonyama (Deputy Mayor)

Councillors

Cllr . T.C. Dlamini (Speaker)

Cllr. Z.D. Nxumalo

Cllr. Mkhize T.T.

Cllr. Ndlovu. .P

Cllr Mkhize K.M.

Cllr. Ndlovu M.C.

Cllr. Jili N.Z.

Cllr. HC Jili (Deceased)

Cllr. ZM Shabalala (Deceased)

Cllr. Ngcongo G.J.

Cllr. Maluleka SP

Cllr. Radebe N.G.

Cllr. Khumalo Z.C.

Cllr. Mdunge N.M.

Cllr. Mpungose P.B.

Cllr. Msimango S.M.

Cllr. Ntabeni C.N.

Cllr. Nxumalo T.B.

Cllr. Shoba E.T.

Cllr. Khuboni B.M.

Cllr. Nkontwana M.C.

Cllr. Zulu B.R.

Cllr. Nduli B.R.

Cllr. Davids L.M.

Cllr. Ngcongo N.C.

Cllr. Z.L. Miya (Effective from 25 February 2021)

Cllr S.A Mpisi (Effective from 27 April 2021)

Grading of local authority

Grade 3 (In terms of Remuneration of Public Office Bearer)

Accounting Officer

Mr. G.M Sineke

Chief Finance Officer (CFO)

Miss .S.Y. Sityata (1 July 2020)

Registered office

Ubuhlebezwe Local Municipality

Margaret Street

Ixopo

3276

Business Address

29 Margaret Street

Ixopo

3276

Postal Address

P.O. Box 132

Ixopo

3276

Bankers

First National Bank

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General Information

Auditors

Auditor General (S.A)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements set out on pages 4 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

G.M Sineke
Municipal Manager

uBuhlebezwe Local Municipality

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Annual Financial Statements for the 12 Months ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	30 June 2021	30 June 2020	
Assets				
Current Assets				
Inventories	3	8,283,525	8,350,394	GRAP1.62
VAT receivable	4	3,256,421	3,522,781	GRAP1.79
Receivables from non-exchange transactions	5	22,316,727	22,211,106	mSCOA
Receivables from exchange transactions	6	5,715,073	5,628,469	Budget fo
Cash and cash equivalents	7	159,208,027	148,839,937	GRAP1.79
		198,779,773	188,552,687	
Non-Current Assets				
Investment property	8	23,248,110	23,406,537	GRAP1.62
Property, plant and equipment	9	315,991,153	298,887,595	GRAP1.79
Intangible assets	10	4,372,164	1,321,106	GRAP1.79
Heritage assets	11	4,808,819	4,808,819	GRAP1.79
		348,420,246	328,424,057	
Total Assets		547,200,019	516,976,744	
Liabilities				
Current Liabilities				
Payables from exchange transactions	12	21,859,347	18,745,992	GRAP1.62
Unspent conditional grants and receipts	13	3,494,813	934,487	GRAP1.79
Leave Pay Provision	14	5,950,617	4,972,903	GRAP1.80
		31,304,777	24,653,382	GRAP1.79
Non-Current Liabilities				
Employee benefit - Medical Aid	15	8,708,710	4,644,000	GRAP1.62
Employee Benefits - Long Service	14	2,440,774	2,498,000	GRAP25.6
		11,149,484	7,142,000	GRAP1.79
Total Liabilities		42,454,261	31,795,382	
Net Assets		504,745,758	485,181,362	
Reserves				GRAP1.79
Housing Development	18	373,787	373,787	
Accumulated surplus		504,371,971	484,807,575	GRAP1.79
TOTAL NET ASSETS		504,745,758	485,181,362	

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Statement of Financial Performance

Figures in Rand	Note(s)	12 months ended 30 June 2021	30 June 2020
REVENUE			
Revenue from exchange transactions			
Service charges	17	3,107,025	2,869,807
Rental of facilities and equipment	19	896,184	850,649
Licence Commission		1,267,098	733,045
Licences and permits		3,299,716	2,137,401
Donation Received		-	929,783
Other income	20	1,989,656	863,490
Interest received - investment	21	7,569,455	11,106,623
Total revenue from exchange transactions		18,129,134	19,490,798
Revenue from non-exchange transactions			
Statutory revenue			
Property rates	22	21,320,965	24,943,816
Transfer revenue			
Government grants & subsidies	23	170,394,745	148,940,107
Fines, Penalties and Forfeits		446,324	446,450
Total revenue from non-exchange transactions		192,162,034	174,330,373
TOTAL REVENUE	16	210,291,168	193,821,171
EXPENDITURE			
Employee related costs	24	(84,093,471)	(68,078,666)
Remuneration of councillors	25	(10,435,845)	(10,052,118)
Depreciation and amortisation	26	(32,664,285)	(30,267,870)
Impairment loss/ reversal of impairments	27	(2,978,140)	(4,120,389)
VAT Impairment	28	(1,615,308)	(7,395,043)
Debt Impairment	29	(11,355,155)	(7,068,107)
Contracted services	30	(16,186,895)	(16,189,167)
General Expenses	31	(28,358,100)	(27,314,537)
TOTAL EXPENDITURE		(187,687,199)	(170,485,897)
Operating surplus		22,603,969	23,335,274
Loss on disposal of assets and liabilities		(1,365,372)	(19,179)
SURPLUS FOR THE YEAR		21,238,597	23,316,095

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Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Balance at 01 July 2019	373,787	461,491,480	461,865,267
Surplus for the 12 Months	-	23,316,095	23,316,095
Total changes	-	23,316,095	23,316,095
Opening balance as previously reported	373,787	482,788,726	483,162,513
Adjustments			
Correction of errors	-	344,648	344,648
Balance at 01 July 2020 as restated*	373,787	483,133,374	483,507,161
Changes in net assets			
Surplus for the 12 Months	-	21,238,597	21,238,597
Balance at 30 June 2021	373,787	504,371,971	504,745,758

Note(s)

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Cash Flow Statement

Figures in Rand	Note(s)	12 months ended 30 June 2021	30 June 2020
Cash flows from operating activities			
Receipts			
Property rates		10,611,885	9,914,551
Sale of goods and services		10,449,640	7,900,842
Grants		178,969,000	162,245,000
Interest income		7,569,455	11,106,623
		207,599,980	191,167,016
Payments			
Employee related costs		(89,544,118)	(77,987,003)
Suppliers		(50,505,974)	(66,848,433)
		(140,050,092)	(144,835,436)
Net cash flows from operating activities	32	67,549,888	46,331,580
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(53,908,553)	(53,212,285)
Proceeds from sale of property, plant and equipment	9	335,582	265,578
Purchase of other intangible assets	10	(3,608,827)	-
Net cash flows from investing activities		(57,181,798)	(52,946,707)
Net increase/(decrease) in cash and cash equivalents		10,368,090	(6,615,127)
Cash and cash equivalents at the beginning of the year		148,839,937	155,455,064
Cash and cash equivalents at the end of the year	7	159,208,027	148,839,937

