



**BELA BELA MUNICIPALITY**

**Bela Bela Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022**

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 115 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
<b>Nature of business and principal activities</b>	Bela-Bela is a category B Local Municipality performing the functions as set out in the Constitution (Act No 108 of 1996)
<b>Executive Committee</b>	
Executive Mayor	Hon. M.J. Ngobeni (July 2021 - 8 Nov 2021)
Executive Councillors	Hon. G.M. Seleka (9 Nov 2021- June 2022) Cllr M.J. Ngobeni (9 Nov 2021- June 2022) Cllr M.N. Ras (9 Nov 2021- June 2022)
Speaker	Cllr R.Z. Moeletsi (July 2021 - 8 Nov 2021) Cllr TN Zikhali (9 Nov 2021- June 2022)
Chief Whip	Cllr M.H. Ledwaba (July 2021 - 8 Nov 2021) Cllr K. Sepuru (9 Nov 2021- June 2022)
Councillors	Cllr S.E. Maluleka (July 2021 - 8 Nov 2021) Cllr M.N. Ras (July 2021 - 8 Nov 2021) Cllr P.M. Aphane (July 2021 - 8 Nov 2021) Cllr F.S. Hlongwane Cllr M.J. Makhubela (July 2021 - 8 Nov 2021) Cllr Y.M.S. Malete (July 2021 - 8 Nov 2021) Cllr B.T. Maname (July 2021 - 8 Nov 2021) Cllr L.R. Modimola (July 2021 - 8 Nov 2021) Cllr A.R. Mosweou (July 2021 - 8 Nov 2021) Cllr K.L. Mothokwa (July 2021 - 8 Nov 2021) Cllr S.D. Seale Cllr M.D. Senosha (July 2021 - 8 Nov 2021) Cllr M.A. Shika (July 2021 - 8 Nov 2021) Cllr H.J.L Kruger Cllr M.F. Kroover (9 Nov 2021- June 2022) Cllr K.S. Rachidumela (9 Nov 2021- June 2022) Cllr J.M.Mabua (9 Nov 2021- June 2022) Cllr M.H. Ledwaba (9 Nov 2021- June 2022) Cllr M.J. Makhubela (9 Nov 2021- June 2022) Cllr M.O. Tlaka (9 Nov 2021- June 2022) Cllr J.H.T Mills (9 Nov 2021- June 2022) Cllr J.D. Cloete (9 Nov 2021- June 2022) Cllr P.V. Mashaba (9 Nov 2021- June 2022)
<b>Grading of local authority</b>	Level 3
<b>Accounting Officer</b>	Ms. J.B. Selapyane
<b>Chief Financial Officer (CFO)</b>	Mr. R.M Marutha
<b>Registered office</b>	58 Chris Hani Drive Bela Bela
<b>Website</b>	<a href="http://www.belabela.gov.za">www.belabela.gov.za</a>
<b>Postal address</b>	Private Bag X1609 Bela Bela

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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	0480
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Motalane Incorporated
<b>Legislation applicable to the municipality</b>	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No.117 of 1998) Constitution of the Republic of South Africa (Act No.108 of 1996) Division of Revenue Act (Act No. 1 of 2007) Municipal Property Rates Act (Act No. 6 of 2004)
<b>Published</b>	31 August 2022

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position for the year ended 30 June 2022	5
Statement of Financial Performance for the year ended 30 June 2022	6
Statement of Changes in Net Assets for the year ended 30 June 2022	7
Cash Flow Statement for the year ended 30 June 2022	8
Statement of Comparison of Budget and Actual Amounts as at 30 June 2022	9 - 12
Accounting Policies for the year ended 30 June 2022	13 - 28
Notes to the Annual Financial Statements	29 - 81

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
ASB	Accounting Standard Board
MEC	Member of the Executive Council
SCM	Supply Chain Management

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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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 at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General is 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 and in the manner required by the Municipal Finance Management Act, 2003.

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

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Auditor-General is responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5, 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:



MS. J.B. Selapyane  
Accounting Officer

Bela-Bela

Wednesday, 31 August 2022

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# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	10	549 448	388 122
Receivables from exchange transactions	11	18 769 003	18 664 752
Other receivables from exchange transactions	12	1 472 903	994 174
Statutory receivables from exchange transactions	13	5 655 813	3 173 941
Receivables from non-exchange transactions	14	32 437 399	27 697 772
Cash and cash equivalents	15	16 830 835	12 516 771
		<b>75 715 401</b>	<b>63 435 532</b>
<b>Non-Current Assets</b>			
Investment property	3	134 917 076	109 865 416
Property, plant and equipment	4	825 256 789	812 421 081
Intangible assets	5	1 628 642	1 722 249
Heritage assets	6	538 950	538 950
Other receivables from exchange transactions	12	224 290	73 024
		<b>962 565 747</b>	<b>924 620 720</b>
<b>Total Assets</b>		<b>1 038 281 148</b>	<b>988 056 252</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	7	170 832 360	154 670 759
Consumer deposits	8	6 735 686	6 395 360
Employee benefit obligation	9	1 680 000	1 793 000
Unspent conditional grants and receipts	16	214 343	18 365 820
Provisions	17	344 370	573 950
		<b>179 806 759</b>	<b>181 798 889</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	9	54 263 870	52 911 870
Provisions	17	75 793 017	70 494 746
		<b>130 056 887</b>	<b>123 406 616</b>
<b>Total Liabilities</b>		<b>309 863 646</b>	<b>305 205 505</b>
<b>Net Assets</b>		<b>728 417 502</b>	<b>682 850 747</b>
Accumulated surplus		728 417 502	682 850 747
<b>Total Net Assets</b>		<b>728 417 502</b>	<b>682 850 747</b>

\* See Note 36

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	189 321 078	178 847 201
Sale of goods and rendering of services		410 640	324 710
Rental of facilities and equipment	19	1 601 858	1 365 599
Agency services	21	3 894 845	4 593 392
Cemetery Fees		498 758	449 027
Commission received		123 416	99 846
Demand charges		157 843	144 589
Other income	22	4 021 110	16 177 543
Interest earned	23	6 362 251	5 469 941
Fair value adjustments	52	25 051 660	-
<b>Total revenue from exchange transactions</b>		<b>231 443 459</b>	<b>207 471 848</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	81 047 794	79 460 505
Property rates - Interest received	24	8 492 774	7 588 387
Licences and permits (non-exchange)	50	2 232 263	1 938 558
<b>Transfer revenue</b>			
Government grants and subsidies	25	178 250 539	192 586 288
Fines	20	31 257 812	16 060 600
<b>Total revenue from non-exchange transactions</b>		<b>301 281 182</b>	<b>297 634 338</b>
<b>Total revenue</b>		<b>532 724 641</b>	<b>505 106 186</b>
<b>Expenditure</b>			
Employee related costs	26	(140 448 292)	(147 034 989)
Remuneration of councillors	27	(7 248 348)	(7 508 552)
Depreciation and amortisation	28	(35 513 938)	(32 602 835)
Impairment of assets	51	(4 204 687)	-
Finance costs	29	(14 514 176)	(10 537 838)
Debt impairment	31	(65 266 022)	(66 602 774)
Bulk purchases	33	(117 551 012)	(98 910 251)
Contracted services	34	(40 885 967)	(38 468 434)
Loss on disposal of assets and liabilities		(25 150)	(289 543)
Fair value adjustments	52	-	(169 273 436)
General expenses	32	(61 500 295)	(54 731 652)
<b>Total expenditure</b>		<b>(487 157 887)</b>	<b>(625 960 304)</b>
<b>Surplus (deficit) for the year</b>		<b>45 566 754</b>	<b>(120 854 118)</b>

\* See Note 36

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets for the year ended 30 June 2022

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	838 103 064	838 103 064
Adjustments		
Correction of errors 36	(34 398 199)	(34 398 199)
<b>Balance at 01 July 2020 as restated*</b>	<b>803 704 865</b>	<b>803 704 865</b>
Changes in net assets		
Restated Surplus for the year 2021	(120 854 118)	(120 854 118)
Total changes	(120 854 118)	(120 854 118)
<b>Restated* Balance at 01 July 2021</b>	<b>682 850 748</b>	<b>682 850 748</b>
Changes in net assets		
Surplus for the year	45 566 754	45 566 754
Total changes	45 566 754	45 566 754
<b>Balance at 30 June 2022</b>	<b>728 417 502</b>	<b>728 417 502</b>

\* See Note 36

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and traffic fines		89 540 568	65 572 663
Service charges		257 932 319	178 847 201
Grants		160 099 062	189 104 968
Interest income		6 362 251	13 058 328
		<u>513 934 200</u>	<u>446 583 160</u>
<b>Payments</b>			
Employee costs		(145 001 172)	(147 839 541)
Suppliers		(297 618 923)	(206 901 011)
Finance costs		(14 514 176)	(9 795 615)
		<u>(457 134 271)</u>	<u>(364 536 167)</u>
<b>Net cash flows from operating activities</b>	35	<b>56 799 929</b>	<b>82 046 993</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(52 485 865)	(79 503 278)
Proceeds from sale of property, plant and equipment	4	-	(228 908)
<b>Net cash flows from investing activities</b>		<b>(52 485 865)</b>	<b>(79 732 186)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 314 064</b>	<b>2 314 807</b>
Cash and cash equivalents at the beginning of the year		12 516 771	10 201 964
<b>Cash and cash equivalents at the end of the year</b>	15	<b>16 830 835</b>	<b>12 516 771</b>

The accounting policies on pages 13 to 28 and the notes on pages 29 to 81 form an integral part of the annual financial statements.

\* See Note 36

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	245 410 681	-	<b>245 410 681</b>	189 321 078	<b>(56 089 603)</b>	Note 49
Sale of goods and rendering of services	492 112	-	<b>492 112</b>	410 640	<b>(81 472)</b>	Note 49
Rental of facilities and equipment	1 588 091	-	<b>1 588 091</b>	1 601 858	<b>13 767</b>	
Agency services	-	-	-	3 894 845	<b>3 894 845</b>	
Cemetery fees	635 619	-	<b>635 619</b>	498 758	<b>(136 861)</b>	Note 49
Commission received	-	4 000 000	<b>4 000 000</b>	123 416	<b>(3 876 584)</b>	
Demand charges	526 145	-	<b>526 145</b>	157 843	<b>(368 302)</b>	Note 49
Other income	6 242 304	-	<b>6 242 304</b>	4 021 110	<b>(2 221 194)</b>	Note 49
Interest received - investment	13 351 245	(4 621 000)	<b>8 730 245</b>	6 362 251	<b>(2 367 994)</b>	Note 49
<b>Total revenue from exchange transactions</b>	<b>268 246 197</b>	<b>(621 000)</b>	<b>267 625 197</b>	<b>206 391 799</b>	<b>(61 233 398)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	92 979 240	-	<b>92 979 240</b>	81 047 794	<b>(11 931 446)</b>	Note 49
Property rates - penalties imposed	2 161 116	(2 161 116)	-	8 492 774	<b>8 492 774</b>	
Licences and permits (non-exchange)	5 800 000	(4 000 000)	<b>1 800 000</b>	2 232 263	<b>432 263</b>	Note 49
Interest, dividends and rent on land	2 161 116	4 621 000	<b>6 782 116</b>	-	<b>(6 782 116)</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	169 724 000	8 684 129	<b>178 408 129</b>	178 250 539	<b>(157 590)</b>	
Fines, penalties and forfeits	8 519 800	-	<b>8 519 800</b>	31 257 812	<b>22 738 012</b>	Notes 49
<b>Total revenue from non-exchange transactions</b>	<b>281 345 272</b>	<b>7 144 013</b>	<b>288 489 285</b>	<b>301 281 182</b>	<b>12 791 897</b>	
<b>Total revenue</b>	<b>549 591 469</b>	<b>6 523 013</b>	<b>556 114 482</b>	<b>507 672 981</b>	<b>(48 441 501)</b>	
<b>Expenditure</b>						
Employee costs	(159 211 670)	-	<b>(159 211 670)</b>	(140 448 292)	<b>18 763 378</b>	Note 49
Remuneration of councillors	(7 737 114)	-	<b>(7 737 114)</b>	(7 248 348)	<b>488 766</b>	
Depreciation and amortisation	(31 999 999)	2 000 000	<b>(29 999 999)</b>	(35 513 938)	<b>(5 513 939)</b>	Note 49
Impairment loss/ Reversal of impairments	-	-	-	(4 204 687)	<b>(4 204 687)</b>	
Finance costs	(13 000 000)	5 823 000	<b>(7 177 000)</b>	(14 514 176)	<b>(7 337 176)</b>	Note 49
Debt impairment	(11 999 999)	2 000 000	<b>(9 999 999)</b>	(65 266 022)	<b>(55 266 023)</b>	Note 49
Bulk purchases	(120 000 000)	-	<b>(120 000 000)</b>	(117 551 012)	<b>2 448 988</b>	
Contracted services	(58 887 100)	1 740 019	<b>(57 147 081)</b>	(40 885 967)	<b>16 261 114</b>	Note 49
General expenses	(56 234 628)	(28 321 625)	<b>(84 556 253)</b>	(61 500 295)	<b>23 055 958</b>	Note 49
<b>Total expenditure</b>	<b>(459 070 510)</b>	<b>(16 758 606)</b>	<b>(475 829 116)</b>	<b>(487 132 737)</b>	<b>(11 303 621)</b>	
<b>Operating surplus</b>	<b>90 520 959</b>	<b>(10 235 593)</b>	<b>80 285 366</b>	<b>20 540 244</b>	<b>(59 745 122)</b>	

