



UBUHLEBEZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

Local Municipality

Mayoral Committee

Her worship, The Mayor

Cllr. EB Ngubo (Mayor)

Councillors

Cllr. Z Mngonyama (Deputy Mayor)(Term of Office Ended)

Cllr. ZL Miya (Deputy Mayor) Effective from 22 November 2021

Cllr. TC Dlamini (Speaker)(Term of Office Ended)

Cllr. SNM Chiya (Speaker) Effective from 22 November 2021

Cllr. ZD Nxumalo (Term of Office Ended)

Cllr. TT Mkhize (Term of Office Ended)

Cllr. N.Z. Jili (Term of Office Ended)

Cllr. B.R. Nduli (Term of Office Ended)

Cllr. P Ndlovu (Term of Office Ended)

Cllr. KM Mkhize (Term of Office Ended)

Cllr. MC Ndlovu (Term of Office Ended)

Cllr. GJ Ngcongo (Returning Councillor)

Cllr. SP Maluleka (Term of Office Ended)

Cllr. NG Radebe (Term of Office Ended)

Cllr. ZC Khumalo (Term of Office Ended)

Cllr. NM Mdunge (Term of Office Ended)

Cllr. BP Mpungose (Returning Councillor)

Cllr. SM Msimango (Term of Office Ended)

Cllr. CN Ntabeni (Returning Councillor)

Cllr. TB Nxumalo (Term of Office Ended)

Cllr. ET Shoba (Term of Office Ended)

Cllr. BM Khuboni (Term of Office Ended)

Cllr. MC Nkontwana (Returning councillor)

Cllr. BR Zulu (Returning Councillor)

Cllr. LM Davids (Term of Office Ended)

Cllr. NC Ngcongo (Returning Councillor)

Cllr. ZL Miya (Term of Office Ended)

Cllr. SA Mpsi (Term of Office Ended)

Cllr. LSN Mbele (Effective from 22 November 2021)

Cllr. S. Mbatha (Effective from 22 November 2021)

Cllr. TL Mahlaba (Effective from 22 November 2021)

Cllr. TA Ngcongo (Effective from 22 November 2021)

Cllr. BP Nzimande (Effective from 22 November 2021)

Cllr. TJ Mzolweni (Effective from 22 November 2021)

Cllr. LW Nyala (Effective from 22 November 2021)

Cllr. ZP Shange (Effective from 22 November 2021)

Cllr. MS Ngubo (Effective from 22 November 2021)

Cllr. HV Msomi (Effective from 22 November 2021)

Cllr. NH Zaca (Effective from 22 November 2021)

Cllr. NH Malimela (Effective from 22 November 2021)

Cllr. SC Jali (Effective from 22 November 2021)

Cllr. SBM Chiya (Effective from 22 November 2021)

Cllr. LA Zondi (Effective from 22 November 2021)

Cllr. ZM Ngidi (Effective from 22 November 2021)

Cllr. ME Mkhize (Effective from 22 November 2021)

Cllr. FZ Mhlongo (Effective from 22 November 2021)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

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
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	NEDBANK
Auditors	Auditor General (S.A)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the annual financial statements presented to the Municipal Council:

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CLLR	Councilor
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
EPWP	Extended Public Work Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IT	Information Technology
SDL	Skills Development Levy
VAT	Value Added Tax
INEP	Intergrated National Electrification Programme
DOE	Department of Energy
MEC	Member of the Executive Council
MPRA	Municipal Property Rates Act
LED	Local Economic Development

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 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 5 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

G.M Sineke
Municipal Manager

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	5,437,014	5,971,718
VAT receivable	4	5,061,597	2,834,451
Receivables from non-exchange transactions	5	20,754,186	22,548,138
Receivables from exchange transactions	6	5,917,511	5,483,662
Cash and cash equivalents	7	165,151,676	159,208,027
		202,321,984	196,045,996
Non-Current Assets			
Investment property	8	23,089,683	23,248,110
Property, plant and equipment	9	336,081,266	315,711,591
Intangible assets	10	3,903,470	4,372,164
Heritage assets	11	4,808,819	4,808,819
		367,883,238	348,140,684
Total Assets		570,205,222	544,186,680
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	13,928,977	21,859,341
Payables from non-exchange Transactions	46	5,000,000	-
Unspent conditional grants and receipts	13	607,555	3,494,813
Leave Pay Provision	14	7,232,120	5,950,617
		26,768,652	31,304,771
Non-Current Liabilities			
Employee benefit obligation Medical Aid	15	11,306,498	8,708,710
Provision for Long Service	14	2,846,011	2,440,774
		14,152,509	11,149,484
Total Liabilities		40,921,161	42,454,255
Net Assets		529,284,061	501,732,425
Reserves			
Housing Development	18	373,787	373,787
Accumulated surplus		528,910,274	501,358,638
TOTAL NET ASSETS		529,284,061	501,732,425

* See Note 43

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	17	3,088,142	3,057,064
Rental of facilities and equipment	19	1,151,394	896,184
Licence Commision		1,336,919	1,267,098
Licences and permits		2,600,772	3,299,716
Other income	20	504,218	1,751,307
Interest received - investment	21	8,555,154	7,569,455
Total revenue from exchange transactions		17,236,599	17,840,824
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	24,389,460	21,320,965
Transfer revenue			
Government grants & subsidies	23	159,634,257	170,394,745
Donation Recieved		4,017,521	-
Fines, Penalties and Forfeits		427,339	446,324
LGSETA		560,684	-
Lollipop Reciept		1,412,139	331,464
Total revenue from non-exchange transactions		190,441,400	192,493,498
TOTAL REVENUE	16	207,677,999	210,334,322
EXPENDITURE			
Employee related costs	24	(86,562,577)	(84,093,867)
Remuneration of councillors	25	(10,372,452)	(10,435,845)
Depreciation and amortisation	26	(27,806,387)	(32,664,285)
Impairment loss/ reversal of impairments	27	(83,920)	(3,257,702)
VAT Impairment/Reversal	28	9,010,351	(1,615,308)
Debt Impairment	29	(13,945,457)	(11,355,155)
Finance Costs		(1,142)	-
Contracted services	30	(18,611,886)	(17,658,774)
General Expenses	31	(30,642,427)	(26,885,825)
TOTAL EXPENDITURE		(179,015,897)	(187,966,761)
Operating surplus		28,662,102	22,367,561
Loss on disposal of assets and liabilities		(625,148)	(1,434,930)
SURPLUS FOR THE YEAR		28,036,954	20,932,631

* See Note 43

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	373,787	483,133,374	483,507,161
Prior year adjustments	-	(2,707,367)	(2,707,367)
Balance at 01 July 2020 as restated*	373,787	480,426,007	480,799,794
Surplus for the year	-	20,932,631	20,932,631
Total changes	-	20,932,631	20,932,631
Restated* Balance at 01 July 2021	373,787	500,873,320	501,247,107
Changes in net assets			
Surplus for the year	-	28,036,954	28,036,954
Balance at 30 June 2022	373,787	528,910,274	529,284,061