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,300,000	-	3,300,000	3,107,025	(192,975)	(a)
Rental of facilities and equipment	1,200,000	(400,000)	800,000	896,184	96,184	(b)
Agency services	29,000	-	29,000	29,000	-	(c)
Licences and permits	4,069,000	846,000	4,915,000	4,537,814	(377,186)	(d)
Other income	824,000	395,000	429,000	1,989,656	1,560,656	(e)
Interest received - investment	12,000,000	4,000,000	8,000,000	7,569,455	(430,545)	(f)
Total revenue from exchange transactions	21,422,000	4,841,000	17,473,000	18,129,134	656,134	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23,573,000	(2,330,000)	21,243,000	21,320,965	77,965	(g)
Transfer revenue						
Government grants & subsidies	148,822,000	21,247,000	170,069,000	170,394,745	325,745	(h)
Fines, Penalties and Forfeits	1,000,000	(300,000)	700,000	446,324	(253,676)	(i)
Total revenue from non-exchange transactions	173,395,000	18,617,000	192,012,000	192,162,034	150,034	
Total revenue	194,817,000	23,458,000	209,485,000	210,291,168	806,168	
Expenditure						
Employee related costs	(84,552,000)	-	(84,552,000)	(84,093,471)	458,529	(j)
Remuneration of councillors	(11,097,000)	-	(11,097,000)	(10,435,845)	661,155	
Depreciation and amortisation	(23,188,000)	(4,812,000)	(28,000,000)	(32,664,285)	(4,664,285)	(k)
Impairment loss/ Reversal of impairments	-	-	-	(2,978,140)	(2,978,140)	(l)
VAT Impairment	-	-	-	(1,615,308)	(1,615,308)	
Debt Impairment	(2,090,000)	-	(2,090,000)	(11,355,155)	(9,265,155)	(m)
Contracted Services	(16,200,700)	-	(16,200,700)	(16,186,895)	13,805	(o)
Transfers and Subsidies	(3,845,000)	(8,130,000)	(11,975,000)	-	11,975,000	(p)
General expenditure	(33,161,000)	4,196,700	(28,964,300)	(28,358,100)	606,200	(q)
Total expenditure	(174,133,700)	(8,745,300)	(182,879,000)	(187,687,199)	(4,808,199)	
Operating surplus	20,683,300	14,712,700	35,396,000	22,603,969	(12,792,031)	
Loss on disposal of assets and liabilities	-	-	-	(1,365,372)	(1,365,372)	
Capital expenditure	(59,169,000)	(9,181,000)	(68,350,000)	-	68,350,000	
	(59,169,000)	(9,181,000)	(68,350,000)	(1,365,372)	66,984,628	
Surplus after capital transfer & contribution	(38,485,700)	5,531,700	(32,954,000)	21,238,597	54,192,597	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(38,485,700)	5,531,700	(32,954,000)	21,238,597	54,192,597	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

(a) Service charges

Service charges were successfully billed as budgeted. The variance is noted and is considered immaterial.

(b) Rental of facilities

Variance is within the norm and is way below in comparison with the budget

(c) Agency Services

Variance is within the norm and is way below in comparison with the budget

(d) Licences and permits

Target was achieved and we hope to use more enhancement strategies to improve even further .

(e) Other income

Other income was over collected than anticipated which resulted to positive cashflow for the municipality

(f) Interest in investments

Interest income was partially achieved, this due to the decrease in interest rate experienced during the pandemic.

(g) Property rates

Property rates billed were partially achieved with a variance of less than 10% which is considered immaterial.

(h) Government grants and subsidies

Government grants and subsidies allocations were received in accordance with the allocation

(i) Fines, penalties and forfeits

Less fines were received this is due to less people being on the road because of the pandemic and COVID 19 restrictions

(j) Employee costs

Variance in employee cost is mainly due to IPD director position being vacant for the 1st six months and the late filling of new posts.

(k) Depreciation

Depreciation is based on an estimates and will be correctly calculated in the end of the financial year..

(l) Impairment provision

Impairment provision is based on an estimates and will be correctly calculated in the end of the financial year

(m) Debt Impairment

Variance on debt impairment is as a result of the municipality accounting for the debt impairment at year end to ensure accuracy of the calculation

(n) Other materials

This was budgeted under general expenditure.

(o) Contracted Service

Due to the pandemic the municipality has incurred limited contracted services since COVID19 is also affecting the operations of the municipality .

(p) Grants and Subsidies

Actual amount for this item is sitting under contracted and general expenditure which accounts for payments relating to operational grants

(q) General Expenditure

Budget has been spent accordingly and is trend is above 90% which indicates signs of proper planning.

The accounting policies on pages 11 to 27 and the notes on pages 27 to 63 form an integral part of the annual financial statements.

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

1.4 Investment property

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

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

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

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

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

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

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

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite
Property - buildings	25 - 30 years
Air-conditioners	5 - 7 years

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

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

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Accounting Policies

1.4 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance property, plant and equipment will be valued using the revaluation model.

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

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1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment

Item	Depreciation method	Average useful life in years
Land	Straight line	Infinite
Buildings	Straight line	25 - 30
Finance Lease Assets	Straight line	3
Plant and Equipment	Straight line	5 - 15
Furniture and office equipment	Straight line	5-10
Motor vehicles	Straight line	5-10
Computer equipment	Straight line	5-7
Infrastructure - Cemeteries	Straight line	15-30
Machinery and equipment	Straight line	5-7
Infrastructure - Electricity	Straight line	15 -30
Infrastructure - Road	Straight line	10 - 50
Infrastructure - Solid Waste Disposal	Straight line	10 - 55
Specialised vehicles	Straight line	7-20

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

Each part of an item of with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

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1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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1.6 Intangible assets (continued)

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

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1.8 Financial instruments

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Derecognition

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1.9 Statutory receivables

Identification

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

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 changed subsequent to initial recognition to reflect any:

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

1.10 Leases

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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1.11 Inventories (continued)

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.15 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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1.16 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus .

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Fines

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

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

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

1.20 Borrowing costs

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

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Accounting Policies

1.20 Borrowing costs (continued)

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

1.21 Comparative figures

All municipalities were required to comply with MSCOA as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the MSCOA and comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the 12 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the 12 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Segment information

A segment is an activity of an entity:

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

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

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

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

1.27 Related parties

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

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

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

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

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

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

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

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Accounting Policies

1.27 Related parties (continued)

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

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

1.28 Events after reporting date

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

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

1.29 Principal and Agent arrangements

Identification

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

Accounting by agent

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal).

An agent does not recognise expenses it incurs on behalf of the principal in its statement of financial performance. The result of the transaction with third parties, in this case suppliers, results in the principal having the ability to use all, or substantially all, of the resources related to that transaction and not the agent.

Recognising assets and liabilities as an agent

The Framework for the Preparation and Presentation of Financial Statements requires, inter-alia, that an entity must control an asset, as a result of a past event, before it can be recognised in the statement of financial position. Consequently, an agent assesses whether the resources it holds as a result of undertaking transactions with third parties on behalf of the principal are under its control and would otherwise meet the definition and recognition criteria for such assets in accordance with other Standards of GRAP.

Where an agent holds cash or other monetary assets on behalf of its principal, it is necessary to assess whether this should be recognised as an asset by the agent, with a corresponding liability in respect of the obligation to transfer the amounts to the principal. In making this assessment, the agent considers whether it controls (even if this control is temporary) the cash or other asset it holds, and consequently whether it meets the definition of an asset in accordance with the Framework for Preparation and Presentation of Financial Statements.

1.30 Unspent Conditional Grants and receipts

Unspent portion of the conditional grants are accounted as current liabilities.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current 12 Months

In the current 12 months, the municipality has adopted the following standards and interpretations that are effective for the current financial 12 months and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108 - Statutory Receivables	1 April 2020	The impact of the is not material.
• GRAP 110 - Living and Non Living Reasources	1 April 2020	The impact of the is not material.
• GRAP 104 - Financial Instrument	1 April 2020	The impact of the is not material.
• GRAP 18 - Segment Reporting	1 April 2020	The impact of the is not material.
• IGRAP 20 - Adjustments to Revenue	1 April 2020	The impact of the is not material.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

3. Inventories

Consumable stores	11,595	21,622
Land held for sale	8,328,772	8,649,737
	<hr/>	<hr/>
Disposals	8,340,367 (56,842)	8,671,359 (320,965)
	<hr/>	<hr/>
	8,283,525	8,350,394
	<hr/>	<hr/>
Carrying value of inventories carried at fair value less costs to sell	8,283,525	8,350,394
Inventories recognised as an expense during the 12 Months	56,842	320,965

Consumables stores relate to Cleaning chemicals and Stationery. Land held for sale is included in the Assets Held for Sale.