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets and liabilities	-	-	-	(25 150)	<b>(25 150)</b>	
Fair value adjustments	-	-	-	25 051 660	<b>25 051 660</b>	
	-	-	-	<b>25 026 510</b>	<b>25 026 510</b>	
<b>Surplus for the year</b>	<b>90 520 959</b>	<b>(10 235 593)</b>	<b>80 285 366</b>	<b>45 566 754</b>	<b>(34 718 612)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>90 520 959</b>	<b>(10 235 593)</b>	<b>80 285 366</b>	<b>45 566 754</b>	<b>(34 718 612)</b>	

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	549 448	549 448	
Receivables from exchange transactions	-	-	-	1 472 903	1 472 903	
Receivables from non-exchange transactions	174 566 337	2 000 000	176 566 337	32 437 399	(144 128 938)	
VAT receivable	400 000	-	400 000	80 344 291	79 944 291	
Receivables from exchange transactions	40 049 879	-	40 049 879	18 769 003	(21 280 876)	
Cash and cash equivalents	53 656 922	(24 066 803)	29 590 119	16 830 835	(12 759 284)	
	<b>268 673 138</b>	<b>(22 066 803)</b>	<b>246 606 335</b>	<b>150 403 879</b>	<b>(96 202 456)</b>	
<b>Non-Current Assets</b>						
Investment property	287 683 918	-	287 683 918	134 917 076	(152 766 842)	
Property, plant and equipment	833 557 354	10 524 128	844 081 482	825 256 789	(18 824 693)	
Intangible assets	823 001	-	823 001	1 628 642	805 641	
Heritage assets	538 950	-	538 950	538 950	-	
Other receivables from exchange transactions	-	-	-	224 290	224 290	
Employee benefit asset	-	-	-	8 903 013	8 903 013	
	<b>1 122 603 223</b>	<b>10 524 128</b>	<b>1 133 127 351</b>	<b>971 468 760</b>	<b>(161 658 591)</b>	
<b>Total Assets</b>	<b>1 391 276 361</b>	<b>(11 542 675)</b>	<b>1 379 733 686</b>	<b>1 121 872 639</b>	<b>(257 861 047)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	139 809 191	(3 468 198)	136 340 993	170 832 356	34 491 363	
VAT payable	-	-	-	74 688 478	74 688 478	
Consumer deposits	5 836 473	-	5 836 473	6 735 686	899 213	
Employee benefit obligation	-	-	-	1 680 000	1 680 000	
Unspent conditional grants and receipts	-	-	-	214 343	214 343	
Provisions	-	-	-	344 370	344 370	
	<b>145 645 664</b>	<b>(3 468 198)</b>	<b>142 177 466</b>	<b>254 495 233</b>	<b>112 317 767</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	63 166 883	63 166 883	
Provisions	62 249 899	-	62 249 899	75 793 017	13 543 118	
	<b>62 249 899</b>	<b>-</b>	<b>62 249 899</b>	<b>138 959 900</b>	<b>76 710 001</b>	
<b>Total Liabilities</b>	<b>207 895 563</b>	<b>(3 468 198)</b>	<b>204 427 365</b>	<b>393 455 133</b>	<b>189 027 768</b>	
<b>Net Assets</b>	<b>1 183 380 798</b>	<b>(8 074 477)</b>	<b>1 175 306 321</b>	<b>728 417 506</b>	<b>(446 888 815)</b>	

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<hr/>						
Figures in Rand						
<hr/>						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 183 380 798	(8 074 477)	<b>1 175 306 321</b>	728 417 506	<b>(446 888 815)</b>	
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# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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

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

These annual financial statements have been prepared in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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 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:

##### Provisions

Provisions were raised and management determined an best estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

##### Useful lives of property, plant and equipment, and intangible assets

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

##### Employee obligations

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

##### Effective interest rate

The municipality used the prime interest rate to discount future cash flows on consumer debtors.

##### Impairment of receivables as financial assets

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18.

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure are made in the relevant Notes to the Financial Statements.

In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement:

- Another entity acts as the custodian of the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.
- Another entity is required or granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

#### Impairment of statutory receivables

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

#### Revenue sources

##### Revenue from traffic fines

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality

#### Impairment of non-financial assets

Management considers all property plant and equipment to be non-cash generating, except for investment property, which are cash generating.

Management further considers whether indicators of impairment exist. This requires management to exercise judgement as to the whether an individual or combination of factors exist which should be taken into consideration in determining whether the recoverable service amount of the asset is lower than its carrying amount.

Accounting policy on impairment of assets, and accounting policy subsequent measurement, amortisation and impairment intangible assets, describe the conditions under which nonfinancial assets are tested for potential impairment losses by the management of the municipality.

Significant estimates and judgements are made relating to impairment testing of property, plant and equipment, and intangible assets.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Water inventory

The estimation of the water inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end

Write-down of inventories to the lowest of cost and net realisable value or current replacement cost is based on management's estimate of the net realisable value or current replacement cost.

#### Classification of property as either property, plant and equipment or investment property

Judgement is needed to determine whether a property qualifies as investment property. The municipality develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property, PPE or inventory.

### 1.2 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.

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.

#### Fair value

Investment property is measured at fair value.

The fair value of Investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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

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

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.3 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 carried at cost less accumulated depreciation and any accumulated impairment losses.

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.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-80 years
Machinery and equipment	Straight-line	3-10 years
Furniture and office equipment	Straight-line	3-10 years
Transport assets	Straight-line	3-20 years
Computer Equipment	Straight-line	3-5 years
Infrastructure	Straight-line	2-100 years
Community	Straight-line	5-80 years
Recreational facilities	Straight-line	5-100 years
Emergency equipment	Straight-line	2-5 years

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.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.3 Property, plant and equipment (continued)

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

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

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

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

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.4 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.4 Intangible assets (continued)

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.

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

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

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

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Item	Depreciation method	Average useful life
Computer software	Straight-line	2-30 years
Servitudes		Indefinite

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The gain or loss arising from the derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.5 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.

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

#### Measurement

Heritage assets are measured at cost less any accumulated impairment losses.

The gain or loss arising from the derecognition of an item of heritage assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### Subsequent measurement

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

#### Impairment

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

#### Derecognition

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

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

### 1.6 Impairment of non-cash-generating assets

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.6 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Reversal of an impairment loss

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

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

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

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

### 1.7 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.

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 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.

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.7 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Agreements (Consumer debtors payments)	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The amount of the reversal is recognised in surplus or deficit.

### 1.8 Statutory receivables

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.

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### 1.9 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality is registered as a category C VAT vendor. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as current liability.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.10 Leases

#### Finance leases - lessee

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

In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

#### Operating leases - 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 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.

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.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.12 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised.

Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.13 Employee benefits

#### Short-term employee benefits

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

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

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

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.13 Employee benefits (continued)

#### Post-employment benefits

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a long service awards to certain employees.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.14 Provisions and contingencies

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

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

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money.

The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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

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

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

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

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

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

A provision is a liability of uncertain timing or amount.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes to the AFS..

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality..

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.14 Provisions and contingencies (continued)

A contingent liability is:

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

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

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.22 and 1.6.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 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.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.15 Revenue from exchange transactions (continued)

#### Measurement

Revenue from the sale of goods is recognised when:

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

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

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

#### Rendering of services

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

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

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

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, or similar distributions is recognised when:

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

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.16 Revenue from non-exchange transactions

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Services in-kind that are significant to the Municipality's operations are recognised as an expense and related revenue for the consumption of services in-kind.

### Fines

Fines are measured at the transactions amount and the related asset as statutory receivable if not received in cash.

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

### 1.17 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.18 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.19 Irregular expenditure

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.19 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.20 Segment information

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Governance and administration.
- Community, and public safety.
- Economic and environmental services.
- Trading services.
- Other.

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.

### Measurement

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

### 1.21 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The comparable information includes the following:

- The approved and final budget amounts; and
- Actual amounts and final budget amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

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

### 1.22 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.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.22 Impairment of cash-generating assets (continued)

#### Identification

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### External sources of information:

-During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

-Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated; or

-Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### Internal sources of information:

-Evidence is available of obsolescence or physical damage of an asset;

-Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; Evidence is available of obsolescence or physical damage of an asset.

-A decision to halt the construction of the asset before it is complete or in a usable condition; or

-Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies for the year ended 30 June 2022

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### 1.23 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.

### 1.24 Accounting by principals and agents

#### 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).

#### Identifying whether an entity is a principal or an agent

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

#### Recognition

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2022			2021		
	Fair value adjustment	Opening balance	Carrying value	Fair value adjustment	Opening balance	Carrying value
Investment property	25 051 660	109 865 416	134 917 076	(169 273 436)	279 138 852	109 865 416

#### Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	109 865 416	25 051 660	134 917 076

#### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	279 138 852	(169 273 436)	109 865 416

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.

The valuation was based on comparable market transactions.No discount rate is applicable and the fair value represents the market value.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 499 324	-
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# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 4. 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	78 909 942	-	78 909 942	78 909 942	-	78 909 942
Buildings	67 868 477	(47 360 346)	20 508 131	67 868 477	(46 155 355)	21 713 122
Machinery and equipment	3 537 348	(2 472 165)	1 065 183	3 772 546	(2 288 837)	1 483 709
Furniture and office equipment	7 004 466	(5 647 752)	1 356 714	8 005 232	(6 120 512)	1 884 720
Transport assets	44 958 350	(21 298 396)	23 659 954	44 958 350	(18 220 131)	26 738 219
Computer equipment	9 966 949	(8 603 561)	1 363 388	9 896 341	(7 929 636)	1 966 705
Infrastructure	1 279 065 533	(656 273 519)	622 792 014	1 232 068 140	(630 367 053)	601 701 087
Community facilities	80 748 149	(45 676 567)	35 071 582	80 748 148	(43 085 358)	37 662 790
Recreational assets	53 190 304	(12 660 423)	40 529 881	51 315 359	(10 954 572)	40 360 787
<b>Total</b>	<b>1 625 249 518</b>	<b>(799 992 729)</b>	<b>825 256 789</b>	<b>1 577 542 535</b>	<b>(765 121 454)</b>	<b>812 421 081</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	78 909 942	-	-	-	-	-	78 909 942
Buildings	21 713 122	-	-	10	(1 205 001)	-	20 508 131
Machinery and equipment	1 483 709	50 315	(1 297)	-	(467 544)	-	1 065 183
Furniture and office equipment	1 884 720	129 359	(16 848)	-	(640 517)	-	1 356 714
Transport assets	26 738 219	-	-	(2)	(3 078 263)	-	23 659 954
Computer equipment	1 966 705	414 559	(7 003)	1	(1 010 874)	-	1 363 388
Infrastructure	601 701 087	50 016 687	-	(1)	(25 373 246)	(3 552 513)	622 792 014
Community facilities	37 662 790	-	-	1	(1 939 396)	(651 813)	35 071 582
Recreational assets	40 360 787	1 874 945	-	-	(1 705 490)	(361)	40 529 881
	<b>812 421 081</b>	<b>52 485 865</b>	<b>(25 148)</b>	<b>9</b>	<b>(35 420 331)</b>	<b>(4 204 687)</b>	<b>825 256 789</b>

## Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Note to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Reclassificatio n Costs	Reclassificatio n Depreciation	Depreciation	Impairment loss	Impairment reversal	Total
Land	78 909 942	-	-	-	-	-	-	-	78 909 942
Buildings	22 965 469	-	-	-	-	(1 252 347)	-	-	21 713 122
Machinery and equipment	1 107 980	457 747	-	4 670	(4 342)	(82 346)	-	-	1 483 709
Furniture and office equipment	1 516 170	-	-	(72 945)	42 750	398 745	-	-	1 884 720
Transport assets	26 794 637	2 879 998	-	-	-	(2 936 416)	-	-	26 738 219
Computer equipment	579 817	241 163	-	68 276	(38 408)	1 115 857	-	-	1 966 705
Infrastructure	561 319 151	66 153 306	-	(2)	-	(25 074 861)	(696 507)	-	601 701 087
Community facilities	35 443 449	5 138 071	(60 635)	-	-	(2 796 195)	(121 604)	59 704	37 662 790
Recreational assets	37 148 602	4 632 993	-	-	-	(1 419 971)	(837)	-	40 360 787
	<b>765 785 217</b>	<b>79 503 278</b>	<b>(60 635)</b>	<b>(1)</b>	<b>-</b>	<b>(32 047 534)</b>	<b>(818 948)</b>	<b>59 704</b>	<b>812 421 081</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Community assets	-	1 953 252
Infrastructure assets	100 600 795	87 168 585
	<b>100 600 795</b>	<b>89 121 837</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
There was no funding No impairment losses have been recognised in relation to these assets	3 130 749	3 130 749
Sub-Contractors stopped all activities on site in January 2020 due to non-payment by the main contractor. After that was resolved, the nationwide lockdown enforced to combat the spread of the Covid-19 pandemic delayed the project further and it could not recover since then. No impairment losses have been recognised in relation to these assets.		
MV substations: construction of 20 MVA substation in Bela Bela	45 941 300	45 941 300
The none completion of this project was due to the underperformance of the appointed service providers; hence the termination was realised. No impairment losses have been recognised in relation to these assets.		
Electrification Bela Bela Ext 9 Phase 2 (Integrated National Electrification Programme (INEP))	7 616 051	7 616 051
No allocation of funds. No impairment losses have been recognised in relation to these assets.		
Distribution: Water Desalination Plant - Rapotokwane	10 107 135	10 107 135
There was no funding No impairment losses have been recognised in relation to these assets.		
	<b>66 795 235</b>	<b>66 795 235</b>

Included in the infrastructure assets are 38 components with a carrying amount of R649 679.51 that are under investigation.

### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Sports and recreation facilities	Total
Opening balance	87 168 585	1 953 251	89 121 836
Additions/capital expenditure	51 148 901	1 874 945	53 023 846
Transferred to completed items	(37 716 691)	(3 828 196)	(41 544 887)
	<b>100 600 795</b>	<b>-</b>	<b>100 600 795</b>

### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Sports and recreation facilities	Total
Opening balance	96 584 313	394 327	16 672 156	113 650 796
Additions/capital expenditure	61 855 692	4 779 672	3 265 670	69 901 034
Transferred to completed items	(71 271 420)	(5 173 999)	(17 984 575)	(94 429 994)
	<b>87 168 585</b>	<b>-</b>	<b>1 953 251</b>	<b>89 121 836</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Infrastructure	8 953 899	5 834 178

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.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 506 689	(1 523 711)	982 978	2 506 689	(1 430 104)	1 076 585
Servitudes	645 664	-	645 664	645 664	-	645 664
<b>Total</b>	<b>3 152 353</b>	<b>(1 523 711)</b>	<b>1 628 642</b>	<b>3 152 353</b>	<b>(1 430 104)</b>	<b>1 722 249</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	1 076 585	(93 607)	982 978
Servitudes	645 664	-	645 664
	<b>1 722 249</b>	<b>(93 607)</b>	<b>1 628 642</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1 214 701	(138 116)	1 076 585
Servitudes	645 664	-	645 664
	<b>1 860 365</b>	<b>(138 116)</b>	<b>1 722 249</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 5. Intangible assets (continued)

#### Other information

Intangible assets with an indefinite useful life	645 664	645 664
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The servitudes recognised in the asset register represent a right of way to land in order to service and maintain municipal infrastructure, such as below ground water networks, and since land is considered to have an indefinite lifespan, the servitude embeds the same lifespan properties.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical assets	538 950	-	538 950	538 950	-	538 950

#### Reconciliation of heritage assets 2022

Historical assets	<b>Opening balance</b> 538 950	<b>Total</b> 538 950
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#### Reconciliation of heritage assets 2021

Historical assets	<b>Opening balance</b> 538 950	<b>Total</b> 538 950
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#### Heritage assets which fair values cannot be reliably measured

Fair value for the heritage assets cannot be reliably measured because there is no comparative market for these assets.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>7. Payables from exchange transactions</b>		
Trade payables	106 160 798	84 066 012
Payments received in advanced	19 498 226	18 089 340
Accruals	1 323 580	4 635 882
Retentions	21 540 542	21 905 173
Accrued leave pay	11 491 458	11 270 458
Accrued bonus	3 151 967	2 858 514
Deposits on sale of land	417 559	417 559
Other deposits	-	(168 863)
Other creditors	108 670	108 670
Accrued payroll expenses	1 870 201	5 777 220
Unknown deposits	5 269 359	5 710 794
	<b>170 832 360</b>	<b>154 670 759</b>
<b>8. Consumer deposits</b>		
Electricity	5 340 640	5 322 004
Water	1 018 390	772 531
Refuse	2 034	2 034
Regional services levies	368 654	291 733
Housing rental	5 968	7 058
	<b>6 735 686</b>	<b>6 395 360</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 9. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the post-employment medical aid benefits liability was carried out at 30 June 2022 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of the post-employment health care benefits to employees and retirees of Bela- Bela Municipality and to their registered dependants.

The nominal and real zero curves as at 30 June 2022 supplied by the Johannesburg Stock Exchange was used to determine the discount rate and Consumer Price Index (CPI) assumptions at each relevant time period.

For the year ended 30 June 2022 : 230 (2021 : 240) employees were entitled to receive post-employment medical aid subsidies. The current service cost for the year ended 30 June 2022 is estimated to be R 3 025 000 (2021: R 2 505 000). The normal retirement age for all active employees was assumed to be 65 years.

The medical aid contribution inflation used in the valuation is 6.25% (CPI + 1%).

As at the valuation date, the medical aid liability was unfunded

##### Long service award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ZAQ Consultants and Actuaries, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2022 : 323 (2021 : 342) employees were eligible for long service awards. The current service cost for the year ended 30 June 2022 is estimated to be R623 000 (2021: R603 000). The average retirement age for all active employees was assumed to be 62 years. The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period.

Normal salary increase rate used is 6.25%.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Opening balance of the Post-Employment Medical aid benefit	(47 986 870)	(41 699 870)
Movement in the Post-Employment Medical aid benefit	(652 000)	(6 287 000)
Opening balance Long service awards	(6 718 000)	(6 301 000)
Movement in Long service awards	(587 000)	(417 000)
	<b>(55 943 870)</b>	<b>(54 704 870)</b>
Non-current liabilities	(54 263 870)	(52 911 870)
Current liabilities	(1 680 000)	(1 793 000)
	<b>(55 943 870)</b>	<b>(54 704 870)</b>
<b>Changes in the present value of defined benefit obligation and long service awards</b>		
Opening balance	54 704 870	48 000 870
Net expense recognised in the statement of financial performance	1 239 000	6 704 000
	<b>55 943 870</b>	<b>54 704 870</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost Post-Employment Medical aid benefit	3 025 000	2 505 000
Current service cost Long service awards	623 000	603 000
Interest cost Post-Employment Medical aid benefit	5 221 000	5 167 000
Interest cost Long service awards	696 000	753 000
Actuarial (gains) losses Post-Employment Medical aid benefit	(6 442 392)	(133 000)
Actuarial (gains) losses Long service awards	(506 761)	90 000
Benefits paid Post-Employment Medical aid benefit	(1 151 608)	(1 252 000)
Benefits paid Long service awards	(225 239)	(1 029 000)
	<b>1 239 000</b>	<b>6 704 000</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Post-Employment Medical aid benefit	(6 442 392)	(133 000)
Actuarial (gains) losses – Long service awards	(506 761)	90 000
	<b>(6 949 153)</b>	<b>(43 000)</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
<b>LSA</b>		
Discount rates used	11,82 %	10,69 %
Normal salary increase rate	9,02 %	7,78 %
Net effective discount rate	2,69 %	2,69 %
CPI (Consumer Price Inflation)	8,02 %	6,78 %
<b>PEMA</b>		
Discount rates used	11,82 %	10,69 %
Medical Aid Contribution Inflation	9,02 %	7,78 %
Net effective discount rate	2,57 %	2,69 %
CPI (Consumer Price Inflation)	8,02 %	6,78 %

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Employee benefit obligations (continued)

#### Other assumptions

Assumed medical aid inflation on post retirement medical contributions and salary inflation on long service awards rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	12 301 000	9 069 000
Effect on defined benefit obligation	64 594 000	48 850 000

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
Post retirement medical benefits	48 638 000	47 986 000	41 699 000	33 447 773	41 613 870
Long service awards	7 305 000	6 718 000	6 301 000	6 208 417	5 854 000

### 10. Inventories

Water	549 448	388 122
Water Inventory expensed	28 986 968	17 587 770

### 11. Receivables from exchange transactions

#### Consumer Debtors Gross balances

Merchandising and jobbing	19 321 568	20 366 174
Electricity	15 079 965	15 732 314
Water	52 259 210	47 289 038
Sewerage	31 013 415	27 680 708
Refuse	11 846 220	10 806 392
Fees	3 546 017	3 980 190
	<b>133 066 395</b>	<b>125 854 816</b>

#### Less: Allowance for impairment

Merchandising and jobbing	(15 490 182)	(15 995 505)
Electricity	(10 085 412)	(10 800 358)
Water	(47 424 420)	(42 760 722)
Sewerage	(28 075 597)	(25 300 484)
Refuse	(10 706 697)	(9 673 381)
Fees	(2 515 084)	(2 659 614)
	<b>(114 297 392)</b>	<b>(107 190 064)</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Merchandising and jobbing	3 831 386	4 370 669
Electricity	4 994 553	4 931 956
Water	4 834 790	4 528 316
Sewerage	2 937 818	2 380 224
Refuse	1 139 523	1 133 011
Fees	1 030 933	1 320 576
	<b>18 769 003</b>	<b>18 664 752</b>
<b>Merchandising and jobbing</b>		
Current (0 -30 days)	88	71 160
31 - 60 days	240 208	182 872
61 - 90 days	206 817	124 545
91 - 120 days	158 340	114 628
121 - 365 days	1 277 075	1 058 640
> 365 days	17 439 040	18 814 329
Impairment	(15 490 182)	(15 995 505)
	<b>3 831 386</b>	<b>4 370 669</b>
<b>Electricity</b>		
Current (0 -30 days)	5 866	2 126
31 - 60 days	5 116 025	4 778 506
61 - 90 days	677 302	1 173 932
91 - 120 days	376 221	669 011
121 - 365 days	2 201 927	3 215 517
> 365 days	6 702 624	5 893 222
Impairment	(10 085 412)	(10 800 358)
	<b>4 994 553</b>	<b>4 931 956</b>
<b>Water</b>		
Current (0 -30 days)	5 588	30 205
31 - 60 days	3 751 779	3 555 407
61 - 90 days	1 963 246	2 308 622
91 - 120 days	1 661 164	1 762 802
121 - 365 days	9 088 127	10 602 589
> 365 days	35 789 306	29 029 413
Impairment	(47 424 420)	(42 760 722)
	<b>4 834 790</b>	<b>4 528 316</b>
<b>Sewerage</b>		
Current (0 -30 days)	196 018	42 474
31 - 60 days	1 928 282	1 996 644
61 - 90 days	1 084 606	1 201 064
91 - 120 days	921 344	1 049 507
121 - 365 days	6 122 366	6 621 900
> 365 days	20 760 800	16 769 120
Impairment	(28 075 598)	(25 300 485)
	<b>2 937 818</b>	<b>2 380 224</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 11. Receivables from exchange transactions (continued)