Note(s)

* See Note 43

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		-	10,611,885
Sale of goods and services		34,605,654	10,449,640
Grants		161,746,999	178,969,000
Interest income		8,553,524	7,569,455
		204,906,177	207,599,980
Payments			
Employee related costs		(95,653,526)	(89,544,118)
Suppliers		(56,650,482)	(50,505,974)
Finance Cost		(1,142)	-
		-	-
		(152,305,150)	(140,050,092)
Net cash flows from operating activities	32	52,601,027	67,549,888
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(44,752,830)	(53,908,553)
Proceeds from sale of property, plant and equipment	9	(625,148)	335,582
Purchase of other intangible assets	10	(1,279,400)	(3,608,827)
Net cash flows from investing activities		(46,657,378)	(57,181,798)
Net increase/(decrease) in cash and cash equivalents		5,943,649	10,368,090
Cash and cash equivalents at the beginning of the year		159,208,027	148,839,937
Cash and cash equivalents at the end of the year	7	165,151,676	159,208,027

* See Note 43

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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	3,391,000	64,000	3,455,000	3,088,142	(366,858)	(a)
Rental of facilities and equipment	856,000	-	856,000	1,151,394	295,394	(b)
Agency services	30,000	1,770,000	1,800,000	1,336,919	(463,081)	(c)
Licences and permits	3,964,000	(524,000)	3,440,000	2,600,772	(839,228)	(d)
Other income	435,000	(58,000)	377,000	504,218	127,218	(e)
Interest received - investment	9,000,000	-	9,000,000	8,555,154	(444,846)	(f)
Total revenue from exchange transactions	17,676,000	1,252,000	18,928,000	17,236,599	(1,691,401)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22,999,000	-	22,999,000	24,389,460	1,390,460	(g)
Transfer revenue						
Government grants & subsidies	154,634,257	5,000,000	159,634,257	159,634,257	-	(h)
Donation Received	-	-	-	4,017,521	4,017,521	
Fines, Penalties and Forfeits	721,000	221,000	500,000	427,339	(72,661)	(i)
Other transfer revenue 1	-	-	-	560,684	560,684	
Other transfer revenue 2	-	-	-	1,412,139	1,412,139	
Total revenue from non-exchange transactions	178,354,257	5,221,000	183,133,257	190,441,400	7,308,143	
Total revenue	196,030,257	6,473,000	202,061,257	207,677,999	5,616,742	
Expenditure						
Employee related costs	(87,985,000)	(43,000)	(88,028,000)	(86,609,313)	1,418,687	(j)
Remuneration of councillors	(11,097,000)	-	(11,097,000)	(10,372,452)	724,548	
Depreciation and amortisation	(32,000,000)	(2,000,000)	(34,000,000)	(27,806,387)	6,193,613	(k)
Impairment loss/ Reversal of impairments	-	-	-	(83,920)	(83,920)	(l)
VAT Impairment	-	-	-	9,010,351	9,010,351	(m)
Debt Impairment	(2,172,000)	-	(2,172,000)	(13,945,457)	(11,773,457)	(n)
Contracted Services	(20,173,000)	(260,000)	(20,433,000)	(18,611,886)	1,821,114	(o)
Transfers and Subsidies	(4,444,000)	(2,351,000)	(6,795,000)	-	6,795,000	(p)
General expenditure	(28,688,000)	1,941,000	(26,747,000)	(30,627,945)	(3,880,945)	(q)
Total expenditure	(186,559,000)	(2,713,000)	(189,272,000)	(179,047,009)	10,224,991	
Operating surplus	9,471,257	3,760,000	13,231,257	28,630,990	15,399,733	
Loss on disposal of assets and liabilities	-	-	-	(625,148)	(625,148)	
Surplus after capital transfer & contribution	9,471,257	3,760,000	13,231,257	28,005,842	14,774,585	

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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	9,471,257	3,760,000	13,231,257	28,005,842	14,774,585	

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

Additional offices were filled by tenants after which then made an over collection in comparison with allocated budget. The increase was influenced lifting up the state of disaster, Thus slowly opening up the economy.

(c) Agency Services

Collection is way below in comparison with the budget this emanates from commission which is still due as the department did not pay all monies due to the municipality

(d) Licences and permits

Target was Not 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 COVID 19 pandemic. However the economy started to improve in the last quarter of the financial year including the interest rates.

(g) Property rates

Property rates billed were achieved with a significant improvement noted in billing in the last two quarters of the financial year.

(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 issued this is due to less people being on the road because of the pandemic and COVID 19 restrictions slight increase noted in the last two quarters when the state of disaster was lifted.

(j) Employee costs

Variance in employee cost is mainly due to IPD director position being vacant for the first six months of the financial year and the delay in filling new posts by Human Resources Management.

(k) Depreciation

Depreciation is based on an estimates and also based on a depreciable assets in a financial year, there is a decrease in comparison with the prior year due to the disposal of assets and a revision of usefull of assets in most of the assets.

(l) Impairment provision

Impairment provision is based on an estimates based on the condition of assets through conditional assessments and verification, the amount disclosed is as a result of that exercise performed by the expects which was not provided for.

(m) VAT Impairment

The VAT was impaired based on potential amount recoverable and cost benefit consideration ,if we were to persue the Old VAT Debt.

(n) Debt Impairment

Variance on debt impairment is as a result of the municipality accounting based on an outstanding debt and payment parterns. Individual assessment was performed for customers, this is a non-cash items and it was expected that there will be an improvement in collection which then trigered the under budgeting

(o) Contracted Service

The Municipality has reduced contracted services cost as means of cost cutting measures.

(p) Grants and Subsidies

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

(q) General Expenditure

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

The accounting policies on pages 13 to 29 and the notes on pages 29 to 63 form an integral part of the annual financial statements.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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:

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

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.

The useful lives of items of property, plant and equipment

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

uBuhlebezwe Local Municipality

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Accounting Policies

1.6 Intangible assets (continued)

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).

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.

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Accounting Policies

1.7 Heritage assets (continued)

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

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

An inalienable item is an asset that an 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.

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.

uBuhlebezwe Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;

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Accounting Policies

1.8 Financial instruments (continued)

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

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:

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Accounting Policies

1.9 Statutory receivables (continued)

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.

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.

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Accounting Policies

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.

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.

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Accounting Policies

1.14 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.

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.

1.15 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.

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Accounting Policies

1.15 Provisions and contingencies (continued)

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.

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.

1.16 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.

1.17 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.

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Accounting Policies

1.18 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.

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.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

1.19 Borrowing costs

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

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

1.20 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.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. 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.

1.22 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. 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 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.23 Irregular expenditure (continued)

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.

