



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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

Service Delivery: Rates, Waste Management and General services

Members of Council

Executive committee

Councillors

Cllr VM Sikhosana - Honourable Mayor
Cllr BJ Thwala - Honourable Deputy Mayor
Cllr KE Nxumalo - Honourable Speaker
Cllr BR Shongwe - EXCO Member
Cllr SR Mhlongo - EXCO Member
Cllr CM Nxumalo-Sibiya - EXCO Member
Cllr BES Ntshangase - Chief Whip
Cllr MT Sibiya - MPAC Chair
Cllr MB Mthembu
Cllr SA Xulu
Cllr MP Mafuleka
Cllr NP Mavuso
Cllr MG Ndlangamandla
Cllr CN Mavundla
Cllr ZS Khumalo
Cllr ZZ Buthelezi
Cllr TA Ntshangase
Cllr NG Ncube
Cllr NP Van Zuydam
Cllr NT Gumbi
Cllr GL Sibiya
Cllr SV Dlamini-Nkambule
Cllr TD Buthelezi
Cllr FS Masango
Cllr NA Nkosi
Cllr ZB Motha
Cllr P Masuku
Cllr JB Ngema
Cllr XH Dhlamini

Grading of local authority

Grade 2
Low capacity

Municipal Manager

Mr MB Khali

Chief Financial Officer

Mr SF Mkhize (Acting)

Registered office

61 Martin Street
Pongola
3170

Postal address

PO Box 191
Pongola
3170

Bankers

First National Bank, Standard Bank, Absa Bank and Nedbank

Auditors

Auditor General South Africa

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MIG	Municipal Infrastructure Grant
MEC	Member of the Executive Council
MFMA	Municipal Financial Management Act
mSCOA	municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

I MB Khali acknowledge that I am 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 me to meet these responsibilities, I have 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.

I am 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.

I have reviewed the municipality's cash flow for the year ended 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the rate payers and the state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has no intention or need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the Auditor-General.

The annual financial statements set out on pages 5 to 75, were approved by the Accounting Officer on 31 August 2022 and were signed on its behalf by:

Mr MB Khali
Municipal Manager

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand

		Note(s)	2022	2021 Restated*
Assets				
Current Assets				
Statutory receivables from non-exchange transactions	<u>33.20.15</u>	8	16 238 233	12 408 639
VAT receivable	<u>31.20.15.(</u>	9	1 559 772	4 943 185
Other current assets	<u>27.20.15</u>	7	91 537	-
Receivables from exchange transactions	<u>31.20.15.(</u>	10	15 897 424	12 114 000
Cash and cash equivalents	<u>32.20</u>	11	10 432 776	3 659 807
			44 219 742	33 125 631
Non-Current Assets				
Investment property	<u>21.20</u>	2	63 477 380	61 270 000
Property, plant and equipment	<u>20.20</u>	3	362 550 768	354 570 512
Intangible assets	<u>23.40</u>	4	1 284 222	1 823 904
Heritage assets	<u>28.20</u>	5	70 945	70 945
			427 383 315	417 735 361
Non-Current Assets			427 383 315	417 735 361
Current Assets			44 219 742	33 125 631
Total Assets			471 603 057	450 860 992
Liabilities				
Current Liabilities				
Financial liabilities	<u>41.50.25</u>	12	-	1 086 772
Trade and other payables from exchange transactions	<u>51.20.25</u>	18	42 506 604	36 474 408
Consumer deposits	<u>51.20.25.(</u>	19	2 862 261	2 736 960
Trade and other payables from non-exchange transactions	<u>43.20.25</u>	13	8 891 255	503 417
Provisions	<u>52.20.25</u>	15	177 724	514 399
Long term loans- current portion	<u>43.80.25</u>	17	1 235 113	1 148 647
			55 672 957	42 464 603
Non-Current Liabilities				
Other financial liabilities	<u>41.40.20</u>	14	341 542	341 542
Financial liabilities	<u>41.50.20</u>	12	-	-
Employee benefit obligation	<u>43.50.20</u>	6	3 196 154	2 090 107
Provisions	<u>52.20.20</u>	15	11 106 887	9 868 852
Long- service awards	<u>43.60.20</u>	16	1 969 153	1 633 076
Long term loans	<u>43.80.20</u>	17	-	1 235 113
			16 613 736	15 168 690
Non-Current Liabilities			16 613 736	15 168 690
Current Liabilities			55 672 957	42 464 603
Total Liabilities			72 286 693	57 633 293
Assets			471 603 057	450 860 992
Liabilities			(72 286 693)	(57 633 293)
Net Assets			399 316 364	393 227 699
Accumulated surplus	<u>40.40.00</u>		399 316 364	393 227 699
Total Net Assets			399 316 364	393 227 699