4. VAT receivable

VAT	3,256,421	3,522,781
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VAT is disclosed on the accrual basis, declarations to SARS are made on payments basis.

The impairment is due to the following which the management has assessed for impairment; (1) VAT balance as per the finalisation of objection of VAT letter issued on 31 January 2018, where SARS had indicated that amounts raised as receivable will be set off against future amounts payable to the receiver of revenue. (2) VAT balance on amounts assessed by SARS as not refundable to the Municipality.

The municipality has made VAT impairment amounting to R1,615,307.81(2020/2021) and R7,395,043.11 (2019/2020) based on the recoverability assessment.

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5. Trade receivable from non exchange transaction		
Gross balances		
Rates	53,429,019	46,066,399
Fines	3,851,043	3,452,419
	57,280,062	49,518,818
Less: Allowance for impairment		
Rates	(31,497,396)	(24,117,797)
Fines	(3,465,939)	(3,189,915)
	(34,963,335)	(27,307,712)
Net balance		
Rates	21,931,623	21,948,602
Fines	385,104	262,504
	22,316,727	22,211,106
Rates		
Current (0-30 days)	2,793,303	2,602,400
31- 60 days	1,620,261	1,803,922
61- 90 days	1,224,331	1,798,910
91 - 120 days	905,369	2,081,300
121 - 365 days	46,885,755	37,779,867
	53,429,019	46,066,399
Statutory Receivables - Rates		
	53,429,019	46,066,399
Statutory Recievables - Rates Past due and Impaired		
Current (0 -30 days)	3,035,640	2,125,665
31 - 60 days	2,055,099	819,607
61 - 90 days	1,523,753	796,007
91 - 120 days	1,446,825	787,276
121 - 365 days	31,437,095	29,481,099
	39,498,412	34,009,654
Statutory Recievables - Rates Past due and not Impaired		
Current (0 -30 days)	897,474	753,568
31 - 60 days	452,763	290,559
61 - 90 days	348,990	282,192
91 - 120 days	445,989	279,097
121 - 365 days	11,785,391	10,451,329
	13,930,607	12,056,745
Statutory Recievables - Fines		
Fines Outstanding	3,851,043	3,452,419
Reconciliation of allowance for impairment		
Balance at beginning of the year	(31,497,396)	(24,117,712)
Contributions to allowance	(3,465,939)	(3,189,915)
	(34,963,335)	(27,307,627)

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5. Trade receivable from non exchange transaction (continued)

Consumer debtors past due but not impaired

Past due and not impaired amounts relates mainly to government debts and indigents, At 30 June 2021, 13,930,689 - (2020: 12,056,745) were past due but not impaired.

Consumer debtors impaired

Rates is classified as statutory receivables and arises in terms of the Municipal Property Rates Act of 2004

Property rates are calculated by multiplying the market value of immovable property by a cent amount in the Rand that a municipal council has determined. In terms of the Municipal Council resolution no interest is levied on overdue amounts.

All Statutory receivables have been tested for impairment based on whether the customer account has amounts outstanding over 60 days, in this instance the total balance outstanding are impaired and a discount rate of 7% based on the prime lending rates was utilised. There were no significant impairment losses other than a revision of impairment losses for the year

Due to COVID-19 pandemic the collection rates has decreased significantly which ahs resulted in an increase in impairment losses for the year. The collection rate for the year including the number of debtors days was utilised in impairing all debtors with an ageing over 60 days outstanding

6. Receivables from exchange transactions

Housing debtors	110,275	110,275
Prepaid expenses	938,661	-
Accrued interest	345,193	47,063
Consumer debtors - Waste Management	6,919,225	7,928,455
Consumer debtors - Rental	2,125,020	1,565,257
Less: Allowance for Impairment-Refuse	(3,517,309)	(3,308,165)
Less: Allowance for Impairment- Rental	(1,205,992)	(714,416)
	5,715,073	5,628,469

Agency Services

Drivers Licences	1,267,098	733,045
(INEP) Electrification	6,113,935	13,000,000
	7,381,033	13,733,045

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7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	204	3,000
Bank balances	2,431,826	105,697,429
Short-term deposits	156,775,997	43,139,508
	159,208,027	148,839,937

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB - Current account- 525524 16194	2,387,020	116,668,661	24,535,343	2,431,826	105,697,429	24,570,573
FNB - Equitable share - 62143895988	18,274,947	246,792	5,147,234	18,274,947	246,792	5,147,234
FNB - Equitable share - 62248166218	733,918	719,847	690,309	733,918	719,847	690,309
FNB - 74814614472	-	-	14,038,663	-	-	14,038,663
FNB - 7479441557	-	-	15,566,845	-	-	15,566,845
FNB - 74806555642	-	-	14,237,047	-	-	14,237,047
ABSA - 20178479582	-	-	10,062,860	-	-	10,062,860
ABSA - 2078355849	-	-	10,181,233	-	-	10,181,233
ABSA - 2078355849	-	-	20,000,000	-	-	20,000,000
ABSA - 2078355849	-	-	21,000,000	-	-	21,000,000
Standard - 068730276-008	16,071	15,750	15,151	16,070	15,750	15,151
Standard - 068730276-009	-	-	14,039,066	-	-	14,039,066
Standard - 068730276-001	128,316	126,630	122,628	128,316	126,630	122,628
Standard - 068730276-006	-	-	5,780,455	-	-	5,780,455
ABSA - 9356939209	49,471,669	31,790,809	-	49,471,668	31,790,809	-
Standard - 068730276-007	-	10,238,403	-	-	10,238,403	-
FNB - 74879892154	11,755,726	-	-	11,755,726	-	-
FNB - 6289 5356 113	100,401	-	-	100,401	-	-
FNB - 6283 3993 060	28,482	-	-	28,482	-	-
Nedbank - 7881076763/154	20,000,000	-	-	20,000,000	-	-
Standard Bank - 0687 3027 6 - 004	31,229,207	-	-	31,229,207	-	-
Standard Bank - 068 730 276 - 018	10,035,945	-	-	10,035,945	-	-
Standard Bank- 068730276- 019	15,000,000	-	-	15,000,000	-	-
Total	159,161,702	159,806,892	155,416,834	159,206,506	148,835,660	155,452,064

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8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25,004,533	(1,756,423)	23,248,110	25,004,533	(1,597,996)	23,406,537

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	23,406,537	(158,427)	23,248,110

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	23,618,810	(212,273)	23,406,537

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	896,184	850,649
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9. Property, plant and equipment						
	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,179,000	-	4,179,000	4,179,000	-	4,179,000
Buildings	65,215,578	(15,668,609)	49,546,969	57,819,144	(13,579,057)	44,240,087
Plant and machinery	23,625,865	(6,350,901)	17,274,964	14,198,095	(4,995,404)	9,202,691
Furniture and fixtures	5,328,815	(3,862,736)	1,466,079	4,494,392	(3,478,580)	1,015,812
Motor vehicles	18,450,097	(11,792,436)	6,657,661	17,233,570	(11,120,044)	6,113,526
IT equipment	6,201,467	(4,051,926)	2,149,541	4,834,162	(3,760,330)	1,073,832
Infrastructure	304,435,504	(182,770,913)	121,664,591	301,186,603	(173,143,652)	128,042,951
Community	188,756,541	(75,704,193)	113,052,348	174,228,160	(69,208,464)	105,019,696
Total	616,192,867	(300,201,714)	315,991,153	578,173,126	(279,285,531)	298,887,595