#### Refuse

Current (0 -30 days)	906	23 452
31 - 60 days	866 017	883 491
61 - 90 days	428 389	477 295
91 - 120 days	357 541	390 554
121 - 365 days	2 332 087	2 535 521
> 365 days	7 861 278	6 496 079
Impairment	(10 706 695)	(9 673 381)
	<b>1 139 523</b>	<b>1 133 011</b>

#### Fees

Current (0 -30 days)	2 568	1 567
31 - 60 days	7	29 624
61 - 90 days	2 342	624 292
91 - 120 days	6	174 908
121 - 365 days	744 912	23 982
> 365 days	2 796 182	3 125 817
Impairment	(2 515 084)	(2 659 614)
	<b>1 030 933</b>	<b>1 320 576</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	208 760	171 575
31 - 60 days	5 658 890	6 389 388
61 - 90 days	3 323 424	4 204 775
91 - 120 days	2 941 281	3 156 060
121 - 365 days	18 629 812	19 208 636
> 365 days	71 860 508	62 259 922
	<b>102 622 675</b>	<b>95 390 356</b>
Less: Allowance for impairment	<b>(90 724 877)</b>	<b>(83 012 166)</b>
	<b>11 897 798</b>	<b>12 378 190</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 274	-
31 - 60 days	5 290 879	4 466 106
61 - 90 days	623 660	1 005 089
91 - 120 days	386 178	591 346
121 - 365 days	2 591 363	2 919 156
> 365 days	11 792 995	12 044 143
	<b>20 687 349</b>	<b>21 025 840</b>
Less: Allowance for impairment	<b>(14 795 919)</b>	<b>(15 336 174)</b>
	<b>5 891 430</b>	<b>5 689 666</b>
<b>National and provincial government</b>		
31 - 60 days	952 550	571 050
61 - 90 days	415 617	699 886
91 - 120 days	147 157	414 003
121 - 365 days	545 320	1 930 357
> 365 days	7 706 749	5 823 326
	<b>9 767 393</b>	<b>9 438 622</b>
Less: Allowance for impairment	<b>(8 776 596)</b>	<b>(8 841 724)</b>
	<b>990 797</b>	<b>596 898</b>
<b>Total</b>		
Current (0 -30 days)	211 034	171 575
31 - 60 days	11 902 319	11 426 543
61 - 90 days	4 362 701	5 909 750
91 - 120 days	3 474 616	4 161 409
121 - 365 days	21 766 495	24 058 149
> 365 days	91 349 230	80 127 390
	<b>133 066 395</b>	<b>125 854 816</b>
	<b>133 066 395</b>	<b>125 854 816</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	-	-
31 - 60 days	(7 487 261)	(8 553 765)
61 - 90 days	(3 013 510)	(3 596 177)
91 - 120 days	(3 969 691)	(3 839 672)
121 - 365 days	(16 110 167)	(18 832 370)
> 365 days	(83 716 763)	(72 368 080)
	<b>(114 297 392)</b>	<b>(107 190 064)</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	211 034	171 575
31 - 60 days	4 415 058	2 872 778
61 - 90 days	1 349 191	2 313 573
91 - 120 days	(495 075)	321 737
121 - 365 days	5 656 328	5 225 779
> 365 days	7 632 467	7 759 310
	<b>18 769 003</b>	<b>18 664 752</b>

### Reconciliation of allowance for impairment

Balance at beginning of the year	(107 190 064)	(97 941 569)
Contributions to allowance	(7 107 328)	(9 248 495)
	<b>(114 297 392)</b>	<b>(107 190 064)</b>

### Consumer debtors pledged as security

No receivables from exchange transactions were pledged as security.

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

### Receivables from exchange transactions impaired

As of 30 June 2022, consumer debtors of 133 066 395 (2021: 125 854 816) were impaired and provided for.

The amount of the provision was (114 297 392) as of 30 June 2022 (2021: (107 190 064)).

### 12. Other receivables from exchange transactions

Agreements	1 056 966	426 971
Water - District Municipality fire fighting	640 227	640 227
	<b>1 697 193</b>	<b>1 067 198</b>
Non-current assets	224 290	73 024
Current assets	1 472 903	994 174
	<b>1 697 193</b>	<b>1 067 198</b>

### 13. Statutory receivables from exchange transactions

VAT	5 655 813	3 173 941
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VAT Receivable arise where the municipality has a claim from the South African Revenue Service where the VAT Inputs exceeded the VAT outputs as per the Value-Added Tax Act 89 of 1991.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60 days.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Receivables from non-exchange transactions</b>		
Fines	6 521 425	3 412 075
Property Rates	20 698 072	19 094 630
Other	5 217 902	5 191 067
	<b>32 437 399</b>	<b>27 697 772</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>		
Property Rates Gross balance	148 730 189	127 736 243
Less: Allowance for impairment	(128 032 116)	(108 641 613)
Net	20 698 072	19 094 630
Fines Gross balance	43 301 044	22 747 165
Less: Allowance for impairment	(36 779 619)	(19 335 090)
Net	6 521 425	3 412 075
	<b>27 219 497</b>	<b>22 506 705</b>
<b>Financial asset receivables included in receivables from non-exchange transactions above</b>	<b>5 217 902</b>	<b>5 191 067</b>
<b>Total receivables from non-exchange transactions</b>	<b>32 437 399</b>	<b>27 697 772</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

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

#### Statutory receivables general information

##### Transaction(s) arising from statute

The levying of Property Rates is governed by the Municipal Property Rates Act 6 of 2004.

Traffic fines are issued according the National Road Traffic Act 93 of 1996. The fines issued are divided into Radar Fines and Section 56 Fines.

##### Determination of transaction amount

Property Rates is a tax levied by a municipality to a property owner used to fund services delivered. Property Rates are calculated by multiplying the market value of the property with a rate determined by the Municipal Council.

Traffic Fines arise from fines issued by the municipality's traffic officials.

Radar fines are speed control fines issued when a motorist is caught speeding on a radar camera device. The device takes a picture of the vehicle and takes a speed reading. The speeding fine is then delivered to the registered owner of the vehicle by post. The Section 56 fine is imposed when a motorist is stopped by the traffic officer and his or her identity therefore is known and a Traffic Offence occurred.

##### Interest or other charges levied/charged

Interest is charged on overdue debtors - property rates, and is calculated using the nominal interest rate.

##### Basis used to assess and test whether a statutory receivable is impaired

All statutory receivables that are past due or uncollected were impaired.

Impairment on property rates is calculated based on a risk and payment scoring system.

Impairment on traffic fines is calculated on an average rate of payment for the current and prior years.

##### Discount rate applied to the estimated future cash flows

No discount rate was used in the property rates and traffic fines impairment calculation.

##### Statutory receivables impaired

As of 30 June 2022, Statutory receivables of 192 000 330 (2021: 150 483 408) were impaired and provided for.

The amount of the provision was 164 811 737 as of 30 June 2022 (2021: 127 976 704).

The ageing of the statutory receivables (Consumer debtors - Property rates) is as follows:

Current (0 - 30 days)	36 292	4 590
31 - 60 days	7 089 038	6 669 713
61 - 90 days	3 937 558	3 996 885
91 - 120 days	3 577 894	3 326 022
121- 365 days	25 756 095	24 398 188
>365 days	108 333 313	89 340 846
Less: Allowance for impairment	(128 032 116)	(108 641 613)
Total	<b>20 698 073</b>	<b>19 094 630</b>

##### Factors the entity considered in assessing statutory receivables impaired

The calculations and scoring used when completing the Type Risk Payment report for property rates are based on the following:

-Account status

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# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand 2022 2021

### 14. Receivables from non-exchange transactions (continued)

-Account Type

The average payment rate is used to evaluate the traffic fines.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	(127 976 705)	(100 528 422)
Provision for impairment	(36 835 033)	(27 448 283)
	<b>(164 811 738)</b>	<b>(127 976 705)</b>

No statutory receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

The credit quality of statutory receivable transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 264	3 264
Cash balances	15 636 457	11 374 119
Short-term deposits	1 191 114	1 139 388
	<b>16 830 835</b>	<b>12 516 771</b>

#### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates

#### Cash and cash equivalents pledged as collateral

Limited cession of ABSA fixed deposit number 2066701092	800 000	800 000
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#### 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
ABSA Bank - Current Account (primary bank account) - 13-3000-0062 and tmt account	6 329 058	7 780 316	6 907 944	15 636 460	11 033 352	8 460 258
ABSA Bank - Call Account - 40-7836-0937	1 633 225	338 056	730 739	1 022 957	513 922	733 452
ABSA Bank - Call Account -92-9574-5884	168 157	162 818	99 493	168 158	162 818	99 493
ABSA Bank - Fixed Deposit - 206-670-1092	1 022 957	976 571	916 796	-	976 571	916 796
<b>Total</b>	<b>9 153 397</b>	<b>9 257 761</b>	<b>8 654 972</b>	<b>16 827 575</b>	<b>12 686 663</b>	<b>10 209 999</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Water Services Infrastructure Grant	111 827	18 365 820
Municipal Infrastructure Grant	9 056	-
Energy Efficiency and Demand Side Management Grant	93 460	-
	<b>214 343</b>	<b>18 365 820</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	18 365 680	21 847 790
Additions during the year	159 884 000	189 046 550
Income recognition during the year	(178 035 337)	(192 528 520)
	<b>214 343</b>	<b>18 365 820</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand 2022 2021

### 17. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Increase / (Decrease) in provisions	Total
Rehabilitation of landfill site	70 494 746	5 298 271	75 793 017
Performance bonus	573 950	(229 580)	344 370
	<b>71 068 696</b>	<b>5 068 691</b>	<b>76 137 387</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Increase / (Decrease) in provisions	Total
Rehabilitation of landfill site	62 284 208	8 210 538	70 494 746
Performance bonus	813 055	(239 105)	573 950
	<b>63 097 263</b>	<b>7 971 433</b>	<b>71 068 696</b>

Non-current liabilities	75 793 017	70 494 746
Current liabilities	344 370	573 950
	<b>76 137 387</b>	<b>71 068 696</b>

#### Rehabilitation of landfill site

The provision for the rehabilitation of the landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2022 by i@Consulting (Pty) Ltd. The cost of the closure cost elements has been determined based on quotation and confirmed via cost escalation of the previously proposed rehabilitation cost, through engineering and construction indices, drawn from SAFCEC and StatsSA.

Key assumptions:

-The discount rate used for the provision calculation for the restoration liability was based in the 5 year fixed rate RSA retail bond.

-Discount rate 9.27% (2021: 7.25%).

-The current expected remaining life as at 30 June 2022 is estimated to be 3 years.

#### Performance bonus

The provision for the performance bonus has been calculated at 14% of the relevant Section 56 Manager's package as per the Department of Provincial and Local Government guidelines on Performance Management and based on the past experience of Section 56 Managers paid out bonuses.

In accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after:

- the annual report for the financial year under review has been tabled and adopted by municipal council.
- the evaluation of performance in accordance with the provisions of regulation 23; and
- approval of such evaluation by the municipal council as a rewards for outstanding performance.

#### Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Provisions (continued)</b>		
The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.		
<b>18. Service charges</b>		
Sale of electricity	124 154 388	114 564 863
Sale of water	37 262 664	35 636 136
Solid waste	8 951 869	9 207 343
Sewerage and sanitation charges	18 952 157	19 438 859
	<b>189 321 078</b>	<b>178 847 201</b>
<b>19. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1 601 858	1 365 599
<b>20. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	31 257 812	16 060 600
<b>21. Agency services</b>		
Vehicle Registration	3 894 845	4 593 392
<b>22. Other income</b>		
Admin fee	62 107	174 433
Building plan approval	409 325	359 445
Fire brigade levies	730	889
Collection Charges	961 332	985 140
Licensing street vending	-	129
Other income	1 652	12 938 061
Penalties - tampered meters	83 246	5 903
Printing and duplicates	2 717	1 828
Procurement income	546 576	386 520
Staff recoveries	9 336	10 031
Surplus cash	1 944 089	1 315 164
	<b>4 021 110</b>	<b>16 177 543</b>
<b>23. Interest received</b>		
<b>Interest revenue</b>		
Bank	189 368	95 452
Interest charged on trade and other receivables from exchange transactions	6 172 883	5 374 489
	<b>6 362 251</b>	<b>5 469 941</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	54 272 902	52 340 781
Commercial	10 189 699	10 249 088
State	7 856 511	7 194 580
Small holdings and farms	9 101 435	9 975 649
Other	(372 753)	(299 593)
	<b>81 047 794</b>	<b>79 460 505</b>
Property rates - Interest received	8 492 774	7 588 387
	<b>89 540 568</b>	<b>87 048 892</b>

### Valuations

	R'000	R'000
Accommodation establishment	62 051	62 051
Commercial	738 219	738 219
Farms agricultural	3 818 881	3 818 881
Farms business	586 359	586 359
Farms other	45 635	45 635
Farms residential	631 632	631 632
Farms vacant land	528 796	528 796
Industrial	15 400	15 400
Municipal property	21 078	21 078
Private open space	15 959	15 959
Public benefit activities	54 217	54 217
Public service infrastructure	8 433	8 433
Residential	3 667 770	3 667 770
Small holdings agricultural	18 803	18 803
Small holdings business	39 994	39 994
Small holdings other	393	393
Small holdings residential	123 903	123 903
Small holdings vacant land	167 484	167 484
Vacant business	8 616	8 616
Vacant residential	776 268	776 268
	<b>11 329 891</b>	<b>11 329 891</b>

Valuations on land and buildings are performed every five (5) years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The rate randages are as follows:

Business and industrial R 0.0169 ( 2021: R 0.0164)

Farms agriculture R 0.0033 ( 2021: R 0.0032)

Government properties R 0.0169 ( 2021: R 0.0164)

Residential properties R 0.0135 ( 2021: R 0.0131)

Vacant land business R 0.0169 ( 2021: R 0.0164)

Vacant land residential R 0.0169 ( 2021: R 0.0164)

The new general valuation was implemented on 01 July 2021.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	104 441 000	115 041 000
Local Government Finance Management Grant	1 650 000	1 700 000
Expanded Public Works Programme	1 353 000	1 060 000
SETA Grant	215 062	198 828
	<b>107 659 062</b>	<b>117 999 828</b>
<b>Capital grants</b>		
Integrated National Electrification Programme	-	8 548 000
Energy Efficiency and Demand Side Management Grant	2 906 540	3 600 000
Municipal Infrastructure Grant	27 184 944	25 443 778
Municipal Water Infrastructure Grant	40 499 993	36 994 682
	<b>70 591 477</b>	<b>74 586 460</b>
	<b>178 250 539</b>	<b>192 586 288</b>
<b>Equitable Share</b>		
The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of S214 of the Constitution (Act 108 of 1996) to the to the municipality by the National Treasury. In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	-	6 903 978
Current-year receipts	-	8 548 000
Conditions met - transferred to revenue	-	(8 548 000)
Other	-	(6 903 978)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure.		
<b>Municipal Water Infrastructure Grant</b>		
Balance unspent at beginning of year	18 365 820	12 362 508
Current-year receipts	32 086 000	47 475 000
Conditions met - transferred to revenue	(40 499 993)	(36 994 682)
Rollover repayment	(9 840 000)	(4 477 006)
	<b>111 827</b>	<b>18 365 820</b>
Conditions still to be met - remain liabilities (see note 16).		
The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and environment, through effective policies, integrated planning, strategies, knowledge based and procedures.		
<b>Local Government Finance Management Grant</b>		
Current-year receipts	1 650 000	1 700 000
Conditions met - transferred to revenue	(1 650 000)	(1 700 000)
	-	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 25. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

The purpose of the FMG Grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

#### Expanded Public Works Programme

Current-year receipts	1 353 000	1 060 000
Conditions met - transferred to revenue	(1 353 000)	(1 060 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	2 581 304
Current-year receipts	27 194 000	25 444 000
Conditions met - transferred to revenue	(27 184 944)	(25 443 778)
Other	-	(2 581 526)
	<b>9 056</b>	-

Conditions still to be met - remain liabilities (see note 16).

The municipal infrastructure grants complement the equitable share grants for local government; however, it is provided conditionally to municipalities

The key principles underpinning the design of the MIG are outlined below:

The MIG programme is aimed at providing only basic infrastructure.

Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised.

Equity in all the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor to make uniform progress in closing the infrastructure gap.

#### Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	(650)
Conditions met - transferred to revenue	-	650
	-	-

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to assist the municipality in responding and implementing measures to prevent the spread of Covid-19.

#### Energy Efficiency and Demand Side Management

Current-year receipts	3 000 000	3 600 000
Conditions met - transferred to revenue	(2 906 540)	(3 600 000)
	<b>93 460</b>	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

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Figures in Rand

2022

2021

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### 25. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to assist the municipality to improve efficiency in a most cost effective, least polluting and readily available energy source.

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# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Employee related costs</b>		
Acting allowances	2 361 006	352 275
Bargaining council	73 382	43 202
Basic	80 626 797	81 341 842
Bonus	5 922 997	6 069 399
Car allowance	9 975 147	10 171 456
Cellphone allowance	2 392 613	1 865 739
Current service cost	105 837	-
Post employment benefits	14 704 170	15 946 146
Fire allowance	-	2 100
Housing benefits and allowances	432 891	401 235
Leave pay provision charge	3 324 729	5 634 425
Long-service awards	588 478	547 963
Medical aid - company contributions	7 172 118	8 128 647
Post employee benefits PEMA and LSA (Service cost and benefits paid)	2 271 153	827 000
Post employee benefits actuarial (gains)/losses	(6 949 153)	(43 000)
Overtime payments	16 094 396	14 079 644
SDL	1 213 886	1 007 141
UIF	137 845	659 775
	<b>140 448 292</b>	<b>147 034 989</b>

Below is a summary for the remuneration of key management included above:

### Remuneration of municipal manager: S.M. Makhubela

Annual Remuneration	-	505 545
Car Allowance	-	202 216
Contributions to UIF, Medical and Pension Funds	-	101 109
Cellphone allowance	-	24 500
	-	<b>833 370</b>

### Remuneration of chief financial officer: R.M. Marutha

Annual Remuneration	550 818	551 514
Car Allowance	223 608	223 608
Contributions to UIF, Medical and Pension Funds	120 016	119 325
Cellphone allowance	36 000	36 000
	<b>930 442</b>	<b>930 447</b>

### Remuneration of Corporate Services Manager: J.B. Selapyane

Annual Remuneration	602 262	599 190
Car Allowance	255 552	255 552
Contributions to UIF, Medical and Pension Funds	171 889	173 514
Cellphone Allowance	36 000	36 000
Other Allowances (Acting)	364 411	121 470
	<b>1 430 114</b>	<b>1 185 726</b>

### Remuneration of Technical Services Manager: H.B. Maswanganyi

Annual Remuneration	595 188	603 933
Car Allowance	255 552	255 552
Contributions to UIF, Medical and Pension Funds	171 480	162 732
Cellphone Allowance	36 000	36 000
	<b>1 058 220</b>	<b>1 058 217</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Employee related costs (continued)</b>		
<b>Remuneration of Planning and Economic Development Manager: T.B. Mnisi</b>		
Annual Remuneration	559 029	559 029
Car Allowance	223 612	223 812
Contributions to UIF, Medical and Pension Funds	111 806	111 806
Cellphone Allowance	36 000	36 000
	<b>930 447</b>	<b>930 647</b>
<b>Remuneration of Manger for Social Department: M.A. Serote</b>		
Annual Remuneration	568 500	568 500
Car Allowance	223 608	223 500
Contributions to UIF, Medical and Pension Funds	102 330	102 300
Cellphone Allowance	36 000	36 000
	<b>930 438</b>	<b>930 300</b>
<b>Remuneration of Manager Strategic Support: T.J. Mothapo</b>		
Annual Remuneration	588 504	611 742
Car Allowance	252 924	252 924
Contributions to UIF, Medical and Pension Funds	170 277	157 560
Cellphone Allowance	36 000	36 000
Acting Allowance	149 231	49 744
	<b>1 196 936</b>	<b>1 107 970</b>
<b>Remuneration of Deputy Chief Financial Officer</b>		
Annual Remuneration	-	253 215
Car Allowance	-	104 625
Contributions to UIF, Medical and Pension Funds	-	60 663
Cellphone Allowance	-	15 000
	-	<b>433 503</b>
<b>Remuneration of the Divisional Manager WASTE MANAGEMENT</b>		
Annual Remuneration	587 793	-
Car Allowance	205 188	-
Contributions to UIF, Medical and Pension Funds	170 989	-
Cellphone Allowance	32 712	-
Other allowances ( acting allowance Social manager during martenity leave )	80 422	-
	<b>1 077 104</b>	-
<b>Remuneration of the Divisional Manager Road &amp; Storm Water</b>		
Annual Remuneration	587 793	-
Car Allowance	198 162	-
Contributions to UIF, Medical and Pension Funds	182 287	-
Cellphone Allowance	32 712	-
Other allowances ( acting allowance Technical Manager during Martenity Leave )	112 367	-
	<b>1 113 321</b>	-
<b>Remuneration of the Divisional Manager WASTE MANAGEMENT</b>		

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Employee related costs (continued)</b>		
Other allowances ( acting allowance Social manager during martenity leave )	80 422	-
<b>Remuneration of the Divisional Manager Road &amp; Stroom Water</b>		
Other allowances ( acting allowance Technical Manager during Martenity Leave )	112 367	-
<b>27. Remuneration of councillors</b>		
Executive Major	947 621	905 259
Speaker	1 671 652	1 092 259
Chief Whip	419 971	733 088
Other councillors	3 942 704	4 087 900
Executive Committee members	266 400	690 046
	<b>7 248 348</b>	<b>7 508 552</b>

### In-kind benefits

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

The Mayor has the use of separate Council owned vehicle for official duties.

### Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
<b>Executive Mayor: M.J. Ngobeni (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	191 925	514 830
Cellphone Allowance	14 800	44 400
Car Allowance	71 734	215 219
Contributions to SDL, medical and pension funds	43 949	136 951
	<b>322 408</b>	<b>911 400</b>
<b>Speaker: R.Z. Moeletsi (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	199 887	551 352
Cellphone Allowance	14 800	44 400
Contributions to SDL, medical and pension funds	46 202	142 197
	<b>260 889</b>	<b>737 949</b>
<b>Chief Whip: M.H. Ledwaba (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	155 852	421 068
Cellphone Allowance	14 800	44 400
Car Allowance	53 827	161 418
Contributions to SDL, medical and pension funds	18 162	67 673
	<b>242 641</b>	<b>694 559</b>
<b>Mayoral Committee Member: S.E. Maluleka (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	139 988	375 273
Cellphone Allowance	14 800	44 400
Car Allowance	53 796	161 410
Contributions to SDL, medical and pension funds	36 919	114 472
	<b>245 503</b>	<b>695 555</b>
<b>Mayoral Committee Member: M.N. Ras (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	353 895	313 212
Cellphone Allowance	29 600	44 400
Contributions to SDL, medical and pension funds	51 450	49 458
	<b>434 945</b>	<b>407 070</b>
<b>Councillor: P.M. Aphane (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	70 295	186 636
Cellphone Allowance	14 800	44 400
Car Allowance	29 111	87 402
Contributions to SDL, medical and pension funds	25 500	78 133
	<b>139 706</b>	<b>396 571</b>
<b>Councillor: F.S. Hlunwane (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	54 846	145 560
Cellphone Allowance	14 800	44 400
Car Allowance	22 685	68 107
Contributions to SDL, medical and pension funds	19 798	60 752
	<b>112 129</b>	<b>318 819</b>
<b>Councillor: M.J. Makhubela (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	58 042	155 016
Cellphone Allowance	14 800	44 400
Car Allowance	22 690	68 108
Contributions to SDL, medical and pension funds	16 603	51 270

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>	<b>112 135</b>	<b>318 794</b>
<b>Councillor: Y.M.S. Maletle (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	73 451	195 882
Cellphone Allowance	14 800	87 408
Car Allowance	29 136	44 400
Contributions to SDL, medical and pension funds	22 480	68 905
	<b>139 867</b>	<b>396 595</b>
<b>Councillor: B.T. Maname (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	74 410	204 282
Cellphone Allowance	14 800	44 400
Contributions to SDL, medical and pension funds	22 970	70 343
	<b>112 180</b>	<b>319 025</b>
<b>Councillor: T.R. Masemola (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	-	94 773
Cellphone Allowance	-	25 900
Car Allowance	-	39 732
Contributions to SDL, medical and pension funds	-	24 006
	<b>-</b>	<b>184 411</b>
<b>Councillor: T.R. Modimola (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	84 395	228 012
Cellphone Allowance	14 800	44 400
Car Allowance	29 121	87 404
Contributions to SDL, medical and pension funds	11 401	36 646
	<b>139 717</b>	<b>396 462</b>
<b>Councillor: A.R. Mosweou (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	57 322	152 838
Cellphone Allowance	14 800	44 400
Car Allowance	22 700	68 111
Contributions to SDL, medical and pension funds	17 323	53 451
	<b>112 145</b>	<b>318 800</b>
<b>Councillor: K.L. Mothokwa (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	52 958	140 076
Cellphone Allowance	14 800	44 400
Car Allowance	22 704	68 112
Contributions to SDL, medical and pension funds	21 689	66 255
	<b>112 151</b>	<b>318 843</b>
<b>Councillor: S.D. Seale (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	85 519	236 896
Cellphone Allowance	14 800	44 400
Contributions to SDL, medical and pension funds	11 847	37 407
	<b>112 166</b>	<b>318 703</b>
<b>Councillor: M.D. Senosha (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	65 762	179 425
Cellphone Allowance	14 800	44 400
Car Allowance	22 685	68 107

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
Contributions to SDL, medical and pension funds	8 884	28 555
	<b>112 131</b>	<b>320 487</b>
<b>Councillor: M.A. Shika (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	29 121	228 012
Cellphone Allowance	14 800	44 400
Car Allowance	44 734	87 404
Contributions to SDL, medical and pension funds	11 401	36 646
	<b>100 056</b>	<b>396 462</b>
<b>Councillor: M.J.L. Kruger (JULY-2021 TO NOVEMBER 2021)</b>		
Remuneration	65 762	59 224
Cellphone Allowance	14 800	14 800
Car Allowance	22 704	22 704
Contributions to SDL, medical and pension funds	8 884	9 576
	<b>112 150</b>	<b>106 304</b>
<b>Executive Mayor: GM SELEKA (November 2021 - June 2022)</b>		
Remuneration	452 873	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	83 950	-
	<b>566 423</b>	-
<b>Speaker: TN ZIKHALI (November 2021 - June 2022)</b>		
Remuneration	342 273	-
Cellphone Allowance	29 600	-
Car Allowance	28 696	-
Contributions to Medical and Pension Funds	60 672	-
	<b>461 241</b>	-
<b>Chief Whip: K SEPURU (November 2021 - June 2022)</b>		
Remuneration	155 623	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	23 343	-
	<b>208 566</b>	-
<b>Councillor: MJ NGOBENI : EXCO MEMBER (November 2021 - June 2022)</b>		
Remuneration	232 478	-
Cellphone Allowance	29 600	-
Car Allowance	94 157	-
Contributions to Medical and Pension Funds	72 380	-
	<b>428 615</b>	-
<b>Councillor: M.N. Ras Exco Member (November 2021 - June 2022)</b>		
Remuneration	353 895	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	51 450	-
	<b>434 945</b>	-
<b>Councillor: MF KROOVER (November 2021 - June 2022)</b>		
Remuneration	171 755	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	51 464	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
	<b>252 819</b>	-
<b>Councillor: KS Rachidumela (November 2021 - June 2022)</b>		
Remuneration	159 987	-
Cellphone Allowance	29 600	-
Car Allowance	36 420	-
Contributions to Medical and Pension Funds	23 627	-
	<b>249 634</b>	-
<b>Councillor: J.M.MABUA (November 2021 - June 2022)</b>		
Remuneration	158 646	-
Cellphone Allowance	29 600	-
Car Allowance	36 420	-
Contributions to Medical and Pension Funds	24 968	-
	<b>249 634</b>	-
<b>Councillor: M H LEDWABA (November 2021 - June 2022)</b>		
Remuneration	121 078	-
Cellphone Allowance	29 600	-
Car Allowance	39 732	-
Contributions to Medical and Pension Funds	18 162	-
	<b>208 572</b>	-
<b>Councillor: SD SEALE (November 2021 - June 2022)</b>		
Remuneration	130 903	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	48 065	-
	<b>208 568</b>	-
<b>Councillor: MJ MAKHUBELA (November 2021 - June 2022)</b>		
Remuneration	141 693	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	39 491	-
	<b>210 784</b>	-
<b>Councillor: FS HLONGWANI (November 2021 - June 2022)</b>		
Remuneration	128 822	-
Cellphone Allowance	29 600	-
Car Allowance	49 380	-
Contributions to Medical and Pension Funds	44 924	-
	<b>252 726</b>	-
<b>Councillor: HJ KRUGER (November 2021 - June 2022)</b>		
Remuneration	139 484	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	20 923	-
	<b>190 007</b>	-
<b>Councillor: MO TLAKA (November 2021 - June 2022)</b>		
Remuneration	155 623	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	23 343	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
	<b>208 566</b>	-
<b>Councillor: JHT MILLS (November 2021 - June 2022)</b>		
Remuneration	121 078	-
Cellphone Allowance	29 600	-
Car Allowance	39 732	-
Contributions to Medical and Pension Funds	18 162	-
	<b>208 572</b>	-
<b>Councillor: JD CLOETE (November 2021 - June 2022)</b>		
Remuneration	155 623	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	23 343	-
	<b>208 566</b>	-
<b>Councillor: PV MASHABA (November 2021 - June 2022)</b>		
Remuneration	191 657	-
Cellphone Allowance	29 600	-
Contributions to Medical and Pension Funds	28 378	-
	<b>249 635</b>	-
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	35 420 331	32 464 719
Intangible assets	93 607	138 116
	<b>35 513 938</b>	<b>32 602 835</b>
<b>29. Finance costs</b>		
Overdue accounts	2 166 691	704 911
Landfill site	6 430 485	3 912 927
GRAP 25 Interest on medical aid and long service awards	5 917 000	5 920 000
	<b>14 514 176</b>	<b>10 537 838</b>
<b>30. Auditors' remuneration</b>		
Fees	3 681 551	5 718 492
<b>31. Debt impairment</b>		
Debt impairment allowance - Consumer debtors	26 497 832	25 172 076
Debt impairment allowance - traffic fines	17 444 529	9 972 096
Bad debts written off	21 323 661	31 458 602
	<b>65 266 022</b>	<b>66 602 774</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. General expenses</b>		
Advertising	169 673	(522 882)
Auditors remuneration	3 681 551	5 718 492
Bank charges	1 254 948	1 463 971
Cleaning	-	371 043
Commission paid	3 109 453	3 299 654
Water inventory consumed	28 986 968	17 587 770
Hire	2 311 599	5 021 857
Insurance	1 459 372	925 010
Conferences and seminars	7 800	-
IT expenses	6 312 841	5 535 947
Fuel and oil	4 220 917	2 186 578
Postage and courier	-	5 735
Printing and stationery	203 852	297 960
Protective clothing	1 828 502	2 049 935
Repairs and maintenance	2 389 176	5 611 172
Software expenses	2 245 599	-
Subscriptions and membership fees	1 623 168	2 201 657
Telephone and fax	1 309 113	2 179 224
Travel - local	186 360	46 795
Assets expensed	199 403	-
Management fee	-	191 883
Capacity building	-	167 739
Other expenses	-	392 112
	<b>61 500 295</b>	<b>54 731 652</b>

### 33. Bulk purchases

Electricity - Eskom	117 551 012	98 910 251
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**Electricity Losses:** Technical losses occur when power dissipates in the transmission lines and transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure. Non-technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non-payment and faulty meters.

**Water Losses:** Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are :system failures, unbalanced networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering ,meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021		
<b>33. Bulk purchases (continued)</b>				
<b>Electricity losses</b>				
	Number	Number		
	2022	2021		
Units purchased	83 312 916	84 156 078		
Units sold	(65 265 650)	(72 202 599)		
<b>Total loss</b>	<b>18 047 266</b>	<b>11 953 479</b>	<b>30 877 920</b>	<b>21 354 492</b>
Comprising of:				
Technical losses	1 919 737	1 195 348	4 040 087	2 135 449
Non-technical losses	17 277 637	10 758 131	36 360 788	19 219 043
<b>Total</b>	<b>19 197 374</b>	<b>11 953 479</b>	<b>40 400 875</b>	<b>21 354 492</b>
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	13 %	4 %	13 %	4 %
<b>Total</b>	<b>23 %</b>	<b>14 %</b>	<b>23 %</b>	<b>14 %</b>
<b>Water losses</b>				
	Kilo litre	Kilolitre		
	2022	2021		
Units purchased	3 236 278	3 283 910		
Units sold	(2 547 469)	(2 363 925)		
<b>Total</b>	<b>688 809</b>	<b>919 985</b>	<b>15 560 195</b>	<b>8 592 863</b>
Comprising of:				
Technical losses	571 712	137 998	12 914 951	1 274 988
Non-technical losses	117 098	781 987	2 645 244	7 317 875
<b>Total</b>	<b>688 810</b>	<b>1 839 970</b>	<b>15 560 195</b>	<b>8 592 863</b>
<b>34. Contracted services</b>				
<b>Outsourced Services</b>				
Connection/Dis-connection			173 093	257 916
Security Services			13 530 789	8 573 556
Traffic Fines Management			2 126 214	629 595
<b>Consultants and Professional Services</b>				
Business and Advisory			8 080 300	7 539 421
Legal Cost			6 160 854	2 935 647
<b>Contractors</b>				
Aerial Photography			-	153 033
Catering Services			8 873	22 190
Electrical			1 340 328	-
Event Promoters			65 617	-
Interior Decorator			410 533	1 311 234
Maintenance of Equipment			173 459	-
Maintenance of Unspecified Assets			7 635 553	17 045 842
Sewerage Services			1 180 354	-

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Contracted services (continued)</b>	<b>40 885 967</b>	<b>38 468 434</b>
<b>35. Cash generated from operations</b>		
Surplus (deficit)	45 566 754	(120 854 118)
<b>Adjustments for:</b>		
Depreciation	35 513 938	32 602 835
Loss on disposal of assets	25 150	-
Fair value adjustments	(25 051 660)	169 273 436
Impairment loss	4 204 687	-
Debt impairment	65 266 022	66 602 774
Movements in retirement benefit assets and liabilities	1 239 000	6 704 000
Movements in provisions	5 068 691	7 971 433
Non-cash item	-	631 585
<b>Changes in working capital:</b>		
Inventories	(161 326)	(60 382)
Other receivables from exchange transactions	(629 995)	175 133
Consumer debtors	(65 370 273)	(65 677 247)
Receivables from non-exchange transactions	(4 739 627)	(3 781 173)
Payables from exchange transactions	16 161 591	(13 166 679)
Consumer deposits	(2 481 872)	4 735 263
Unspent conditional grants and receipts	(18 151 477)	(3 481 460)
Consumer deposits	340 326	371 593
	<b>56 799 929</b>	<b>82 046 993</b>