* See Note 43

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	59 122 772	57 728 720
Rental of facilities and equipment	21	620 666	631 412
Interest on receivables	24	19 194 257	18 588 339
Licences and permits	23	1 437 218	1 366 261
Operational revenue	25	1 718 737	1 918 493
Interest on investment	26	1 301 061	1 805 117
Total revenue from exchange transactions		83 394 711	82 038 342
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	43 252 956	44 039 999
Transfer revenue			
Government grants & subsidies	28	212 086 892	221 748 268
Fines, Penalties and Forfeits	22	2 136 960	3 309 350
Total revenue from non-exchange transactions		257 476 808	269 097 617
		83 394 711	82 038 342
		257 476 808	269 097 617
Total revenue		340 871 519	351 135 959
Expenditure			
Employee related costs	29	(105 231 611)	(103 525 896)
Remuneration of councillors	30	(10 277 654)	(9 742 384)
Depreciation and amortisation	31	(28 023 906)	(25 375 101)
Finance costs	32	(1 737 255)	(1 571 391)
Debt Impairment	33	(33 711 473)	(32 653 411)
Bulk purchases	34	(36 689 378)	(34 080 640)
Transfers and Subsidies	54	(1 023 654)	(2 351 870)
General Expenses	35	(118 079 315)	(95 898 417)
Total expenditure		(334 774 246)	(305 199 110)
Total revenue		340 871 519	351 135 959
Total expenditure		(334 774 246)	(305 199 110)
Operating surplus		6 097 273	45 936 849
Fair value adjustments	36	1 620 380	1 430 000
Actuarial gains/losses	53	(1 522 170)	(1 135 324)
Profit/(loss)on sale of capital assets		(106 818)	(723 338)
		(8 608)	(428 662)
		6 088 665	45 508 187
Surplus before taxation		6 088 665	45 508 187
Taxation		-	-
Surplus for the year		6 088 665	45 508 187

* See Note 43

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	343 032 700	343 032 700
Correction of prior period error	4 686 812	4 686 812
Restated balance	347 719 512	347 719 512
Surplus for the year	45 508 187	45 508 187
	-	-
Restated* Balance at 01 July 2021	393 227 699	393 227 699
Profit for the year	6 088 665	6 088 665
Balance at 30 June 2022	399 316 364	399 316 364

* See Note 43

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		89 450 951	90 439 737
Grants		279 461 230	270 102 020
Interest income		1 301 061	1 805 117
		370 213 242	362 346 874
Payments			
Employee costs		(104 126 162)	(104 068 144)
Suppliers		(211 065 786)	(217 988 271)
Finance costs		(289 357)	(821 357)
Councillors allowances		(10 277 654)	(9 742 384)
		(325 758 959)	(332 620 156)
Total receipts		370 213 242	362 346 874
Total payments		(325 758 959)	(332 620 156)
Net cash flows from operating activities	38	44 454 283	29 726 718
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(35 592 198)	(49 110 928)
Proceeds from sale of property, plant and equipment	3	21 002	910 001
Net cash flows from investing activities		(35 571 196)	(48 200 927)
Cash flows from financing activities			
Movement in long term loans		(2 110 116)	(7 149 071)
Net increase/(decrease) in cash and cash equivalents		6 772 971	(25 623 280)
Cash and cash equivalents at the beginning of the year		3 659 807	29 283 087
Cash and cash equivalents at the end of the year	11	10 432 778	3 659 807