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	4,179,000	-	-	-	-	-	4,179,000
Buildings	44,240,087	8,298,721	(10,738)	-	(1,272,306)	(1,708,795)	49,546,969
Plant and Equipment	9,202,691	9,573,208	-	-	(1,500,935)	-	17,274,964
Furniture and fixtures	1,015,812	881,214	-	-	(430,947)	-	1,466,079
Motor vehicles	6,113,526	2,849,048	(150,080)	-	(2,154,833)	-	6,657,661
IT equipment	1,073,832	1,646,101	(123)	(116,308)	(453,961)	-	2,149,541
Infrastructure	128,042,951	16,057,898	(1,540,013)	-	(19,487,119)	(1,409,126)	121,664,591
Community	105,019,696	14,530,102	-	-	(6,637,231)	139,781	113,052,348
	298,887,595	53,836,292	(1,700,954)	(116,308)	(31,937,332)	(2,978,140)	315,991,153

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	4,179,000	-	-	-	-	-	-	4,179,000
Buildings	24,750,448	145,000	2,920,863	-	17,933,849	(1,056,829)	(453,244)	44,240,087
Plant and machinery	3,171,364	6,935,201	-	(1,748)	-	(902,126)	-	9,202,691
Furniture and fixtures	1,632,593	95,274	-	(94,841)	-	(617,214)	-	1,015,812
Motor vehicles	5,362,619	2,385,727	-	-	-	(1,634,820)	-	6,113,526
IT equipment	1,596,733	175,150	-	(93,666)	116,522	(720,907)	-	1,073,832
Infrastructure	127,828,172	137,049	-	-	18,188,863	(18,111,133)	-	128,042,951
Community	107,815,273	105,009	-	-	6,994,640	(6,228,082)	(3,667,144)	105,019,696
Libraries	2,920,863	-	(2,920,863)	-	-	-	-	-
	279,257,065	9,978,410	-	(190,255)	43,233,874	(29,271,111)	(4,120,388)	298,887,595

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9. Property, plant and equipment (continued)

Reconciliation Of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	24,131,937	4,880,905	9,151,184	38,164,026
Additions/capital expenditure	18,188,863	6,994,641	18,050,393	43,233,897
Impairment	-	-	(373,158)	(373,158)
Transfer to Completed Assets	(24,444,788)	(7,894,206)	-	(32,338,994)
	17,876,012	3,981,340	26,828,419	48,685,771

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	17,922,179	3,981,340	26,828,418	48,731,937
Additions/capital expenditure	16,057,898	13,814,827	10,735,082	40,607,807
Other movements [specify]	-	-	(373,158)	(373,158)
Transferred to completed items	(19,072,099)	(11,651,565)	(14,350,429)	(45,074,093)
	14,907,978	6,144,602	22,839,913	43,892,493

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	899,789	2,199,726
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There are no long outstanding projects which are taking longer than expected

There are no indications that projects in Work in Progress are impaired.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,562,081	(1,189,917)	4,372,164	2,494,287	(1,173,181)	1,321,106

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	1,321,106	3,608,827	(557,769)	4,372,164

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	1,743,634	(422,528)	1,321,106

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4,808,819	-	4,808,819	4,808,819	-	4,808,819

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	4,808,819	4,808,819

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	4,808,819	4,808,819

12. Payables from exchange transactions

Trade payables	12,152,119	8,070,238
Unallocated deposits	186,326	316,239
Retention	7,087,806	8,358,511
Advance payments	2,433,096	2,001,004
	21,859,347	18,745,992

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

COVID 19 -Disaster Management Relief Grant	-	374,477
Building Plans Information Systems	1,193	1,193
Electrification : DOE	2,886,065	-
MIG	-	601
Sangcwaba Grant	507,555	507,555
Gym Park - Receipts	-	50,661
Tittle Deed restoration Programme	100,000	-
	3,494,813	934,487

14. Employee Benefits - Long Service

Reconciliation of employee benefits - long service - 2021

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Leave pay provision	4,972,903	977,714	-	5,950,617
Long term service award provision	2,498,000	-	(57,226)	2,440,774
	7,470,903	977,714	(57,226)	8,391,391

Reconciliation of employee benefits - long service - 2020

	Opening Balance	Reduction due to re- measurement or settlement without cost to entity	Total
Leave pay provision	4,754,122	218,781	4,972,903
Long term service award provision	2,549,000	(51,000)	2,498,000
	7,303,122	167,781	7,470,903

Non-current liabilities	2,440,774	2,498,000
Current liabilities	5,950,617	4,972,903
	8,391,391	7,470,903

Long services award are payable after ten years of continuous services and every five years thereafter to employees.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

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15. Employee benefit obligations

Long service awards

Independent valuers, One Pangaea Financial, carried out a statutory valuation as at 30 June 2021.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical aid plan

The municipality operates on 6 accredited medical aid schemes, namely Bonitas, Keyhealth, LA Health, Hosmed, Fedhealth and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. Independent Actuaries and consultants, carried out a statutory valuation as at 30 June 2021. The post-retirement medical obligations at 30 June 2021 quantified the present value of unfunded obligations at R8,708,710. The Current-service costs for the year ending 30 June 2021 is estimated at R290 000. The principal actuarial assumptions used included a discount rate of Yield Curve , and a health care cost inflation rate of CPI + 1.

Post Medical Aid benefits : The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening Balance	(4,644,000)	(4,668,000)
Current Service Cost	(290,000)	(306,000)
Current Interest Cost	(583,000)	(470,000)
Benefits Paid	394,000	176,000
Actuaries Gains or losses over the financial year	(3,585,710)	624,000
	(8,708,710)	(4,644,000)

Age

20 - 24	24.00 %	16.00 %
25 - 29	18.00 %	12.00 %
30-34	15.00 %	10.00 %
35-39	10.00 %	8.00 %
40-44	6.00 %	6.00 %
45-49	4.00 %	4.00 %
50 - 54	2.00 %	2.00 %
55 - 59	1.00 %	1.00 %

Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:

Opening balance	4,644,000	4,668,000
Actuarial gains (losses)	3,585,710	(1,434,000)
Assets distributed on settlements	479,000	1,410,000
	8,708,710	4,644,000

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16. Revenue		
Service charges	3,107,025	2,869,807
Rental of facilities	896,184	850,649
Agency services	1,267,098	733,045
Licences and permits	3,299,716	2,137,401
Donation Received	-	929,783
Other income - Miscellaneous	1,989,656	863,490
Interest received - investment	7,569,455	11,106,623
Property rates	21,320,965	24,943,816
Government grants	170,394,745	148,940,107
Fines	446,324	446,450
	210,291,168	193,821,171

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

Service charges	3,107,025	2,869,807
Rental of facilities and equipment	896,184	850,649
Agency services	1,267,098	733,045
Licences and permits	3,299,716	2,137,401
Donation Received	-	929,783
Other income - Miscellaneous	1,989,656	863,490
Interest received - investment	7,569,455	11,106,623
	18,129,134	19,490,798

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

Taxation revenue		
Property rates	21,320,965	24,943,816
Transfer revenue		
Government grants	170,394,745	148,940,107
Fines	446,324	446,450
	192,162,034	174,330,373

17. Service charges

Refuse removal	2,954,509	2,780,433
Other service charges - Fire	152,516	89,374
	3,107,025	2,869,807

18. Housing operating account

Loans extinguished by Government on 1 April 1998	373,787	373,787
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The housing operating account is represented by the following assets and liabilities