### 36. Prior-year adjustments

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

#### Statement of financial position

##### 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		327 740	-	-	327 740
Receivables from exchange transactions		23 189 926	-	279 461	23 469 387
Statutory receivables		18 948 093	-	-	18 948 093
VAT receivable		7 909 199	-	-	7 909 199
Agreements - Current		279 461	-	(279 461)	-
Receivables from non-exchange transactions		2 218 490	-	-	2 218 490
Cash and cash equivalents		10 201 964	-	-	10 201 964
Investment property		279 138 852	-	-	279 138 852
Property, plant and equipment		800 183 275	(34 398 058)	-	765 785 217
Intangible assets		1 860 365	-	-	1 860 365
Heritage assets		538 950	-	-	538 950
Agreements - Non Current		113 240	-	(113 240)	-
Other receivables from exchange transactions - Non Current		-	-	113 240	113 240
Payables from exchange transactions		(167 837 459)	-	-	(167 837 459)
Consumer deposits		(6 023 767)	-	-	(6 023 767)
Employee benefit obligation - Current		(2 726 000)	-	-	(2 726 000)
Unspent conditional grants and receipts		(21 847 140)	(141)	-	(21 847 281)
Provisions - Current		(813 055)	-	-	(813 055)
Employee benefit obligation - Non Current		(45 274 870)	-	-	(45 274 870)
Provisions - Non Current		(62 284 208)	-	-	(62 284 208)
		<b>838 103 056</b>	<b>(34 398 199)</b>	<b>-</b>	<b>803 704 857</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand		2022	2021		
<b>36. Prior-year adjustments (continued)</b>					
<b>2021</b>					
	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		234 795	153 327	-	388 122
Receivables from exchange transactions		21 158 511	800 226	(3 293 985)	18 664 752
Other Receivables from Exchange transactions		-	-	994 174	994 174
Statutory receivables from exchange transactions		-	-	3 173 941	3 173 941
Statutory receivables		21 527 219	-	(21 527 219)	-
Receivables from Non Exchange transactions		2 537 308	979 485	24 180 977	27 697 770
VAT receivable		3 173 941	-	(3 173 941)	-
Agreements - Current		353 947	-	(353 947)	-
Cash and cash equivalents		12 516 771	-	-	12 516 771
Investment property		279 138 852	(169 273 436)	-	109 865 416
Property, plant and equipment		808 350 481	4 070 606	-	812 421 087
Intangible assets		1 722 249	-	-	1 722 249
Heritage assets		538 950	-	-	538 950
Agreements - Non Current		73 024	-	(73 024)	-
Other Receivables from Exchange transactions - Non Current		-	-	73 024	73 024
Payables from exchange transactions		(155 705 442)	1 012 715	21 960	(154 670 767)
Consumer deposits		(6 373 400)	-	(21 960)	(6 395 360)
Employee benefit obligation - Current		(1 793 000)	-	-	(1 793 000)
Unspent conditional grants and receipts		(18 365 820)	-	-	(18 365 820)
Provisions - Current		(573 950)	-	-	(573 950)
Employee benefit obligation - Non Current		(52 911 870)	-	-	(52 911 870)
Provisions - Non Current		(70 494 746)	-	-	(70 494 746)
		<b>845 107 820</b>	<b>(162 257 077)</b>	<b>-</b>	<b>682 850 743</b>

### Statement of financial performance

**2021**

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		218 293 793	-	(10 821 945)	207 471 848
Revenue from non-exchange transactions		288 107 392	-	9 526 945	297 634 337
Employee related costs		(148 329 989)	-	1 295 000	(147 034 989)
Remuneration of councillors		(7 508 552)	-	-	(7 508 552)
Depreciation and amortisation		(36 209 274)	3 606 437	-	(32 602 837)
Finance costs		(10 537 838)	-	-	(10 537 838)
Debt impairment		(68 382 485)	1 779 711	-	(66 602 774)
Bulk purchases		(116 651 348)	153 327	17 587 770	(98 910 251)
Contracted services		(38 336 785)	464 169	(595 818)	(38 468 434)
Loss on disposal of assets and liabilities		(289 543)	-	-	(289 543)
Fair value adjustments		-	(169 273 436)	-	(169 273 436)
Actuarial losses		-	-	-	-
General expenditure		(38 752 418)	1 012 716	(16 991 952)	(54 731 654)
<b>Surplus for the year</b>		<b>41 402 953</b>	<b>(162 257 076)</b>	<b>-</b>	<b>(120 854 123)</b>

### Cash flow statement

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand 2022 2021

### 36. Prior-year adjustments (continued)

#### 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
<b>Cash flow from operating activities</b>					
Property rates and traffic fines		56 799 931	25 247 060	-	82 046 991
Grants		189 104 828	140	-	189 104 968
Interest received		-	-	13 058 328	-
Employee costs		(147 839 541)	-	(5 065 040)	(152 904 581)
Suppliers		(50 829 313)	(155 329 477)	5 065 040	(201 093 750)
		<b>47 235 905</b>	<b>(130 082 277)</b>	<b>13 058 328</b>	<b>(82 846 372)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment		(78 925 968)	(577 308)	-	(79 503 276)
Proceeds from sale of property, plant and equipment		-	(228 908)	-	(228 908)
		<b>(78 925 968)</b>	<b>(806 216)</b>	<b>-</b>	<b>(79 732 184)</b>
<b>Cash flow from financing activities</b>					
Interest received		13 058 328	-	(13 058 328)	-

#### Property plant and equipment

Movable assets previously not recorded in the fixed asset register where taken on and the opening balances where restated by R 1 173 786.08.

Remaining useful life for movable assets were corrected in the prior year resulting in the restatement of depreciation in the amount of R 2 726 268.77.

Opening balances for Infrastructure including WIP, community, and sport and recreational assets were restated after aligning the fixed asset register and the financial system in the amount of (R 35 571 844 ). Depreciation in the prior year were also restated by (R 880 168) due a correction of change in useful life and correction of depreciation.

#### Investment properties

The fair value for Investment properties were adjusted by (R 169 273 436).

#### Unspent conditional grants

Corrections for the opening balances for unspent conditional grants for revenue incorrectly recognised in the amount of R (141).

#### Debt impairment

Reversal of debt impairment in the amount of (R 1 779 711) in the prior year resulted in a restatement of R 800 226 for receivables from exchange and R 979 485 for non-exchange transactions.

#### Irregular expenditure

Opening balance	63 048 510	-
Adjustments made	27 898 615	-
<b>Restated opening balance</b>	<b>90 947 125</b>	<b>-</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 36. Prior-year adjustments (continued)

#### Reclassifications

Certain comparative figures as per the tables above have been reclassified due to incorrect classifications in the prior year.

The following reclassifications occurred:

#### Statement of Financial Performance

##### Actuarial gains reclassified to employee cost

Increase in employee related cost of R 1 295 000 and a decrease in Actuarial gains R 1 295 000. Included in the amount of R 1 295 000 disclosed as actuarial gains was an amount of R 1 252 000 that was for benefits paid, incorrectly classified as actuarial gains.

GRAP 25 Par 74 state that the municipality shall recognise the net total of employee related cost in surplus or deficit. The net amount of employee related cost includes the movement in actuarial valuation, hence should this movement be part of employee related cost and must not be disclosed separately as disclosed in previous years.

**Interest earned non exchange transactions reclassified from interest earned exchange transactions.** Interest received on rates in the amount of R 7 588 387 that was included in interest received from exchange transactions in the prior year was reclassified.

**Road transport license fees reclassified to revenue from non-exchange transaction.** License fees in the amount of R 1 938 558 included in revenue from exchange transactions was reclassified to revenue from non-exchange transactions.

**Bulk purchases water reclassified to inventory consumed.** Bulk purchases for water in the amount of R 17 587 770 was reclassified as inventory consumed included under general expenses. This was done in line with the mSCOA Structure that has been set up to account for water in terms of applicable legislation and requirements from governing bodies.

**Reclassification form general expenses to contracted services.** Items identified as per mSCOA classification incorrectly classified as general expenses R 595 818.

##### VAT receivable reclassified to statutory receivables form exchange transaction

Decrease in VAT receivable Increase statutory receivables from exchange transactions.

VAT receivables are receivables that arise from legislation and require settlement by another entity (SARS) hence the reclassification was made.

##### Receivables form exchange and non-exchange transactions

Decrease in receivable from exchange transactions and increase in receivable from non-exchange transactions.

The municipality discovered that items classified as receivables from non-exchange transactions as per their mSCOA chart of account where previously incorrectly classified as receivables from exchange transactions in the AFS.

Decrease in agreements and increase in other receivables from exchange transactions as they are still part of receivables from exchange transactions.

Decrease in statutory receivables and increase in receivables from non-exchange transactions. Statutory receivables were reclassified as receivables from non-exchange transactions on the face of the statement of financial performance. Statutory receivables included in receivables from non-exchange transactions are separately disclosed in the note.

##### Payables from exchange transactions and consumer deposits

Decrease in payables from exchange transactions and increase in consumer deposits.

The municipality identified consumer deposits incorrectly classified as payables from exchange transactions.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
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### 37. Going concern

We draw attention to the fact that at 30 June 2022, the municipality's current liabilities exceed its current assets by 104 091 358.

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.

The ability of the municipality to continue as a going concern will be assisted through the implementation of the following:

- The municipality developed budget funding and revenue enhancement plans to address municipal cash flow challenges.
- The municipality entered into payment arrangements with key suppliers to suppress interest.
- The municipality intensified credit control measures to recover long outstanding amounts from consumers.
- The period for assessment is in line with medium term expenditure framework budget.
- There is alignment of procurement plan and cash flow projections to reduce payment rate ratio.
- During budgeting the strategy is to eliminate non-core expenditures.
- Recruitment in the current financial year will be focused on critical post in Revenue and service delivery division.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Favorable cost coverage ratio will assist in reducing current liabilities.
- Conditional grants to be ring fenced from financial year 2023.

### 38. Unauthorised expenditure

Opening balance as previously reported	115 364 792	44 369 261
Add: Unauthorised expenditure - current	52 945 881	70 995 531
<b>Closing balance</b>	<b>168 310 673</b>	<b>115 364 792</b>

Assessment as required by Circular 68 was conducted between the approved budget and the actual spent relating to vote structure (departmental functions). This resulted in material unauthorised expenditure per vote or per department. As a result the overall unauthorised expenditure of R 52 945 881 was added during the current year.

### 39. Fruitless and wasteful expenditure

Opening balance as previously reported	9 975 540	9 141 537
Add: Fruitless and wasteful expenditure identified - current	2 166 691	834 003
<b>Closing balance</b>	<b>12 142 231</b>	<b>9 975 540</b>

The current year fruitless and wasteful expenditure is largely impacted by interest on late payment of Eskom invoices, Magalies Water invoices and interest on late payment on VAT.

The classification, validation and recoverability of all fruitless and wasteful expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

### 40. Irregular expenditure

Opening balance as previously reported	90 947 125	55 967 351
<b>Opening balance as restated</b>	<b>90 947 125</b>	<b>55 967 351</b>
Add: Irregular Expenditure - current	28 828 164	14 448 304
Add: Irregular Expenditure - prior period	18 794 421	20 531 470
<b>Closing balance</b>	<b>138 569 710</b>	<b>90 947 125</b>

Irregular expenditure is disclosed net of VAT

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 40. Irregular expenditure (continued)

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
Tender process where certain qualifying bidders were disqualified	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	-	1 635 722
PPPFA Regulations, 2017 Evaluation criteria not included on the bid document	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	2 785 285	-
contract extended without following proper procedures	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	254 284	-
Not evaluated in terms of PPPFA	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	-	3 421 613
As a result of not following Section 32 of MSCR	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	586 495	1 615 206
Tax clearances not obtained	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	-	8 424 975
PPPFA Regulations, 2017 Local Content Production not included on the bid document and tender advert	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	40 548 601	17 368 210
Payments made exceeds contract or tendered price or purchase order value.	The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.	3 447 921	2 369 964

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 40. Irregular expenditure (continued)

PPPFA Regulations, 2017 Bidder did not meet pre-qualifying Criteria

The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing.