* See Note 43

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	63 546 693	(53 305)	63 493 388	59 122 772	(4 370 616)
Rental of facilities and equipment	627 008	-	627 008	620 666	(6 342)
Interest on receivables	14 607 029	-	14 607 029	19 194 257	4 587 228
Licences and permits	1 939 647	-	1 939 647	1 437 218	(502 429)
Operational revenue	3 265 974	(364 313)	2 901 661	1 718 737	(1 182 924)
Interest received - investment	1 526 613	-	1 526 613	1 301 061	(225 552)
Gains on disposal of assets	211 402	-	211 402	-	(211 402)
Total revenue from exchange transactions	85 724 366	(417 618)	85 306 748	83 394 711	(1 912 037)

Revenue from non-exchange transactions

Property rates	61 339 998	(17 835 573)	43 504 425	43 252 956	(251 469)
Government grants & subsidies	191 092 000	27 998 998	219 090 998	212 086 892	(7 004 106)
Fines, Penalties and Forfeits	2 857 353	-	2 857 353	2 136 960	(720 393)

Total revenue from non-exchange transactions	255 289 351	10 163 425	265 452 776	257 476 808	(7 975 968)
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'Total revenue from exchange transactions'	85 724 366	(417 618)	85 306 748	83 394 711	(1 912 037)
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'Total revenue from non-exchange transactions'	255 289 351	10 163 425	265 452 776	257 476 808	(7 975 968)
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Total revenue	341 013 717	9 745 807	350 759 524	340 871 519	(9 888 005)
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Expenditure

Employee related costs	(104 755 530)	1 317 905	(103 437 625)	(105 231 611)	(1 793 986)
Remuneration of councillors	(10 350 157)	190 719	(10 159 438)	(10 277 654)	(118 216)
Depreciation and amortisation	(27 735 897)	-	(27 735 897)	(28 023 906)	(288 009)
Finance charges	(1 081 315)	581 315	(500 000)	(1 737 255)	(1 237 255)
Debt Impairment	(10 455 400)	-	(10 455 400)	(33 711 473)	(23 256 073)
Bulk purchases	(41 953 751)	8 000	(41 945 751)	(36 689 378)	5 256 373
Transfers and subsidies	-	(1 500 000)	(1 500 000)	(1 023 654)	476 346
General Expenses	(85 968 178)	(17 321 231)	(103 289 409)	(118 079 315)	(14 789 906)

Total expenditure	(282 300 228)	(16 723 292)	(299 023 520)	(334 774 246)	(35 750 726)
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Operating surplus	58 713 489	(6 977 485)	51 736 004	6 097 273	(45 638 731)
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Loss on disposal of assets	-	-	-	(106 818)	(106 818)
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Fair value adjustments	-	-	-	1 620 380	1 620 380
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uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Actuarial gains/losses	-	-	-	(1 522 170)	(1 522 170)
	-	-	-	(8 608)	(8 608)
Surplus before taxation	58 713 489	(6 977 485)	51 736 004	6 088 665	(45 647 339)
(Deficit) surplus for the year	58 713 489	(6 977 485)	51 736 004	6 088 665	(45 647 339)

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Statutory Receivables from non-exchange transactions	22 235 950	(16 599 705)	5 636 245	16 238 233	10 601 988
VAT receivable	2 000 000	(1 000 000)	1 000 000	1 559 772	559 772
Other current assets	-	-	-	91 537	91 537
Receivables from exchange transactions	107 513 065	(80 261 248)	27 251 817	15 897 424	(11 354 393)
Cash and cash equivalents	4 377 397	6 082 259	10 459 656	10 432 776	(26 880)
	136 126 412	(91 778 694)	44 347 718	44 219 742	(127 976)

Non-Current Assets

Investment property	70 590 000	(9 320 000)	61 270 000	63 477 380	2 207 380
Property, plant and equipment	415 167 550	1 115 334	416 282 884	362 550 768	(53 732 116)
Intangible assets	2 433 073	-	2 433 073	1 284 222	(1 148 851)
Heritage assets	70 945	-	70 945	70 945	-
	488 261 568	(8 204 666)	480 056 902	427 383 315	(52 673 587)

Current Assets	136 126 412	(91 778 694)	44 347 718	44 219 742	(127 976)
Non-Current Assets	488 261 568	(8 204 666)	480 056 902	427 383 315	(52 673 587)
Total Assets	624 387 980	(99 983 360)	524 404 620	471 603 057	(52 801 563)