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.

1.24 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.

1.25 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 01/07/2021 to 30/06/2022.

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.26 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.

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.

1.27 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).

1.28 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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.28 Principal and Agent arrangements (continued)

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.

1.29 Unspent Conditional Grants and receipts

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

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 108: Statutory Receivables	01 April 2020	Expected impact is Not Material
GRAP 21 : Effects on past decisions on materiality	01 April 2020	Expected impact is Not Material
GRAP 104: Financial Instruments	01 April 2020	Expected impact is ot Material

2.2 Standards and interpretations issued, but not yet effective

The following standards which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Expected impact is ot Material
GRAP 25 (as revised 2021): Employee Benefits	01 April 2023	Expected impact is Not Material
	01 April 2019	Unlikely there will be a material impact

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Inventories		
Consumable stores	17,592	11,595
Land held for sale	5,960,123	8,328,772
	5,977,715	8,328,772
Disposals	(540,701)	(2,368,649)
	5,437,014	5,971,718
Carrying value of inventories carried at fair value less costs to sell	5,960,123	8,283,525
Inventories recognised as an expense during the year	540,701	2,368,649
Consumables stores relate to Cleaning chemicals and Stationery and there were no write downs. Land held for sale is included in the Assets Held for Sale.		
4. VAT receivable		
VAT	5,061,597	2,834,451
VAT is disclosed on the accrual basis, declarations to SARS are made on payments basis.		
The municipality has conducted a VAT review to ensure that all periods assessed by SARS and monies due to the municipality are resolved and paid to the municipality.		
Additional text		
5. Trade receivable from non exchange transaction		
Gross balances		
Rates	59,459,746	53,660,430
Fines	4,251,878	3,851,043
	63,711,624	57,511,473
Less: Allowance for impairment		
Rates	(38,707,691)	(31,497,396)
Fines	(4,249,747)	(3,465,939)
	(42,957,438)	(34,963,335)
Net balance		
Rates	20,752,055	22,163,034
Fines	2,131	385,104
	20,754,186	22,548,138
The table below illustrates the ageing of receivables from non-exchange		
Current (0-30 days)	2,809,416	2,793,303
31- 60 days	4,252,713	1,620,261
61- 90 days	3,377,525	1,224,331
91 - 120 days	3,295,781	1,136,810
121 - 365 days	45,724,311	46,885,755
	59,459,746	53,660,460
Statutory Receivables - Rates	59,459,746	53,660,460

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Trade receivable from non exchange transaction (continued)		
Statutory Receivables - Rates past due and Impaired		
Current (0 -30 days)	2,276,730	3,035,640
31 - 60 days	1,541,324	2,055,099
61 - 90 days	3,046,197	1,755,194
91 - 120 days	1,085,119	1,446,825
121 - 365 days	39,062,423	31,437,095
	47,011,793	39,729,853
Statutory Receivables - Rates past due and not Impaired		
Current (0 -30 days)	673,105	897,474
31 - 60 days	339,572	452,763
61 - 90 days	261,742	348,990
91 - 120 days	334,491	445,989
121 - 365 days	10,839,043	11,785,391
	12,447,953	13,930,607
Statutory Receivables - Fines		
Current (0 -30 days)	4,251,878	3,851,043
Reconciliation of allowance for impairment		
Rates	(38,707,690)	(31,497,396)
Fines	(4,249,747)	(3,465,939)
	(42,957,437)	(34,963,335)

Consumer debtors past due but not impaired

Past due and not impaired amounts relates mainly to government debts and indigents, At 30 June 2022, R12,447, 953 (2021: R13, 930 689 -) were past due but not impaired.

Consumer debtors impaired

Property rates are classified as statutory receivables and arises in terms of the Municipal Property Rates Act of 2004 Traffic Fines are issued to drivers in violation of Criminal Procedures Act No. 51 of 1977

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.

Transaction amount for Property rates is determined by applying the rates approved by the council to the market values of the properties. Transaction amount is adjusted by exemptions and approved rebates to qualifying customers.

Transaction amount for Traffic fines determined by schedule 3 of Administrative Adjudication of Road Traffic Offences Act.

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivables from exchange transactions		
Housing debtors	103,275	110,275
Prepaid expenses	984,125	938,661
Consumer debtors - Waste Management	8,203,324	6,687,814
Consumer debtors - Rental	1,776,795	2,125,020
License Commission	747,064	-
Inventory Debtor	258,509	-
Accrued Interest	346,823	345,193
Less: Allowance for Impairment-Refuse	(5,340,280)	(3,517,309)
Less: Allowance for Impairment- Rental	(1,162,124)	(1,205,992)
	5,917,511	5,483,662

Agency Services

Drivers Licences	1,336,919	1,267,098
(INEP) Electrification	8,000,000	6,113,935
	9,336,919	7,381,033

No receivables from exchange were pledged as security for liabilities.

None of the receivables from exchange have been renegotiated.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	507	204
Bank balances	18,860,963	2,431,826
Short-term deposits	146,290,206	156,775,997
	165,151,676	159,208,027

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Nedbank- Current account 1214909428	17,786,668	-	-	17,811,928	-	-
FNB- 52552416194	1,054,227	2,387,020	116,668,661	1,054,220	2,431,826	105,697,429
ABSA - 9356939209	-	49,471,669	31,790,809	-	49,471,668	31,790,809
FNB- Equitable share 62143895988	295,638	18,274,947	246,792	295,638	18,274,947	246,792
FNB- Sangcwaba Housing 62248166218	750,264	733,918	719,847	750,264	733,918	719,847
FNB- Equitable share- 62895356113	102,718	100,401	-	102,718	100,401	-
FNB- Equitable share 62833993060	29,563	28,482	-	29,563	28,482	-
NedBank- 7881076763/118	2,742,309	-	-	2,742,306	-	-
NedBank- 7881076763/167	26,000,000	-	-	26,000,000	-	-
NedBank- 7881076763/166	20,697,152	-	-	20,697,152	-	-
NedBank- 7881076763/162	1,023,229	-	-	1,023,229	-	-
NedBank- 7881076763/154	-	20,000,000	-	-	20,000,000	-
STD Bank-Equitable share 068730276 -001	130,312	128,316	126,630	130,311	128,316	126,630
STD Bank-Equitable share 068730276 -004	-	31,229,207	-	-	31,229,207	-
STD Bank-Equitable share 068730276 -008	16,443	16,070	15,750	16,442	16,070	15,750
STD Bank-Equitable share 068730276 -018	-	10,035,945	-	-	10,035,945	-
STD Bank-Equitable share 068730276 -019	-	15,000,000	-	-	15,000,000	-
STD Bank-Equitable share 068730276 -007	-	-	10,238,403	-	-	10,238,403
STD Bank-Equitable share 068730276 -034	25,689,641	-	-	25,689,641	-	-
STD Bank-Equitable share 068730276 -035	20,256,795	-	-	20,256,795	-	-
STD Bank-Equitable share 068730276 -036	27,235,526	-	-	27,235,526	-	-
FNB- 74879892154	-	11,755,726	-	-	11,755,726	-
ABSA - 2080309987	21,319,574	-	-	21,319,574	-	-
Total	165,130,059	159,161,701	159,806,892	165,155,307	159,206,506	148,835,660

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25,004,533	(1,914,850)	23,089,683	25,004,533	(1,756,423)	23,248,110

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	23,248,110	(158,427)	23,089,683

Reconciliation of investment property - 2021

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

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.