Housing selling scheme loans	122,298	122,298
Bank and cash	251,489	251,489
Assets	373,787	373,787
Total Housing Development Fund Assets and Liabilities	373,787	373,787

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19. Rental of facilities and equipment		
Premises		
Hall hire	185,500	165,831
Rental of Buildings	710,684	684,818
	896,184	850,649
	896,184	850,649
20. Other income		
Rates Clearance	1,102	7,581
Sundry Income	1,988,554	855,909
	1,989,656	863,490
21. Investment revenue		
Interest revenue		
Short term investments	7,569,455	11,106,623

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Figures in Rand	30 June 2021	30 June 2020
22. Property rates		
Statutory Revenue		
Residential	7,050,844	11,429,916
Commercial	3,681,690	4,791,333
State Owned Properties	6,450,778	4,316,230
Agricultural	3,693,553	3,573,912
Communal	265,428	224,893
Industrial	174,298	370,138
Public Service Infrastructure	4,374	237,394
	21,320,965	24,943,816

Valuations

Residential	610,258,890	610,258,890
Commercial	188,909,003	188,909,003
Public Service Infrastructure	220,000	220,000
Industrial	13,916,000	13,916,000
Municipal	66,159,004	66,159,002
Agricultural	1,557,041,977	1,553,091,965
Vacant Land	15,066,003	15,056,002
Public Service Purposes (State Owned)	441,281,000	441,281,000
Ingonyama Trust (Communal Land)	83,037,701	83,037,700
Place Of Worship	14,785,000	14,785,000
Servitudes	358,744,000	358,744,000
	3,349,418,578	3,345,458,562

Valuations on land and buildings are performed every 5 years. In terms of the new MPRA legislation an extension of 1 year has been granted. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in 12 monthly equal instalments with the first being due at the end of July and the last instalment is in June.

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

Residential
Agricultural
Small holding (Agricultural)
Commercial
Industrial and
Communal

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23. Government grants and subsidies		
Operating grants		
Equitable share	138,604,000	110,309,000
FMG	1,900,000	1,970,000
Sports & recreation	-	28,777
COVID 19 -Disaster Management Relief Grant- Income	374,484	280,523
Gym Park	50,660	42,000
Library Grant	1,131,000	1,101,000
Building Plan Grant	-	498,807
EPWP	1,903,000	1,793,000
	143,963,144	116,023,107
Capital grants		
MIG	26,431,601	26,917,000
Municipal Disaster Centre Grant	-	6,000,000
	26,431,601	32,917,000
	170,394,745	148,940,107
Conditional and Unconditional		
Included in above are the following grants and subsidies received.		
Conditional grants received	31,790,745	38,631,107
Unconditional grants received	138,604,000	110,309,000
	170,394,745	148,940,107
Equitable Share		
Current-year receipts	138,604,000	110,309,000
Conditions met - transferred to revenue	(138,604,000)	(110,309,000)
	-	-
FMG Grant		
Current-year receipts	1,900,000	1,970,000
Conditions met - transferred to revenue	(1,900,000)	(1,970,000)
	-	-
Sports and Recreation		
Balance unspent at beginning of 12 months	-	28,777
Conditions met - transferred to revenue	-	(28,777)
	-	-
Electrification Grant		
Current-year receipts	9,000,000	13,000,000
Conditions met - transferred to revenue	(6,113,936)	(13,000,000)
	2,886,064	-

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Figures in Rand	30 June 2021	30 June 2020
23. Government grants and subsidies (continued)		
COVID 19 Disaster recovery Grant		
Balance unspent at beginning of 12 months	374,477	655,000
Conditions met - transferred to revenue	(374,477)	(280,523)
	-	374,477
Municipal Infrastructure Grant		
Balance unspent at beginning of 12 months	601	601
Current-year receipts	26,431,000	26,917,000
Conditions met - transferred to revenue	(26,431,601)	(26,917,000)
	-	601
Library Grant		
Current-year receipts	1,131,000	1,101,000
Conditions met - transferred to revenue	(1,131,000)	(1,101,000)
	-	-
Municipal Disaster Recovery Grant		
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	-	(6,000,000)
	-	-
Tittle Deeds Restoration Programme Grant		
Balance unspent at beginning of 12 months	100,000	-
Sangcwaba Grant		
Balance unspent at beginning of 12 months	507,555	507,555
EPWP Grant		
Current-year receipts	1,903,000	1,793,000
Conditions met - transferred to revenue	(1,903,000)	(1,793,000)
	-	-
Gym Park Grant		
Balance unspent at beginning of 12 months	50,661	92,661
Conditions met - transferred to revenue	(50,661)	(42,000)
	-	50,661
Building Plans Information Systems Grant		
Balance unspent at beginning of 12 months	1,193	-
Current-year receipts	-	500,000

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23. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(498,807)
	1,193	1,193

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24. Employee related costs		
Basic salaries and wages	54,686,135	47,651,919
Bonus	3,538,788	3,428,441
Medical aid - company contributions	7,181,903	2,494,950
UIF	632,987	381,491
Other payroll levies	206,601	20,709
Leave pay provision charge	2,844,685	2,372,443
Pension	8,264,105	7,212,575
Travel, motor car, accommodation, subsistence and other allowances	2,313,026	968,283
Overtime payments	3,481,843	2,740,748
Long-service awards	216,649	37,505
Housing benefits and allowances	108,987	98,947
Post Retirement Obligation	455,578	538,280
Other employee related costs	162,184	132,375
	84,093,471	68,078,666
Remuneration of Municipal Manager		
Annual Remuneration	845,240	904,419
Contributions to UIF, Medical and Pension Funds	266,845	249,076
Other	240,305	206,730
	1,352,390	1,360,225
Remuneration of Chief Finance Officer		
Annual Remuneration	671,134	-
Contributions to UIF, Medical and Pension Funds	75,714	-
Other	117,343	-
Acting Allowance	-	92,197
	864,191	92,197
The Chief Financial Officer was appointed and assumed her duties on the 1st July 2020		
Corporate and human resources (corporate services)		
Annual Remuneration	749,567	670,363
Contributions to UIF, Medical and Pension Funds	67,281	102,866
Other	75,309	19,133
	892,157	792,362
Social Development		
Annual Remuneration	633,778	583,170
Performance Bonuses	-	65,855
Contributions to UIF, Medical and Pension Funds	106,588	185,815
Other	203,315	180,696
	943,681	1,015,536
Technical Services		

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24. Employee related costs (continued)		
Annual Remuneration	265,720	209,524
Contributions to UIF, Medical and Pension Funds	595	51,908
Other	74,134	183,724
Acting Allowance	54,996	54,702
	395,445	499,858

The Director Technical Services was appointed and assumed Her duties in 1 February 2021.

25. Remuneration Of Councillors

Mayor	906,355	887,745
Deputy Mayor	730,991	706,388
Exco Members	1,682,148	1,448,355
Speaker	731,836	698,806
Councillors	6,384,515	6,310,824
	10,435,845	10,052,118

The Accounting officer affirms that remuneration of councillors disclosed above are within the upper limits envisaged in section 219 of the constitution and were aligned with gazette number 43246 issued on 24 April 2020.