Liabilities

Current Liabilities

Finance lease obligation	2 015 468	-	2 015 468	-	(2 015 468)
Payables from exchange transactions	16 176 473	(6 220 293)	9 956 180	42 506 604	32 550 424
Consumer deposits	1 754 687	-	1 754 687	2 862 261	1 107 574
Unspent conditional grants	-	-	-	8 891 255	8 891 255
Provisions	774 191	-	774 191	177 724	(596 467)
Long term loans-current portion	1 360 181	3 406	1 363 587	1 235 113	(128 474)
	22 081 000	(6 216 887)	15 864 113	55 672 957	39 808 844

Non-Current Liabilities

Other financial liabilities	-	341 542	341 542	341 542	-
Finance lease obligation	-	3 498 995	3 498 995	-	(3 498 995)
Employee benefit obligation	-	-	-	3 196 154	3 196 154
Provisions	8 428 932	-	8 428 932	11 106 887	2 677 955
Long- service awards	-	-	-	1 969 153	1 969 153
Long term loans	1 296 990	2 560 358	3 857 348	-	(3 857 348)
	9 725 922	6 400 895	16 126 817	16 613 736	486 919

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual
Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
	22 081 000	(6 216 887)	15 864 113	55 672 957	39 808 844
	9 725 922	6 400 895	16 126 817	16 613 736	486 919
Total Liabilities	31 806 922	184 008	31 990 930	72 286 693	40 295 763
Assets	624 387 980	(99 983 360)	524 404 620	471 603 057	(52 801 563)
Liabilities	(31 806 922)	(184 008)	(31 990 930)	(72 286 693)	(40 295 763)
Net Assets	592 581 058	(100 167 368)	492 413 690	399 316 364	(93 097 326)
Net Assets					
Net Assets					
Attributable to					
Owners of Controlling					
Entity					
Reserves					
Accumulated surplus	592 581 058	(100 167 368)	492 413 690	399 316 364	(93 097 326)

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	104 183 345	(10 197 263)	93 986 082	89 450 951	(4 535 131)
Grants	191 092 000	27 499 000	218 591 000	279 461 230	60 870 230
Interest income	1 526 613	-	1 526 613	1 301 061	(225 552)
	296 801 958	17 301 737	314 103 695	370 213 242	56 109 547
Payments					
Employee costs	(103 778 871)	(4 207 998)	(107 986 869)	(104 126 162)	3 860 707
Suppliers	(128 898 588)	(8 511 892)	(137 410 480)	(211 065 786)	(73 655 306)
Finance costs	(1 081 315)	581 315	(500 000)	(289 357)	210 643
Remuneration of Councillors	(10 350 157)	(81 718)	(10 431 875)	(10 277 654)	154 221
	(244 108 931)	(12 220 293)	(256 329 224)	(325 758 959)	(69 429 735)
Total receipts	296 801 958	17 301 737	314 103 695	370 213 242	56 109 547
Total payments	(244 108 931)	(12 220 293)	(256 329 224)	(325 758 959)	(69 429 735)
Net cash flows from operating activities	52 693 027	5 081 444	57 774 471	44 454 283	(13 320 188)
Cash flows from investing activities					
Purchase of property, plant and equipment	(52 075 948)	3 423 616	(48 652 332)	(35 592 198)	13 060 134
Proceeds on disposal of capital assets	-	-	-	21 002	21 002
Net cash flows from investing activities	(52 075 948)	3 423 616	(48 652 332)	(35 571 196)	13 081 136
Cash flows from financing activities					
Repayment of borrowings	(2 322 290)	-	(2 322 290)	(2 110 116)	212 174
Net cash flows from financing activities	(2 322 290)	-	(2 322 290)	(2 110 116)	212 174
Net increase/(decrease) in cash and cash equivalents	(1 705 211)	8 505 060	6 799 849	6 772 971	(26 878)
Cash and cash equivalents at the beginning of the year	4 555 995	(896 188)	3 659 807	3 659 807	-
Cash and cash equivalents at the end of the year	2 850 784	7 608 872	10 459 656	10 432 778	(26 878)

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

The municipality changes an accounting policy only if the change:

- (a) Is required by a standard of GRAP or
- (b) Results in the financial statements providing reliable and more relevant information about the effects of transaction, other events or conditions on the performance or cash flow.