Various land where council intends using it for future developments and fair value disclosed was based on the valuation by independent valuer.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,151,394	896,184
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uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,461,193	-	4,461,193	4,179,000	-	4,179,000
Buildings	77,656,279	(16,987,113)	60,669,166	65,215,578	(15,668,609)	49,546,969
Plant and machinery	23,564,216	(7,637,073)	15,927,143	23,785,807	(6,430,486)	17,355,321
Furniture and fixtures	5,524,871	(3,511,751)	2,013,120	4,858,790	(3,570,445)	1,288,345
Motor vehicles	18,133,778	(13,436,747)	4,697,031	18,450,097	(11,792,436)	6,657,661
IT equipment	6,002,916	(4,111,174)	1,891,742	6,511,550	(4,264,632)	2,246,918
Infrastructure	309,282,569	(189,414,992)	119,867,577	304,435,504	(182,770,913)	121,664,591
Community	209,174,579	(82,620,285)	126,554,294	188,756,541	(75,983,755)	112,772,786
Total	653,800,401	(317,719,135)	336,081,266	616,192,867	(300,481,276)	315,711,591

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	4,179,000	-	-	282,193	-	-	4,461,193
Buildings	49,546,969	12,377,452	-	-	(1,255,255)	-	60,669,166
Plant and Equipment	17,355,321	445,817	(38,784)	-	(1,835,211)	-	15,927,143
Furniture and fixtures	1,288,345	1,217,795	(21,109)	-	(471,911)	-	2,013,120
Motor vehicles	6,657,661	25,378	(26,713)	-	(1,959,295)	-	4,697,031
IT equipment	2,246,918	800,319	(35,014)	(617,479)	(503,002)	-	1,891,742
Infrastructure	121,664,591	13,105,718	(497,907)	-	(14,404,825)	-	119,867,577
Community	112,772,786	20,418,038	-	-	(6,552,610)	(83,920)	126,554,294
	315,711,591	48,390,517	(619,527)	(335,286)	(26,982,109)	(83,920)	336,081,266

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Prior year error adjustment	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 machinery	9,202,691	9,573,208	-	-	(1,500,935)	-	80,357	17,355,321
Furniture and fixtures	1,015,812	881,214	-	-	(430,947)	-	(177,734)	1,288,345
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)	-	97,377	2,246,918
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)	-	112,772,786
	298,887,595	53,836,292	(1,700,954)	(116,308)	(31,937,332)	(3,257,702)	-	315,711,591

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022			2021
9. Property, plant and equipment (continued)				
Reconciliation Of Work-in-Progress 2022				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	14,907,979	6,144,601	22,248,746	43,301,326
Additions	11,003,163	18,753,739	12,515,793	42,272,695
Transferred to completed items	(9,047,471)	(21,295,922)	(1,008,336)	(31,351,729)
	16,863,671	3,602,418	33,756,203	54,222,292

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	17,922,180	3,981,340	26,237,251	48,140,771
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)	(11,651,566)	(14,350,429)	(45,074,094)
	14,907,979	6,144,601	22,248,746	43,301,326

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	-	2,183,615
Community Assets	34,020	-
Infrastructure Assets	356,964	-
Buildings	311,160	-
Motor Vehicle	1,373,910	-
Plant and Equipment	401,160	-
	2,477,214	2,183,615

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.

Revamping on Municipal Building took longer than anticipated time to complete that is Revamping of Municipal Building where construction was halted during the current and prior year, however the building is now completed and

Golf Course Electrification still sitting on WIP due to underground service pipes and detailed engineering works report has not been obtained/handed over from the previous owner. Therefore, municipality cannot obtain water use license for further developments.

No property plan and equipment are pledged as a security.

Refer to note 34 for the amount of contractual commitments for the acquisition of property plan and equipment.

No contractual commitments for the acquisition, maintenance and restoration of heritage assets are in place at the moment

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,391,875	(1,488,405)	3,903,470	5,562,081	(1,189,917)	4,372,164

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4,372,164	1,279,400	(900,000)	(848,094)	3,903,470

Reconciliation of intangible assets - 2021

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

11. Heritage assets

	2022			2021		
	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 2022

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

Reconciliation of heritage assets 2021

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

12. Payables from exchange transactions

Trade payables	5,092,952	12,152,113
Unallocated Deposits	62,817	186,326
Retention	6,168,863	7,087,806
Advanced Payments	2,604,345	2,433,096
	13,928,977	21,859,341

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Building Plans Information Systems	-	1,193
Electrification : DOE	-	2,886,065
Sangcwaba Grant	507,555	507,555
Tittle Deed restoration Programme	100,000	100,000
	607,555	3,494,813

14. Provision for Long Service

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Leave pay provision	5,950,617	1,281,503	7,232,120
Long term service award provision	2,440,774	405,237	2,846,011
	8,391,391	1,686,740	10,078,131

Reconciliation of provisions - 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
Non-current liabilities			2,846,011	2,440,774
Current liabilities			7,232,120	5,950,617
			10,078,131	8,391,391

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.

uBuhlebezwe Local Municipality

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Figures in Rand 2022 2021

15. Employee benefit obligations

Long service awards

Independent valuers, One Pangaea Financial, carried out a statutory valuation as at 30 June 2022.