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

26. Depreciation and amortisation

Property, plant and equipment	31,948,089	29,633,068
Investment property	158,427	212,274
Intangible assets	557,769	422,528
	32,664,285	30,267,870

27. Impairment

Impairments

Property, plant and equipment	2,978,140	4,120,389
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28. VAT Impairment

VAT Impaired during the current year	1,615,308	7,395,043
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29. Provision for Bad debts

Traffic Fines	123,787	320,392
Bad debts written off	11,231,368	6,747,715
	11,355,155	7,068,107

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30. Contracted services		
Security services	4,530,492	3,816,616
Legal fees	985,636	362,302
Valuation services	103,156	51,885
Landfill Site Rental	805,019	472,517
Repairs and Maintenance	2,183,615	2,199,726
Catering	191,198	478,834
Event promoters	57,552	91,477
Electrification Projects	545,206	7,735,916
Consultants and Professional Services	6,637,118	782,363
Pest control and fumigation	10,200	19,241
Audit committee fees	137,703	178,290
	16,186,895	16,189,167
31. General expenses		
Msoa Implementation and system development	2,132,777	2,544,083
Advertising	1,642,776	1,827,215
Auditors remuneration	2,265,445	1,856,111
Bank charges	328,896	200,246
Compensation Fund	978,734	-
Consumables	694,564	509,725
Entertainment	40,178	50,493
Free Basic Services	1,188,632	966,321
Insurance	951,939	1,717,506
Community development and training	198,240	-
Operating Leases: Furniture and Office	688,601	569,264
Parking Fees	124,250	99,509
SDL	761,032	633,261
Specialised Computer Service	1,079,911	781,416
Fuel and oil	2,327,392	1,747,081
Postage and courier	190,451	175,772
Printing and stationery	512,851	338,550
Bursary Youth	593,670	420,756
Employment creation and assistant programme	68,250	298,961
Trainings	1,686,338	1,712,206
Software expenses	487,085	1,212,002
Ward Committees	1,217,879	1,152,614
Subscriptions and membership fees	1,128,687	822,051
Travel - local	1,521,646	2,252,205
Water and electricity	1,078,234	1,111,731
Uniforms/ Protective Clothing	816,666	1,070,206
Communication costs	1,920,486	1,675,739
Licence and permits	352,575	123,974
Community Development Programme	1,379,915	1,445,539
	28,358,100	27,314,537

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32. Cash generated from operations		
Surplus	21,238,597	23,316,095
Adjustments for:		
Depreciation and amortisation	32,664,285	30,267,870
Loss on sale	1,368,952	19,179
Impairment deficit	2,978,140	4,120,389
Provisions	11,355,155	7,068,107
Long Service Award	216,649	-
Post Retirement Obligation	455,578	-
Movements in benefit assets and liabilities	-	(75,000)
Other non-cash items	(185,809)	1,095,149
Changes in working capital:		
Inventories	66,869	(21,622)
Receivables from exchange transactions	(787,324)	(590,913)
Trade receivables from non exchange transactions	(7,761,244)	(14,438,352)
Payables from exchange transactions	3,113,354	(5,901,766)
VAT	266,360	1,777,337
Unspent conditional grants and receipts	2,560,326	(304,893)
	67,549,888	46,331,580

33. Financial instruments disclosure

Categories of financial instruments

2021

Financial Assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,954,797	5,954,797
Other receivables from non-exchange transactions	22,316,727	22,316,727
Cash and cash equivalents	159,208,027	159,208,027
	187,479,551	187,479,551

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	21,859,347	21,859,347

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,990,627	5,990,627
Other receivables from non-exchange transactions	22,211,106	22,211,106
Cash and cash equivalents	148,839,937	148,839,937
	177,041,670	177,041,670

Financial liabilities

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33. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	18,745,338	18,745,338
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	5,089,239	794,856
• Community	-	3,623,985
• Vehicle	-	6,481,403
• Building	5,396,918	16,341,125
• Intangible assets	180,000	1,263,170
	10,666,157	28,504,539
Total capital commitments		
Already contracted for but not provided for	10,666,157	28,504,539
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational Expenditure	8,463,688	18,746,225
• Electrification	1,237,174	-
	9,700,862	18,746,225
Not yet contracted for and authorised by accounting officer		
• Electrification	2,448,231	-
Total operational commitments		
Already contracted for but not provided for	9,700,862	18,746,225
Not yet contracted for and authorised by accounting officer	2,448,231	-
	12,149,093	18,746,225
Total commitments		
Total commitments		
Authorised capital expenditure	10,666,157	28,504,539
Authorised operational expenditure	12,149,093	18,746,225
	22,815,250	47,250,764
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and grants.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,149,338	198,754

Operating Leases relates to the rental of photocopying machines which is on a long term contract .

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35. Contingencies

Contingent liabilities

The contingent liabilities as at 30 June 2021 is the amount of R 250 000 which relates to the outstanding rentals and eviction proceedings (Legal Cost).

Contingent assets

Litigation is in the process against the municipality relating to an ill-informed resolution taken by council to condone the sale of a council owned property way below market value. A short period after a new Council was elected and they then resolved to rescind the resolution to sell the mentioned property. A process of then declaring the sale agreement null and void was then commenced. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely, and the case should be resolved within the next year.

The contingent assets as at 30 June 2021 is the amount of R11 Million in terms of taxed costs relating to a litigation on a sale of council property.

36. Related parties

There were related party transactions in the current financial year. The two related party transactions were the Municipalities councillors and s57 employees as per Grap 20

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36. Related parties (continued)

Remuneration of key management

Councillors

2021

Name	Basic salary	Total
Councillors	10,435,845	10,435,845

2020

Name	Basic salary	Total
Councillors	10,052,118	10,052,118

Section s57 Employees

2021

Name	Basic salary	Acting Allowances	Other benefits received	Total
Municipal manager	845,240	-	507,150	1,352,390
Chief Financial Officer	671,134	-	193,056	864,190
Corporate Services Manager	749,567	-	142,589	892,156
Social Development Manager	633,778	-	309,903	943,681
Technical Manager	265,720	54,996	74,729	395,445
	3,165,439	54,996	1,227,427	4,447,862

2020

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36. Related parties (continued)

Name	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Municipal manager	904,419	-	455,806	1,360,225
Chief Financial Officer	-	-	92,197	92,197
Corporate Services Manager	670,363	-	121,999	792,362
Social Development Manager	583,170	65,855	366,511	1,015,536
Technical Manager	209,524	-	290,334	499,858
	2,367,476	65,855	1,326,847	3,760,178

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37. Change of Accounting estimation Uncertainties and Adjustments

Change In Accounting Estimates

In terms of GRAP 17 - Property, Plant and Equipment, the municipality is required to assess the useful lives and depreciation methods at each reporting period date. In the current financial year, the management have revised the useful lives of 68 assets which had a remaining useful life of less than a year. The revision was accounted for a change in accounting estimates. the remaining useful lives were reviewed based on the condition assessment carried out during physical verification .

Impact on Statement of Financial Performance	Old Basis	Impact due to the change of estimate	New Basis
Depreciation (Plant and machinery)	1,642,560	(141,624)	1,500,936
Depreciation (Motor Vehicles)	1,631,343	(359,064)	1,272,279
Depreciation(IT Equipment)	471,599	(17,361)	454,238
Depreciation (furniture and fixtures)	485,883	(56,862)	429,021
	4,231,385	(574,911)	3,656,474

Key Sources of estimation ,uncertainty and judgement

- Useful live and residual value.
- Recoverable amount of property, plant and equipment.
- Present Value of defined benefit.
- Provision for doubtful debt.
- Determining the collectable amount for traffic fines issued.
- Valuation of properties for the purposes of rates billing.

38. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 504,371,971 and that the municipality's total assets exceed its liabilities by 504,745,758.

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

39. Risk management

Financial risk management

Liquidity risk

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

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39. Risk management (continued)

Credit risk

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

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

Financial assets exposed to credit risk at 12 months end were as follows:

Financial instrument	2021	2020
Cash and Cash Equivalent	159,208,027	148,838,937
Trade and other receivables from Exchange	5,628,469	5,628,469
Trade and other receivables from Non Exchange	22,316,727	22,211,106

40. Events after the reporting date

Management is aware of events that occurred post balance sheet date identified during the year, i.e.