The following GRAP standards have been approved and effective to the municipality:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing costs
- GRAP 6 Consolidated and Separated Financial Statements
- GRAP 7 Investment in Associates
- GRAP 8 Interest in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 Related Party Disclosures
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee benefits
- GRAP 26 Impairment of Cash-Generating Assets
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investment in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-Living Resources

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 25 Employee Benefits (amendments)
GRAP 104 Financial Instruments (amendments)
Guideline Accounting for landfill sites
Guideline The application of materiality to financial statement

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Expenditure

Expenditure is recognised on an accrual basis.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Impairment testing

Financial assets:

As described in the accounting policy disclosure relating to PPE and intangible assets with indefinite useful lives, the municipality depreciates/amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

Useful lives and impairment of Property, Plant and Equipment (PPE) and Intangible assets with indefinite useful lives:

As described in accounting policy disclosure relating to PPE and intangible assets with indefinite useful lives, the municipality depreciates/ amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.5 Investment property

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

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services 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.

1.6 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.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

The costs shall 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 is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Landfill sites	Straight-line	20-25 years
Buildings		
• Parkhomes	Straight-line	05-10 years
• Residential	Straight-line	10-33 years
• Ablutions	Straight-line	25-50 years
• Car ports	Straight-line	15-30 years
• Community halls	Straight-line	25-50 years
• Testing centre	Straight-line	25-50 years
• Libraries	Straight-line	25-50 years
• Sport fields	Straight-line	25-50 years
• Creches	Straight-line	24-50 years
• Store rooms	Straight-line	25-30 years
Electricity		
• Cables	Straight-line	25-45 years

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Accounting Policies

1.6 Property, plant and equipment (continued)

• Panels	Straight-line	03-14 years
• Fencing	Straight-line	10-25 years
• High mast lights	Straight-line	15-25 years
• Overheads lines	Straight-line	20-30 years
• Meters	Straight-line	20-30 years
• Substation equipment indoors	Straight-line	30-40 years
• Substation equipment outdoors	Straight-line	20-30 years
• Switchgears	Straight-line	20-30 years
• Substation	Straight-line	20-30 years
• Transformers	Straight-line	25-50 years
Roads		
• Traffic calming	Straight-line	10-30 years
• Roads barriers	Straight-line	10-30 years
• Kerb & channels	Straight-line	40-50 years
• Roads asphalt surfaces	Straight-line	30-50 years
• Road asphalt surfaces	Straight-line	10-22 years
• Road gravel surfaces	Straight-line	03-25 years
• Pedestrial footpaths	Straight-line	13-30 years
• Roads streetlighting	Straight-line	25-40 years
• Traffic lights	Straight-line	15-20 years
• Traffic signs	Straight-line	05-15 years
• Culverts	Straight-line	25-40 years
• Drains concrete	Straight-line	25-50 years
• Roads	Straight-line	10-20 years
Furniture and fittings		
• Airconditioners	Straight-line	03-30 years
• Office equipments	Straight-line	05-30 years
• Other furnitures	Straight-line	05-30 years
• Paintings, sculpters and ornaments	Straight-line	05-10 years
Transport assets		
• Motor vehicles	Straight-line	04-30 years
• Trailers & accessories	Straight-line	05-30 years
• Trucks	Straight-line	05-30 years
Other machinery and equipment		
• Audio visual equipment	Straight-line	05-30 years
• Domestic equipment	Straight-line	03-30 years
• Electric wire and power distribution	Straight-line	03-12 years
• Farm or agricultural equipment	Straight-line	05-33 years
• Gardening equipment	Straight-line	02-33 years
• Irrigation equipment	Straight-line	10-15 years
• Kitchen appliances	Straight-line	05-25 years
• Medical and allied equipment	Straight-line	05-25 years
• Photographic equipmment	Straight-line	05-10 years
• Radio equipment	Straight-line	05-25 years
• Roads equipment	Straight-line	03-30 years
• Security equipment	Straight-line	05-30 years
• Survey equipment	Straight-line	03-12 years
• Telecommunication equipment	Straight-line	05-11 years
• Workshop equipment	Straight-line	05-30 years
Computer equipment		
• Computer hardware	Straight-line	04-25 years
• Computer network	Straightl-line	05-10 years
Solid waste disposal		
• Bins containers	Straight-line	10-15 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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.