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 2022. The post-retirement medical obligations at 30 June 2022 quantified the present value of unfunded obligations at R11,306,495. The Current-service costs for the year ending 30 June 2022 is estimated at R876 263. 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	(8,708,710)	(4,644,000)
Current Service Cost	(867,263)	(290,000)
Current Interest Cost	(1,061,521)	(583,000)
Benefits Paid	156,917	394,000
Actuaries Gains or losses over the financial ear	(825,921)	(3,585,710)
	(11,306,498)	(8,708,710)

Age

20 - 24	24.00 %	24.00 %
25 - 29	18.00 %	18.00 %
30 - 34	15.00 %	15.00 %
35 - 39	10.00 %	10.00 %
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	8,708,710	4,644,000
Actuarial gains (losses)	825,921	3,585,710
Assets distributed on settlements	1,771,867	479,000
	11,306,498	8,708,710

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
16. Revenue		
Service charges	3,088,142	3,057,064
Rental of facilities	1,151,394	896,184
Agency services	1,336,919	1,267,098
Licences and permits	2,600,772	3,299,716
Other income - Miscellaneous	504,218	1,751,307
Interest received - investment	8,555,154	7,569,455
Property rates	24,389,460	21,320,965
Government grants	159,634,257	170,394,745
Donation Recieved	4,017,521	-
Fines	427,339	446,324
Other transfer revenue 1	560,684	-
Other transfer revenue 2	1,412,139	331,464
	207,677,999	210,334,322

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

Service charges	3,088,142	3,057,064
Rental of facilities and equipment	1,151,394	896,184
Agency services	1,336,919	1,267,098
Licences and permits	2,600,772	3,299,716
Other income - Miscellaneous	504,218	1,751,307
Interest received - investment	8,555,154	7,569,455
	17,236,599	17,840,824

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

Taxation revenue		
Property rates	24,389,460	21,320,965
Transfer revenue		
Government grants	159,634,257	170,394,745
Donation Recieved	4,017,521	-
Fines	427,339	446,324
Other transfer revenue 1	560,684	-
Other transfer revenue 2	1,412,139	331,464
	190,441,400	192,493,498

17. Service charges

Refuse removal	3,031,721	2,954,509
Other service charges	56,421	102,555
	3,088,142	3,057,064

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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uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
19. Rental of facilities and equipment		
Premises		
Hall hire	176,363	185,500
Rental of Buildings	975,031	710,684
	1,151,394	896,184
	1,151,394	896,184
20. Other income		
Rates Clearance	16,463	1,102
Admin Fees	-	1,870
Tender Documents	64,579	79,694
Other Revenue	221,187	1,575,269
Breakages and Losses Recovered	1,182	257
Photocopies and Faxes	491	-
Revenue from the Sale of Land	115,955	43,154
Building Plans Approval	44,938	-
Cemetery and Burial Fees	39,423	49,961
	504,218	1,751,307
21. Investment revenue		
Interest revenue		
Short term investments	8,555,154	7,569,455

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Property rates		
Statutory Revenue		
Residential	9,899,620	7,050,844
Commercial	5,456,218	3,681,690
State Owned Properties	4,984,790	6,450,778
Agricultural	3,794,394	3,693,553
Communal	-	265,428
Industrial	254,438	174,298
Public Service Infrastructure	-	4,374
	24,389,460	21,320,965
Valuations		
Residential	613,574,390	610,258,890
Commercial	216,205,503	188,909,003
State Owned	440,602,000	220,000
Industrial	13,916,000	13,916,000
Municipal	65,955,003	66,159,004
Agricultural	1,557,832,964	1,557,041,977
Vacant Land	14,833,002	15,066,003
Public Service Infrastructure	220,000	441,281,000
Communal Land	83,037,700	83,037,701
Place Of Worship	14,785,000	14,785,000
Servitude	358,744,000	358,744,000
	3,379,705,562	3,349,418,578

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

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
23. Government grants and subsidies		
Operating grants		
Equitable share	121,143,064	138,604,000
FMG	1,920,000	1,900,000
COVID 19 -Disaster Management Relief Grant- Income	-	374,484
Gym Park	-	50,660
Library Grant	1,177,000	1,131,000
Building Plan Grant	1,193	-
EPWP	2,131,000	1,903,000
LED Grant	1,000,000	-
	127,372,257	143,963,144
Capital grants		
MIG	32,262,000	26,431,601
	159,634,257	170,394,745
Conditional and Unconditional		
Included in above are the following grants and subsidies received.		
Conditional grants received	38,491,193	31,790,745
Unconditional grants received	121,143,064	138,604,000
	159,634,257	170,394,745
Equitable Share		
Current-year receipts	121,143,064	138,604,000
Conditions met - transferred to revenue	(121,143,064)	(138,604,000)
	-	-
FMG Grant		
Current-year receipts	1,920,000	1,900,000
Conditions met - transferred to revenue	(1,920,000)	(1,900,000)
	-	-
Electrification Grant		
Balance unspent at beginning of year	2,886,064	9,000,000
Current-year receipts	8,000,000	(6,113,936)
Conditions met - transferred to revenue	(8,000,000)	-
Surrendered to the funder	(2,886,064)	-
	-	2,886,064
COVID 19 Disaster recovery Grant		
Current-year receipts	-	374,477
Conditions met - transferred to revenue	-	(374,477)
	-	-
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	601

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Government grants and subsidies (continued)		
Current-year receipts	32,262,000	26,431,000
Conditions met - transferred to revenue	(32,262,000)	(26,431,601)
	-	-
Library Grant		
Current-year receipts	1,177,000	1,131,000
Conditions met - transferred to revenue	(1,177,000)	(1,131,000)
	-	-
LED Grant		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-
Title Deeds Restoration Programme Grant		
Balance unspent at beginning of year	100,000	100,000
Sangcwaba Grant		
Balance unspent at beginning of year	507,555	507,555
EPWP Grant		
Current-year receipts	2,131,000	1,903,000
Conditions met - transferred to revenue	(2,131,000)	(1,903,000)
	-	-
Gym Park Grant		
Balance unspent at beginning of year	-	50,661
Conditions met - transferred to revenue	-	(50,661)
	-	-
Building Plans Information Systems Grant		
Balance unspent at beginning of year	1,193	1,193
Current-year receipts	(1,193)	-
	-	1,193

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Employee related costs		
Basic salaries and wages	57,085,247	54,686,135
Bonus	4,280,604	3,538,788
Medical aid - company contributions	5,843,215	7,181,903
UIF	496,999	632,987
Other payroll levies	25,728	206,601
Leave pay provision charge	3,345,897	2,844,685
Pension	8,536,473	8,264,105
Travel, motor car, accommodation, subsistence and other allowances	2,775,777	2,313,422
Overtime payments	2,857,480	3,481,843
Long-service awards	482,356	216,649
Housing benefits and allowances	119,593	108,987
Post Retirement Obligation	512,412	455,578
Other employee related costs	200,796	162,184
	86,562,577	84,093,867
Remuneration of Municipal Manager		
Annual Remuneration	850,102	845,240
Performance Bonuses	99,384	-
Contributions to UIF, Medical and Pension Funds	262,352	266,845
Other	247,063	240,305
	1,458,901	1,352,390
Remuneration of Chief Finance Officer		
Annual Remuneration	625,799	671,134
Performance Bonuses	65,205	-
Contributions to UIF, Medical and Pension Funds	77,418	75,714
Other	195,160	117,343
	963,582	864,191
Corporate and human resources (corporate services)		
Annual Remuneration	714,149	749,567
Performance Bonuses	65,205	-
Contributions to UIF, Medical and Pension Funds	103,068	67,281
Other	76,371	75,309
	958,793	892,157
Social Development		
Annual Remuneration	626,949	633,778
Performance Bonuses	68,686	-
Contributions to UIF, Medical and Pension Funds	113,786	106,588
Other	200,733	203,315
	1,010,154	943,681
Technical Services		
Annual Remuneration	405,453	265,720
Acting Allowance	35,659	54,996
Contributions to UIF, Medical and Pension Funds	1,240	595

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Employee related costs (continued)		
Other	128,785	74,134
Back Pay	5,837	-
	576,974	395,445

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

25. Remuneration Of Councillors

Mayor	902,932	906,355
Deputy Mayor	624,237	730,991
Exco Members	1,979,574	1,682,148
Speaker	691,711	731,836
Councillors	6,173,997	6,384,515
	10,372,451	10,435,845

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. Mayor and speaker is provided with an office and secretarial support at the cost of the Council.