- 144 084

**47 622 586**      **34 979 774**

### Disciplinary steps taken/criminal proceedings

The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by council for further investigation which is still ongoing. Provide information

### 41. Segment information

#### General information

#### Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these functional segments.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

The municipality operates in the Limpopo Province.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 41. Segment information (continued)

#### Types of services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Governance and administration

Community and public safety

Economic and environmental services

Trading services

#### Included in segment

Executive and Council, finance and administration, asset management risk management and internal audit

Community and social services, Recreational Facilities: Sports Arts and Culture and public safety

Planning and development and road transport

Energy sources, water management, waste water management and waste management

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 41. Segment information (continued)

#### Segment surplus or deficit

2022

	<b>Governance and administration</b>	<b>Community and public safety</b>	<b>Economic and environmental services</b>	<b>Trading services</b>	<b>Total</b>
<b>Revenue</b>					
Revenue from non-exchange transactions	(197 199 630)	(33 486 192)	(27 215 210)	(43 463 394)	(301 364 426)
Revenue from exchange transactions	(5 352 718)	(4 482 971)	(791 378)	(195 681 487)	(206 308 554)
<b>Total segment revenue</b>	<b>(202 552 348)</b>	<b>(37 969 163)</b>	<b>(28 006 588)</b>	<b>(239 144 881)</b>	<b>(507 672 980)</b>
Fair value adjustments					(25 051 660)
<b>Entity's revenue</b>					<b>(532 724 640)</b>
<b>Expenditure</b>					
Employee related costs	54 251 655	29 929 787	19 334 260	42 667 856	146 183 558
Remuneration of Councillors	7 248 347	-	-	-	7 248 347
Bulk purchases	-	-	-	117 551 012	117 551 012
Contracted services	27 661 196	4 628 453	1 413 618	7 182 700	40 885 967
General expenses	27 612 311	2 008 202	2 308 897	30 784 771	62 714 181
<b>Total segment expenditure</b>	<b>116 773 509</b>	<b>36 566 442</b>	<b>23 056 775</b>	<b>198 186 339</b>	<b>374 583 065</b>
<b>Total segmental surplus/(deficit)</b>					<b>158 141 575</b>
Finance cost					14 514 176
Debt impairment					65 266 022
Loss on disposal of assets					25 149
Depreciation and amortisation					35 513 937
Impairment of assets					4 204 687
Actuarial gains and losses					(6 949 153)
<b>Entity's surplus (deficit) for the period</b>					<b>45 566 757</b>

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 42. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

#### Details of the arrangement(s) is/are as follows:

The municipality acts on behalf of the Department of Transport and issues motor vehicle licences to motorists in the municipal area in exchange for a prescribed fee.

The municipality facilitates the issuing of these licences and the collection of the prescribed fees.

The agreement commenced on the 1<sup>st</sup> of April 2021 and will be in force for a period of three years, terminating 31 March 2024.

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 3 894 845 (2021: R 4 593 392)

In terms of this agreement the municipality is obligated to perform the following functions:]

- Motor Vehicle registration and licensing
- Learner and driver license functions
- Motor vehicle testing functions

### 43. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

### 44. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	20 466 196	20 466 196
Receivables from non-exchange transactions	32 437 399	32 437 399
Cash and cash equivalents	16 830 835	16 830 835
	<b>69 734 430</b>	<b>69 734 430</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	151 334 133	151 334 133
Consumer deposits	6 735 686	6 735 686
	<b>158 069 819</b>	<b>158 069 819</b>

#### 2021

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	19 731 950	19 731 950
Receivables from non-exchange transactions	27 697 772	27 697 772

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Financial instruments disclosure (continued)</b>		
Cash and cash equivalents	12 516 771	12 516 771
	<b>59 946 493</b>	<b>59 946 493</b>

### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	136 581 421	136 581 421
Consumer deposits	6 395 360	6 395 360
	<b>142 976 781</b>	<b>142 976 781</b>

### 45. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	23 116 898	34 195 547
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##### Total capital commitments

Already contracted for but not provided for	23 116 898	34 195 547
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#### Total commitments

##### Total commitments

Authorised capital expenditure	23 116 898	34 195 547
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This committed expenditure relates to plant and equipment and will be financed from government grant allocations.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	-	262 267
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Operating lease payments represent rentals payable by the municipality for certain of its office equipment. No contingent rent is payable.

Nashua - The municipality leased printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or condition were negotiated during the reporting period.

Fedeliy Cash Solutions - The municipality has a lease with Fedeliy Cash Solutions for a period of 36 months, effective from 1 August 2017. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 46. Contingencies

#### **Nakevi Abel Makgato/Bela Bela Municipality.**

Nature of the matter: On 17 August 2020, Summons were issued against the Municipality by the Plaintiff for alleged damages sustained to his vehicle as a result of a pothole.

Status 2022: Matter is in the Bela Bela Magistrates court for damages claim. Pre-trial to be held on 15/07/2022.

Claim amount: R52 683.00

#### **Aurecon South Africa (Pty) Ltd : Civil-claim in relation to professional fees**

Summary of facts: On 05 August 2020 summons were issued against the Municipality. The claim is an amount of R509 125.01 which is in relation to the appointment of the Plaintiff to render certain professional consultancy engineering services on the project known as Bela-Bela Pave Bus Route- Rapotokwane (MIG/LP/2126/R,ST/16/18).

Status 2022: The matter is being defended in the High Court but the proceedings are stayed in order to claim refund the Municipality paid as security for a borrowed pit utilized for the same project from the Department of Minerals and Energy (DME).

Amount Claimed: R509 125.

### 47. Related parties

Relationships  
Accounting Officer  
Members of key management

Refer to accounting officers' report.  
Refer to Notes 26 ( details for Key management) and  
27( details for council)

#### **Related party balances**

#### **Remuneration of management**

#### **Senior management**

Refer to note 26 Remuneration of key management.

#### **Councillors**

Refer to note 27 Remuneration of councillors for detail.

#### **Additional information**

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitu

### 48. Risk management

#### **Financial risk management**

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

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

2022

2021

### 48. Risk management (continued)

#### Liquidity risk

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

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits				
• Consumer deposits	6 735 686	-	-	-
• Trade and other payables	170 832 359	-	-	-
• Unspent conditional grants and receipts	214 343	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Consumer deposits	6 395 360	-	-	-
• Trade and other payables	154 670 761	-	-	-
• Unspent conditional grants and receipts	18 365 820	-	-	-

#### 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. The calculations and scoring used when completing the Type Risk Payment report, for consumers debtors are based on accounts ageing, account status and account type. This assist the municipality to calculate the payment risk.

There was no change in the municipality's risk profile or risk policies.

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

Financial instrument	2022	2021
Cash and cash equivalents	16 830 835	12 516 771
Receivables from exchange transactions	18 769 003	18 664 752
Other receivables from exchange transactions	1 472 903	994 174

#### Market risk

##### Interest rate risk

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

### 49. Budget differences

#### Material differences between budget and actual amounts

Material differences of 10% or more are explained below:

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand	2022	2021
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### 49. Budget differences (continued)

**Service Charges:** Service charges have a difference of -23%. The variance arose from differences between budget and actual amount for electricity revenue, water revenue and sanitation revenue. These variances are attributable to illegal connections (theft of electricity and water), faulty and inaccessible water meters (inaccurate levying of water revenue) and inaccurate/incomplete consumer information on the financial system.

**Sales of Goods and Rendering of Services:** Sale of goods and services has a variance of -35%. The revenue from sales of goods and rendering of services is dependent on the demand by the community during the financial year. The actual demand was lower than anticipated.

**Cemetery Fees:** The negative variance of -19% indicates that there were less cemetery services rendered during the financial year than anticipated in the budget.

**Demand Charges:** Demand charges have a variance of -70%. Illegal connections of electricity have negatively affected the amount of revenue earned from demand charges. The negative variance also indicates that the municipality rendered fewer than anticipated services in the financial year.

**Other income:** Other income is earned as and when the related services are rendered. The variance of -34% indicates that fewer than anticipated services were rendered in the financial year due to a lower demand from the community.

**Interest received on investments and bank accounts:** The variance is due to financial constraints faced by the municipality and as a result could not increase its investments earning.

**Licences and permits (non-exchange):** The variance of 24% is indicates that the municipality exceeded initial budget estimates.

**Interest - Property Rates:** The variance is as a result of underbudgeting, The interest estimate was adjusted during the 2021/22 budget adjustment process

**Fines:** The variance between budget and actual is 267%. This is attributable to feasibility of law enforcement on the roads whereby they issued more fines for transgression of the traffic laws than projected.

**Debt impairment:** The major variance is attributable to the impairment on Traffic fines and balance on Recievables which are irrecovable after exhausting all Debt collection measures.

**Interest, penalties and forfeits:** This revenue type is depended on transgression of the municipal by laws.

**Property rates:** The variance of -13% is attributable to the over-estimation of the budget for property rates.

**Employee related costs:** The variance between budget and actual is -12%. Some of the positions that were budgeted for were not filled during the financial year.

**Depreciation and amortization:** The variance of 18% is due to additions of infrastructure assets which were depreciated during the year.

**Finance cost:** The finance cost variance of 102% is attributable to the increase in the finance cost charged on the provision on the Landfill site.

**Debt impairment:** The major variance is attributable to the impairment on Traffic fines and balance on receivables which are irrecoverable after exhausting all Debt collection measures.

**Contracted services:** The variance of -29% is caused by implementation of cost containment measures.

**General expenses:** The variance of -27% is caused by implementation of cost containment measures.t

### 50. Licences and permits (non-exchange)

Trading	3 882	-
Road and Transport	2 228 381	1 938 558
	<b>2 232 263</b>	<b>1 938 558</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

### 51. Impairment loss

#### Impairments

Property, plant and equipment	4 204 687	-
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### 52. Fair value adjustments

Investment property (Fair value model)	25 051 660	(169 273 436)
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### 53. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	1 513 869	-
Current year subscription / fee	-	1 513 869
	<b>1 513 869</b>	<b>1 513 869</b>

#### Material losses through criminal conduct

Opening balance as previously reported	3 030 857	2 997 932
Add: Losses identified - current period	558 565	345 284
Less: Amounts recovered - current	(735 741)	(312 359)
	<b>2 853 681</b>	<b>3 030 857</b>

The material losses are debit orders which went fraudulently through the bank account. Investigation is still ongoing and no amounts were written off in the current year.

#### SDL

Current year payroll deductions and council contributions	1 239 447	-
Amount paid -current year	(1 239 447)	-
	-	-

#### Audit fees

Opening balance	5 724 052	9 348 855
Amount paid - current year	(1 185 486)	(3 624 803)
	<b>4 538 566</b>	<b>5 724 052</b>

#### PAYE and UIF

Opening balance	1 775 933	1 649 692
Current year payroll deductions and council contributions	22 055 554	22 055 554
Amount paid - current year	(22 055 554)	(20 279 621)
Amount paid - previous years	(1 775 933)	(1 649 692)
	-	<b>1 775 933</b>

#### Pension and Medical Aid Deductions

Opening balance	3 021 589	2 946 759
Current year payroll deductions and council contributions	39 330 287	36 308 699
Amount paid - current year	(39 330 287)	(33 287 110)
Amount paid - previous years	(3 021 589)	(2 946 759)
	-	<b>3 021 589</b>

# Bela Bela Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Note to the Annual Financial Statements

Figures in Rand

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
MAKHUBELA MJ	1 678	554	2 232
MASHABA RL	2 994	1 953	4 947
	<b>4 672</b>	<b>2 507</b>	<b>7 179</b>

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Ledwaba MH	2 097	-	2 097
Cllr. Makhubela MJ	1 265	2 710	3 975
Cllr. Maletse YMS	1 930	1 293	3 223
Cllr. Maluleke SE	1 953	11	1 964
Cllr. Moeletsi RZ	2 017	42 552	44 569
	<b>9 262</b>	<b>46 566</b>	<b>55 828</b>

30 June 2022	Highest outstanding amount	Month
MAKHUBELA MJ	5 883	November 2021
MASHABA RL	4 947	June 2022
	<b>10 830</b>	-

30 June 2021	Highest outstanding amount	Aging (in days)
Cllr. Moeletsi RZ	44 569	-
Cllr. Makhubela MJ	3 976	-
	<b>48 545</b>	-

#### Deviation from supply chain management regulations

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

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

#### Incident

Emergency procurement	1 359 081	5 944 586
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