- After numerous rejections, journals and assessments by South African Revenue Services the municipality is adamant that an amount of R3 349 674.32 disclosed as part of total VAT receivable is still recoverable. This is in line with the VAT Act number 89 of 1991 pending the review as per the stipulated act to take place during the 2021/22 financial year which will inform and give direction on the existence of VAT Receivables, the municipality is prepared to adjust accordingly once the process has unfolded.

41. Fruitless and wasteful expenditure

Opening Balance	-	113,182
Condoned during the year	-	(113,182)
	-	-

Interest and penalties incurred by the municipality falls within the exemption period articulated in annexure of Circular 99 of the MFMA which stipulate that any interest levied during the said period should not constitute fruitless and wasteful expenditure.

42. Irregular expenditure

Opening Balance	193,434,891	258,948,204
Adjustment / Correction of an Error	-	(81,135,377)
Restated Opening Balance	-	177,812,827
Add: Irregular Expenditure - Current Year	66,535,431	27,698,788
Less: Amounts written off	(238,699,276)	(12,076,724)
	21,271,046	193,434,891

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42. Irregular expenditure (continued)		
Analysis of expenditure awaiting condonation per age classification		
Current year	66,535,431	27,698,788
Prior years	(45,264,385)	165,736,103
	21,271,046	193,434,891

The Irregular expenditure is based on all transactions that were incurred whilst the composition of the bid adjudication was not as per the requirement legislation and any additional findings due to non - compliance with the legislation. Disclose on irregular expenditure incurred is at 100 % coverage for 2014/15 ,2015/16 ,2016/17 ,2017/18 ,2018/19 ,2019 /20 and 2021/21 financial years.

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43. Prior period errors

The correction of the error(s) results in adjustments as follows:

1. Operational Grant

Recognising long outstanding grants that was fully spent but not cleared in ledger and recognised revenue for Sangcwaba Grant which was previously spent but not recognised as revenue.

2. Donation Recieved

Donation of Plant and Equipment was received from KZN COGTA to the municipality with the intention of enhancing service delivery and all documentations were received in the current year.

3. IT Equipment , Office furniture.

These assets were submitted to council for disposal due to their poor condition ,How ever there were delays in revamping on municipal main building ,It is therefor that these assets were not replaced or disposed thus far.

4. Plant and Machinery.

Donations were made but the proper documantation was not timously msubmitted in order for the municipality to get the take on balances.

5. Recievables From Exchange Transactions

Being the correction of the Creditors with debit balances that was not reversed in the following year.

6. VAT Impairment

Being the Provision for receivable from South African Revenue Services as end of June 2021

Statement of Financial Position	Amount previously reported (2019/20)	Adjusment	Total
1. Operational Grant	1,143,780	(209,894)	933,886
2. IT Equipment	1,073,371	411	1,073,782
3. Office Furniture	997,423	18,398	1,015,821
4. Plant and Machinery	8,034,782	897,909	8,932,691
5. Recievables from exchange transaction	5,990,627	(362,176)	5,628,451
6. VAT Recievables	10,917,824	(7,395,043)	3,522,781
7. Accumulated Surplus	491,438,722	(8,649,996)	482,788,726
	519,596,529	(15,700,391)	503,896,138

Statement of Financial Performance	Amount previously reported	Adjustment	Total
1. Donation Recieved	-	929,783	929,783

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	938,661	-
Amount paid - current year	(938,661)	-
	-	-

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	1,905,796	1,856,111
Amount paid - current year	(1,905,796)	(1,856,111)
	-	-
PAYE, UIF & SDL		
Current year subscription / fee	12,094,692	11,183,020
Amount paid - current year	(12,094,692)	(11,183,020)
	-	-
Pension and Medical Aid Contributions		
Current year subscription / fee	15,446,008	14,332,450
Amount paid - current year	(15,446,008)	(14,332,450)
	-	-
VAT		
VAT receivable	3,256,421	3,522,781
VAT payable	-	-
	3,256,421	3,522,781

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the 12 months.

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

Supply chain management regulations

In terms of section 36 of the Municipal supply chain management regulations, any deviation from the supply chain management policy needs to be approved / condoned by the accounting officer and noted by council. The expenses incurred as listed hereunder have been approved by the accounting officer and have been noted by council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act

Section 36 deviations and reasons

	Amount
The Municipality was going to host a business registration workshop. The maximum that is expected per ward from all 14 wards was 3 delegates per ward. Since the delegates will be coming all over Ubuhlebezwe, it will be impractical to organise a taxi per ward as the taxi has a capacity of 15 passengers. Due to the above reasons the Municipality had to apply regulation 36 of SCM regulations to procure the required service on the grounds of being impractical and impossible to follow normal SCM processes. A cheque will be issued to Mis N Mbanjwa and a reimbursement will be done for each delegate for their transport costs.	2,310
The Municipality was going to host a start-up business training. The maximum that is expected per ward from all 14 wards was 2 delegates per ward. Since the delegates will be coming all over Ubuhlebezwe, it will be impractical to organise a taxi per ward as the taxi has a capacity of 15 passengers. Due to the above reasons the Municipality had to apply regulation 36 of SCM regulations to procure the required service on the grounds of being impractical and impossible to follow normal SCM processes. A cheque will be issued to Miss M Modi and a reimbursement will be done for each delegate for their transport costs.	2,880
The Municipality was going to host a start-up business training. The maximum that is expected per ward from all 14 wards was 3 delegates per ward. Since the delegates will be coming all over Ubuhlebezwe, it will be impractical to organise a taxi per ward as the taxi has a capacity of 15 passengers. Due to the above reasons the Municipality had to apply regulation 36 of SCM regulations to procure the required service on the grounds of being impractical and impossible to follow normal SCM processes. A cheque will be issued to Miss N Mbanjwa and a reimbursement will be done for each delegate for their transport costs.	10,040
The vehicle in question was taken to an authorised dealership UD Trucks PMB for repairs to clutch. The vehicle needed to be stripped in order to do the quotation. The quotation to repair the vehicle is R31, 970.92. The vehicle cannot be taken to other service providers as that will incur additional costs to re-assemble it. We will also incur additional costs to take it to another service provider to repeat the same process before giving us another quotation. We therefore think that it will be cost-effective and save time and money to proceed with this quotation. According to SCM policy if a quotation is above R30 000.00 it must be advertised on the notice board and on the Ubuhlebezwe Municipality website for 7 days requesting service providers to quote. This was also impractical and impossible as service providers will have to strip our vehicle so that they can give us an accurate quotation. It is therefore, based on the above-mentioned reasons request that the Municipal Manager authorize the procurement section to deviate from the normal SCM process of advertising for this service and apply regulation 36 of the SCM regulations on the grounds of being impractical and impossible to follow normal SCM processes and appoint UD Trucks to repair the vehicle.	31,971
The vehicle in question was taken to CMH Commercial an authorised dealership in PMB. The vehicle needed to be stripped in order to do the quotation. The vehicle could not be taken to other service providers as this was going to incur additional costs to re-assemble it. The Municipality would have also incurred additional costs to take it to another service provider to repeat the same process before giving us a quotation. It was cost effective and time and money saving for the municipality to proceed with this quotation, also bearing in mind that this is a compactor truck utilized for refuse unit to carry our service delivery. According to SCM policy if the quotation is above R30 000.00 it must be advertised on the notice board and the municipal website for 7 days. This was also impractical and impossible as other service providers would have to strip and quote to give us an accurate quotation. It is with the above reasons that the Municipality deviated from normal SCM processes and apply regulation 36 of SCM regulations on the grounds of being impractical and impossible to follow normal SCM processes.	147,745