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

The Mayor has two full-time bodyguards.

26. Depreciation and amortisation

Property, plant and equipment	26,583,456	31,948,089
Investment property	158,427	158,427
Intangible assets	848,093	557,769
	27,589,976	32,664,285

27. Impairment

Impairments

Property, plant and equipment	83,920	3,257,702
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28. Finance Cost

VAT Impaired during the current year	(9,010,351)	1,615,308
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29. Provision for Bad debts

VAT Written off	4,172,254	-
Traffic Fines	783,809	123,787
Bad debts written off	8,989,395	11,231,368
	13,945,458	11,355,155

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
30. Contracted services		
Security services	5,876,577	4,505,291
Legal fees	2,595,372	985,636
Valuation services	465,063	103,156
Landfill Site Rental	737,815	813,759
Repairs and Maintenance	2,479,606	2,183,615
Catering	378,166	191,198
Event promoters	521,633	430,036
Electrification Projects	-	545,206
Consultants and Professional Services	5,267,316	7,752,974
Pest control and fumigation	11,217	10,200
Audit committee fees	279,121	137,703
	18,611,886	17,658,774
31. General expenses		
Mscosa Implementation and system development	982,555	2,132,777
Advertising	1,623,615	1,642,776
Auditors remuneration	1,955,648	2,265,445
Bank charges	363,499	328,896
Compensation Fund	452,089	978,734
Consumables	1,231,192	694,564
Entertainment	52,876	40,178
Road Traffic levy	3,670	-
Free Basic Services	2,486,649	1,188,632
Insurance	1,116,868	951,939
Community development and training	-	198,240
Operating Leases: Furniture and Office	968,167	688,601
Parking Fees	121,942	124,250
SDL	780,323	761,032
Specialised Computer Service	1,217,561	1,079,911
Fuel and oil	3,278,734	2,327,392
Postage and courier	215,181	190,451
Printing and stationery	528,405	512,851
Bursary Youth	531,692	593,670
Employment creation and assistant programme	-	68,250
Trainings	3,064,725	595,647
Software expenses	920,933	487,085
Ward Committees	726,913	1,217,879
Subscriptions and membership fees	1,110,760	1,128,687
Travel - local	1,605,722	1,521,250
Water and electricity	763,725	1,078,234
Uniforms/ Protective Clothing	799,286	816,666
Communication costs	1,717,197	1,945,687
Licence and permits	313,660	352,575
Community Development Programme	1,708,840	973,526
	30,642,427	26,885,825

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
32. Cash generated from operations		
Surplus	28,036,954	20,932,631
Adjustments for:		
Depreciation and amortisation	27,806,387	32,664,285
Loss on sale	625,148	1,368,952
Donation Received	(3,987,521)	-
Impairment deficit	83,920	3,257,702
Provisions	1,281,503	11,355,155
Long Service Award	-	216,649
Post Retirement Obligation	-	455,578
Debt impairment	13,945,460	-
VAT Impairment Reversal	(9,010,351)	-
Other non-cash item	(30,513)	291,442
Changes in working capital:		
Inventories	534,704	2,378,676
Receivables from exchange transactions	(433,849)	144,807
Trade receivables from non exchange transactions	1,793,953	(11,692,187)
Payables from exchange transactions	(7,930,364)	3,113,351
VAT	(2,227,146)	688,330
Unspent conditional grants and receipts	(2,887,258)	2,374,517
Payables from Non exchange	5,000,000	-
	52,601,027	67,549,888

33. Financial instruments disclosure

Categories of financial instruments

2022

Financial Assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	9,535,294	9,535,294
Other receivables from non-exchange transactions	20,754,185	20,754,185
Cash and cash equivalents	165,151,675	165,151,675
	195,441,154	195,441,154

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18,930,871	18,930,871

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,483,662	5,483,662
Other receivables from non-exchange transactions	22,548,138	22,548,138
Cash and cash equivalents	159,208,027	159,208,027
	187,239,827	187,239,827

Financial liabilities

uBuhlebezwe Local Municipality

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Figures in Rand	2022	2021
33. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	21,859,347	21,859,347
34. Commitments		
Authorised capital expenditure		
Already Contracted for but not provide for		
Infrastructure	4,216,926	5,161,256
Building	-	10,962,818
Intangible Assets	-	180,000
Community	1,410,298	-
	5,627,224	16,304,074
Total capital commitments		
Already contracted for but not provided for	5,627,224	10,666,157
Authorised operational expenditure		
Already contracted for but not provided for		
Operating Expenditure	6,045,522	8,463,688
Electrification	11,722,945	1,237,174
	17,768,467	9,700,862
Not yet contracted for and authorised by accounting officer		
Electrification	-	2,448,231
Total operational commitments		
Already contracted for but not provided for	17,768,467	9,700,862
Not yet contracted for and authorised by accounting officer	-	2,448,231
	17,768,467	12,149,093
Total commitments		
Total commitments		
Authorised capital expenditure	5,627,224	10,666,157
Authorised operational expenditure	17,768,467	12,149,093
	23,395,691	22,815,250

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	383,117	1,149,338

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

uBuhlebezwe Local Municipality

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Figures in Rand

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35. Contingencies

Contingent liabilities

The contingent liabilities as at 30 June 2022 is the amount of R 500 000 which relates to the outstanding rentals and eviction proceedings (Legal Cost).

The contingent Liability as at 30 June 2022 is the amount of R80 000.00 which relates to the Statistics SA and this case will be resolved in the upcoming year.

Contingent assets

The litigation was against the Municipality and Cllr Nancy Jili and 2 others where they falsely claimed the municipality on their personal homes issues. The case was resolved after deliberations by external legal practitioners. The case was resolved and the mentioned councillors to reimburse the municipality an amount of R15 000.00. as cost to the municipality.

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 its market value. A short period after a new council was elected and they then resolved by rescinding the resolution to sell the mentioned property. A process of then declaring the sale agreement null and void was then commenced. The municipality's lawyer and management consider the likelihood of the action against the municipality being successful as likely.

The contingent assets as at 30 June 2022 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 Municipality's councillors and 57 employees as per Grap 20

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand

36. Related parties (continued)

Remuneration of key management

Councillors

2022

Name	Basic salary	Total
Councillors	10,372,452	10,372,452

Section s57 Employees

2022

Name	Basic salary	Acting Allowance	Other benefits received	Total
Municipal manager	850,102	-	608,799	1,458,901
Chief Financial Officer	625,799	-	337,783	963,582
Corporate Services Manager	714,149	-	244,644	958,793
Social Development Manager	626,949	-	383,205	1,010,154
Technical Manager	405,453	35,659	135,862	576,974
	3,222,452	35,659	1,710,293	4,968,404

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uBuhlebezwe Local Municipality

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Figures in Rand

36. Related parties (continued)

Name	Basic salary	Acting Allowance	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

In the financial year 2021 /2022 financial year Ubuhebezwe Local Municipality received a donation of Community and Infrastructure assets from the District Municipality : Harry Gwala ,which falls within the legal mandate and the jurisdiction of the municipallity to a fair value amount of R 3 762 520,67.

uBuhlebezwe Local Municipality

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2022

2021

37. Change of Accounting estimation Uncertainties and Adjustments

Changes 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)	48,189	(20,270)	27,919
Depreciation (Motor Vehicles)	333,853	(140,425)	193,428
Depreciation(IT Equipment)	135,744	(72,439)	63,305
Depreciation (furniture and fixtures)	45,377	(15,185)	30,192
Depreciation(Infrastructure)	5,500,697	(4,390,558)	1,110,139
Depreciation(Intangibles)	618,505	(360,663)	257,842
Depreciation(Community)	720,526	(576,421)	144,105
	7,402,891	(5,575,961)	1,826,930

38. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of 528,910,274 and that the municipality's total assets exceed its liabilities by 529,284,061.

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 and Trade and other payables form exchange transaction amounting to R18 930 872.

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 year end were as follows:

Financial instrument	2022	2021
Cash and Cash equivalent	165,151,675	159,208,027
Trade and Other Receivables from Exchange	5,917,511	5,483,662
Trade and Other Receivables from Non Exchange	20,754,186	22,548,138

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40. Events after the reporting date

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

After the financial year ending 30 June 2022 council written off irregular amount of R 21 271 046.00, R 27 297 404.00, and R 7 098 866.02, respectively. These amounts were inclusive of VAT. The resolution was taken following an investigation and site visits conducted by the Municipal Public Accounts Committee

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	1,142	-
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Interest and penalties incurred by the municipality for up to March 2022 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, R1142 relates to interest paid during the last quarter of the financial year after the declaration of the end of state emergency(Disaster) declared by Minister of Cooperative Governance and Traditional Affairs due to the Pandemic.

42. Irregular expenditure

Opening balance	21,271,046	193,434,891
Add : Irregular Expenditure - Current year	52,019,679	66,535,431
Irregular Expenditure relating to Prior Year But Identified in the current year	1,257,668	-
Less: Amounts Written Off (Refer to Note Number 40)	(48,406,362)	(238,699,276)
	26,142,031	21,271,046

Analysis of expenditure awaiting write off per age classification

Current year	26,142,031	66,535,431
Prior years	-	(45,264,385)
	26,142,031	21,271,046

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 in terms of SCM processes. Disclose on irregular expenditure incurred is at 100 % coverage for 2014/15 ,2015/16 ,2016/17 ,2017/18 ,2018/19 ,2019 /20 ,2020/21 and 2021/22 financial years.

The Irregular Expenditure reported is exclusive of Value Added Tax.

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43. Prior period errors

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

1. VAT Receivables

Correction of VAT incorrectly raised on INEP Grant in prior years.

2. Plant and Equipment

Reclasification of assets incorrectly classified under furniture and Fittings

3. IT Equipment

Reclasification of assets incorrectly classified under Furniture instead of I.T. Equipment.

4. Furniture

Correction of assets that was incorrectly classified under furniture instead of I.T Equipment

5. Community Assets

Correction of impairment that was incorrectly processed.

6. Receivable from non-exchange

Reclasification of categories from non-exchange to exchange

7. Receivable From Exchange

Reclasification of categories from non-exchange to exchange

8. Inventory

Writing of Self help loan settled by the recipients and two properties sold in prior years that were erroneously omitted.

9.. Revenue from Non Exchange Transaction

Being reclasification of categories from Revenue from Exchange to Revenue from Non Exchange Revenue.

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43. Prior period errors (continued)			
Statement of Financial Position	Amount previously reported (2020/21)	Adjustment	Total
1. VAT Receivables	3,256,421	(421,969)	2,834,452
2. Plant and Equipment	17,274,964	80,832	17,355,796
3. IT Equipment	2,149,541	96,836	2,246,377
4. Furniture and Fixtures	1,466,079	(177,735)	1,288,344
5. Community Assets	113,052,348	(279,454)	112,772,894
6. Receivable from non-exchange	22,316,727	231,441	22,548,168
7. Receivable from Exchange	5,715,073	(231,441)	5,483,632
8. Inventory	8,283,525	(2,311,807)	5,971,718
Accumulated Surplus	483,133,374	(2,707,367)	480,426,007
	656,648,052	(5,720,664)	650,927,388
Statement of Financial Performance	Amount previously reported	Adjustment	Total
1. Impairment of assets	139,726	(279,452)	(139,726)
2. Inventory	-	(26,403)	(26,403)
3. Revenue from Non Exchange transaction	192,162,034	331,464	192,493,498
	192,301,760	25,609	192,327,369
44. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government			
Current year subscription / fee	948,065	938,661	
Amount paid - current year	(948,065)	(938,661)	
	-	-	
Audit fees			
Current year Audit Fees	1,955,648	1,905,796	
Amount paid - current year	(1,955,648)	(1,905,796)	
	-	-	
PAYE, UIF & SDL			
Current year subscription / fee	13,208,859	12,094,692	
Amount paid - current year	(13,208,859)	(12,094,692)	
	-	-	
Pension and Medical Aid Contributions			
Current year subscription / fee	16,860,860	15,446,008	
Amount paid - current year	(16,860,860)	(15,446,008)	
	-	-	

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	5,061,597	2,834,451
VAT payable	-	-
	5,061,597	2,834,451