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Community members were attending cattle business bechmarking at Zakhe College of agriculture. The members were coming from different wards with a maximu of 3 people per ward. It was impossible to organise a taxi to collect people from all 14 wards, therefore each member had to do transport arrangements and the Municipality had to re-imburse them for their transport costs.		3,350
The ELB Hindromek grader NIX 11792 was donated by COGTA to the municipality. This grader had missed the first 2 services while it was with cogta and urgent service of 750hrs had to be done by the municipality. The grader was taken to ELB Equipment and the quotation came up to R35 575.31. It was imposible to take the grader to other service providers to strip and re-assemble in order to quote. it was cost effective and saving time for the municipality to proceed with the quotation. It is with the above reasons that the municipality deviated from normal SCM processes on the grounds of being impractical and impossible to follow normal SCM processes and appointed ELB to do this urgent service.		35,575
The new Komatsu Grader came without a spare wheel, which was crucial to have because working on gravel cuts the tyres and working without a spare wheel causes delays if there is a puncture. The request to purchase a new tyre and rim was submitted to the Grader manufacture. the quote came up to an amount of R38 065.01. It was not possible for the Municipality to advertise for 7 days since the quote exceeded R30 000.00 as the Grader was operating under preasure without as spare wheel. It was with the above reasons that the Municipality applied regulation 36 of SCM regulation on the grounds of emergency to procure the spare wheel.		38,065
The Municipality required the renewal of licence of the previous financial system for audit purposes and to extract historical data. The Municipality need to access the system in order to extract data for the previous financial years for completion of reports that are required for the upcoming audit. Auditor general also needs to access the system in order to be able to audit transactions and data for previous years. Solvem Consulting is sole provider and distributor of SAMRAS system solution and licence and therefore we request to procure the licence for 6 months.The total cost of the licence is R152 033.53. It is with the above reasons that the Municipality deviated from normal SCM processes and applied regulation 36 of SCM regulations to procure the required services and appointed Solvem Consulting on the grounds of them being the sole provider of this service .		152,034
TheVehicle in question had failed from the COR at the traffic department and it needed repairs.The truck was taken to a authorised dealership in PMB to do the quote for these repairs. The truck could not be taken to other dealerships as this would have caused delays and costs for stripping and re-assembling in order for them to quote. It further be noted that this is a fire truck which needs urgent attention since its a emergency vehicle. It was with the above reasons that the Municipality deviated from normal SCM processes and applied regulation 36 of SCM regulations and appointed CMH Commercial PMB to render this service on the grounds of bieng impractical to follow normal SCM processes.		75,976
A group of unemployed youth was attending tiling training that was conducted by Ubuhlebezwe Municipality. The youth was provided with transport fees to be able to arrive at the training venue. Cash amount of R69 200 was paid to Ms P Luswazi who was going to cash it and give it to attendees. It is with the above reasons that the Municipality deviated form normal scm processes and applied regulation 36 of SCM regulations on the grounds of being impractical to follow normal SCM processes.		69,200
The said amount was incurred by Ms P Luswazi as bank charges on the amount of R69 200 that was deposited to her for transporting youth to tiling training. The municipality has applied reguation 36 of SCM regulations on the grounds of being impractical and impossible to follow normal SCM processes.		1,730
A group of women were attending sewing training that was conducted by Ubuhlebezwe Municipality. This group was provided with transport fees to be able to arrive at the training venue. Cash amount of R10 800.00 was paid to Ms N Mbanjwa who was going to cash it and give it to attendees. It is with the above reasons that the Municipality deviated form normal scm processes and applied regulation 36 of SCM regulations on the grounds of being impractical to follow normal SCM processes.		10,800
A group of women were attending baking training that was conducted by Ubuhlebezwe Municipality. This group was provided with transport fees to be able to arrive at the training venue. Cash amount of R7 250.00 was paid to Ms M Modi who was going to cash it and give it to attendees. It is with the above reasons that the Municipality deviated form normal scm processes and applied regulation 36 of SCM regulations on the grounds of being impractical to follow normal SCM processes.		7,250

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
A group of women were attending baking training that was conducted by Ubuhebezwe Municipality. Part of thier traing was to visit Albany to do benchmarking. Municipality had to organise cash for transport and lunch for this group. Cash amount of R1 350.00 was paid to Ms M Modi who was going to cash it and give it to attendees. It is with the above reasons that the Municipality deviated form normal scm processes and applied regulation 36 of SCM regulations on the grounds of being impractical to follow normal SCM processes.		2,350
		591,276

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

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

Deviations from the tender stipulations in terms of the municipality's supply chain management policy were presented to the committees ,which condoned the various cases.

45. Segment information

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45. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Revenue					
Property Rates	-	-	21,320,966	-	21,320,966
Fines, Penalties and Forfeits	446,324	-	-	-	446,324
Interest on Investment - Short term Investments accounts	-	-	7,569,455	-	7,569,455
Licences and Permits	3,299,716	-	-	-	3,299,716
Licence Commission	1,267,098	-	-	-	1,267,098
Operating Revenue	785,528	-	1,204,127	-	1,989,655
Rental	185,500	-	710,684	-	896,184
Service Charges	152,516	-	-	2,954,509	3,107,025
Transfers and Subsidies	3,408,484	26,482,261	140,504,000	-	170,394,745
Total segment revenue	9,545,166	26,482,261	171,309,232	2,954,509	210,291,168
Entity's revenue					210,291,168
Expenditure					
Employee related Cost	13,582,929	15,386,146	36,718,372	18,406,024	84,093,471
Remuneration of Councillors	-	-	10,435,845	-	10,435,845
Bad Debt Written Off	-	-	11,355,155	-	11,355,155
Contracted Services	1,141,225	1,630,986	11,551,819	1,862,865	16,186,895
Depreciation and Amortisation	-	-	32,739,959	59,464	32,799,423
VAT Impairment	-	-	1,615,308	-	1,615,308
Impairment Loss	-	-	2,843,002	-	2,843,002
Operational Cost	7,599,057	3,295,742	15,630,970	1,832,331	28,358,100
Total segment expenditure	22,323,211	20,312,874	122,890,430	22,160,684	187,687,199

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	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
45. Segment information (continued)					
Total segmental surplus/(deficit)					22,603,969
Gains and Losses					1,368,952
Assets					
Inventory	-	-	8,283,525	-	8,283,525
VAT Recievables	-	-	3,256,421	-	3,256,421
Recievablea from Non Exchange Transactions	-	-	22,316,727	-	22,316,727
Recievables from Exchange Transaction	-	-	5,715,073	-	5,715,073
Cash and Cash Equivalent	-	-	159,208,027	-	159,208,027
Property Plant and Equipment	24,840,465	250,635,979	29,679,999	10,834,710	315,991,153
Heritage Assets	-	-	4,808,819	-	4,808,819
Intangible Assets	-	-	4,372,164	-	4,372,164
Investment Property	-	-	23,248,110	-	23,248,110
Total segment assets	24,840,465	250,635,979	260,888,865	10,834,710	547,200,019
Total assets as per Statement of financial Position					547,200,019
Liabilities					
Trade and Other Payables from exchange transactions	-	-	21,873,055	-	21,873,055
Leave Pay Provision	-	-	5,950,617	-	5,950,617
Unspent Conditional Grant	-	331,465	3,603,348	-	3,934,813
Defined Benefit Obligation	-	-	-	8,708,710	8,708,710
Long Service Award	-	-	-	2,440,774	2,440,774
Total segment liabilities	-	331,465	31,427,020	11,149,484	42,907,969
Accumulated Surplus					513,740,900
Total liabilities as per Statement of financial Position					556,648,869

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45. Segment information (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been disclosed.