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

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

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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 diviation from the supply chain management policy need 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 refuse truck NIX 8830 was taken to an authorized dealership CHM Commercial PMB for repairs. The truck in question is used by the municipality to collect refuse and it had to be attended to urgently since there was only one truck operating.The quotation to repair the truck came up to R55 441.88. It was impossible for the municipality to take the truck to other service providers to strip and re-assemble it. The municipality could not advertise for 7 days since the quote exceeded R30 000.00 as this was going to delay the municipality in service delivery. It was cost effective and time saving for the municipality to proceed with the quotation from CMH Commercial. Further to the above some faults were discovered and an additional work was done and the total amount of R118 494.18 had to be paid to the service provider. It is with the above reasons that the municipality deviated from normal SCM processes on the grounds of bieng impractical and impossible to follow normal SCM processes and appointed CMH Commercial PMB to repair the truck.	118,494
The Municipality was going to host a Vukambokodo Program. The maximum number of attendees 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. This is also influenced by the proximity in terms of distance as well as taxi boundaries imposed by the taxi association. Due to the above reasons the Municipality had to apply regulation 36 of SCM regulations to procure the required service on the grounds of bieng impractical and impossible to follow normal SCM processes. A cheque was issued to Miss T Hlangu and a reimbursement will be done for each delegate for their transport costs.	4,410
The Municipality was going to host Izimbizo Zamadoda Program. The maximum number of attendees that is expected per ward from all 14 wards was 7 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. This is also influenced by the proximity in terms of distance as well as taxi boundaries imposed by the taxi association. Due to the above reasons the Municipality had to apply regulation 36 of SCM regulations to procure the required service on the grounds of bieng impractical and impossible to follow normal SCM processes. A cheque was issued to Miss ZB Radebe and a reimbursement will be done for each delegate for their transport costs.	10,290
The vehicle in question was taken to H&B Equipment (Sutton Mechanical services) for quotation on engine overhaul. The engine was stripped and was taken to engineers for assesment. The quotation came back to check, strip and remove engine overhaul, fit engine to the vehicle and test it at cost of R50 946,15. The vehicle could not be taken to other service providers as additional cost would be incurred to re-assemble it. The Municipality was also going to incur additional costs for taking a vehicle to other service providers to repeat the same process before giving us the quotation. According to the SCM policy if a quotation is above 30 000.00 it must be advertised on the notice boards and on the Municipal website for 7 days. This was also impractical and impossible as the service providers will have to strip the vehicle before they can give us an accurate quotation. It was concluded that it will be cost-effective and time and money saving to proceed with this quotation. It is therefore based on the above reasons that the Municipality deviated on normal SCM processes and applied regulation 36 of SCM regulations on the grounds of being impractical and impossible to follow normal scm processes and appointed H&B Equipment to render the required service.	50,946

184,140

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

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. Awards to close family members of the person in service of the state

1. Award to an amount of R3 000.00 was made to Zikhethelo Trading which is owned by Mrs. N.T. Nzimande who is a wife of Councillor B.P. Nzimande.

2. Award to an amount of R15 600.00 was made to Ayahuba which is owned by Mr. Wilfred Khehla who is the Husband of Mrs. K.M. Zuma.

3. Awards to an amount of R 11 900.00 was made to Guild Suppliers which is owned by Mrs Azile Mjindi who is a wife of Mr. L.S. Khumalo.

46. Payables from non-exchange Transactions

Small Town Rehabilitation	5,000,000	-
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The Smalltown Rehabilitation Grant was the pre payments which relates to 2022/2023 Financial Year.

47. Segment information

uBuhlebezwe Local Municipality

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47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
Revenue					
Property Rates	-	-	(24,389,462)	-	(24,389,462)
Fines, Penalties and Forfeits	(439,804)	-	-	-	(439,804)
Interest on Investment - Short term Investments accounts	-	-	(8,555,154)	-	(8,555,154)
Licences and Permits	(2,498,465)	(102,306)	-	-	(2,600,771)
Sale of goods and Rendering of services	(39,914)	(44,938)	(81,042)	-	(165,894)
Operating Revenue	(1,182)	-	(5,944,067)	-	(5,945,249)
Rental	(176,363)	-	(975,031)	-	(1,151,394)
Service Charges	(56,421)	-	-	(3,031,721)	(3,088,142)
Transfers and Subsidies	(3,308,000)	(33,263,193)	-	(123,318,064)	(159,889,257)
Agency Services	(1,336,919)	-	-	-	(1,336,919)
Total segment revenue	(7,857,068)	(33,410,437)	(39,944,756)	(126,349,785)	(207,562,046)
Entity's revenue					(207,562,046)
Expenditure					
Employee related Cost	23,793,154	16,357,135	36,171,683	10,287,335	86,609,307
Remuneration of Councillors	-	-	10,372,452	-	10,372,452
Bad Debt Written Off	-	-	1,802,638	-	1,802,638
Contracted Services	406,731	2,817,762	14,883,034	504,359	18,611,886
Depreciation and Amortisation	-	-	27,718,548	-	27,718,548
Operational Cost	2,143,375	3,535,818	15,113,791	(3,958,499)	16,834,485
Operating Leases	1,203	-	968,167	-	969,370
Grants and Subsidies Paid	3,017,595	2,488,198	1,089,852	73,567	6,669,212
Inventory Consumed	385,573	45,170	164,501	626,875	1,222,119
Total segment expenditure	29,747,631	25,244,083	108,284,666	7,533,637	170,810,017
Total segmental surplus/(deficit)					(378,372,063)

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	Community and public safety	Economic and environmental services	Governance and administration	Trading services	Total
47. Segment information (continued)					
Gains and Losses					709,068
Assets					
Control Account Clearing	-	-	(58,582)	-	(58,582)
Inventory	-	-	5,437,013	-	5,437,013
VAT Recievables	-	-	(2,135,014)	-	(2,135,014)
Recievablea from Non Exchange Transactions	-	-	42,039,614	-	42,039,614
Recievables from Exchange Transaction	-	-	14,240,398	-	14,240,398
Cash and Cash Equivalent	-	-	166,415,418	-	166,415,418
Current Portion of Non	-	-	117,914	-	117,914
Property Plant and Equipment	31,357,570	294,464,787	(61,244,486)	11,779,219	276,357,090
Construction Work	34,612,925	5,752,483	-	-	40,365,408
Intangible Assets	-	120,787	3,425,443	-	3,546,230
Investment Property	-	-	22,715,868	-	22,715,868
Heritage Assets	-	-	4,808,819	-	4,808,819
Total segment assets	65,970,495	300,338,057	195,762,405	11,779,219	573,850,176
Total assets as per Statement of financial Position					573,850,176
Liabilities					
Trade and Other Payables from exchange transactions	-	-	(30,527,220)	-	(30,527,220)
Output VAT	-	-	1,405,813	-	1,405,813
VAT Credit: Output Accrual	-	-	(484,261)	-	(484,261)
Trade Payables Non	(99,992)	(1,412,140)	(2,898,911)	2,391,356	(2,019,687)
Defined Benefit Obligation	-	-	(11,306,498)	-	(11,306,498)
VAT Payable	-	-	1,756,008	-	1,756,008
Consumer Deposits	-	-	252,791	-	252,791
Total segment liabilities	(99,992)	(1,412,140)	(41,802,278)	2,391,356	(40,923,054)
Accumulated Surplus					(532,555,231)
Total liabilities as per Statement of financial Position					(40,923,054)

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47. 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.