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

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

1.7 Site restoration and dismantling cost

Where 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.

1.8 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.

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.

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

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

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Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Intangible assets are derecognised:

- 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 intangible assets is included in surplus or deficit when the asset is derecognised.

1.9 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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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Accounting Policies

1.9 Heritage assets (continued)

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 of impairment. 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).

1.10 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 municipality.

A financial asset is:

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

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

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

Classification

The municipality 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:

Class

Receivables from exchange transactions
Cash and cash equivalents
Statutory receivables from non exchange transactions

Category

Financial asset measured at amortised cost
Financial asset measured at cost
Financial asset measured at amortised cost

The municipality 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:

Class

Long-term loans
Trade and other payables from exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities.

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Accounting Policies

1.10 Financial instruments (continued)

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities.

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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 an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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1.10 Financial instruments (continued)

Financial assets measured at cost

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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1.10 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.11 Statutory receivables from non exchange transactions

Identification

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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Accounting Policies

1.11 Statutory receivables from non exchange transactions (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

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.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted 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.

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1.11 Statutory receivables from non exchange transactions (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Tax

The uPhongolo Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

1.13 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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.

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.

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.

The discount rate used in calculating the present value of the minimum lease payments is the .

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.

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1.14 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.

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

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

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

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

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

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

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

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

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

Designation

Assets are designated as non-cash-generating or cash-generating based on the municipality's objective of using the asset. An asset can either be used with the objective of generating a commercial return or delivering services.

The assessment of a municipality's objective of using the asset is performed at initial recognition, based on management's expected use of the asset over its useful life. Subsequent to initial recognition and designation, a municipality shall redesignate an asset, if there has been a change in a municipality's expected use of the asset that is expected to result in positive cash flows that are significantly higher than the cost of the asset.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employee.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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1.15 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related services.

Short-term employee benefits include items such as:

- wages, salaries and social contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 municipality recognise 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 recognise the expected cost of bonus, incentive and performance related payments when the municipality 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.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

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1.15 Employee benefits (continued)

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (fund) and will have no legal or construction obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Retirement Funds

The municipality contributes towards retirement benefits of its employees to the following funds:

The Natal Joint Municipal Pension Fund;
Government Employees Pension Fund;
Municipal Gratuity Fund;
Municipal Employee Pension Fund.

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1.15 Employee benefits (continued)

Post employment medical care benefit.

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement of post-medical benefits is based on employees remaining in service up to the retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance to GRAP 25.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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.

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 constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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1.17 Commitments (continued)

Operational commitment represent both goods and services where an order or an appointment letter has been approved and issued to the supplier at the reporting period.

1.18 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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.

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. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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 in surplus or deficit using the effective interest rate method.

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1.18 Revenue from exchange transactions (continued)

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Receivables from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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1.19 Receivables from non-exchange transactions (continued)

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

Property rates

The municipality recognises property rates in terms of the Municipal Property Rates Act and the municipal rates policy.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. The taxable event for property tax is the passing of the date on which the tax is levied.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Government grants

Grants and donations received, or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions. Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, the liability is transferred to revenue as and when the conditions attached to the grant are met.

Unconditional grants are recognised as revenue in full when the asset is recognised, at an amount equal to their fair value of the asset received.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 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.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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

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1.23 Fruitless and wasteful expenditure

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

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

1.24 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. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned before year end and/or before the finalisation of financial statements must also be recognised appropriately recognised in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statement.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.25 Segment information

A segment is an activity of an entity:

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

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

Identification of segment

The municipality is organised and reports to management on the basis of three major functional areas: Electricity, Rates, and Refuse. The segments were organised around the type of goods and services delivered. Management uses these same segments for determining strategic objectives. Supporting services segment was aggregated for reporting purposes.

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

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1.25 Segment information (continued)

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The necessary information is not available and the cost to develop it would be excessive.

Aggregated segments

Support services segment was aggregated as a practical limit has been reached beyond which segment information becomes too detailed. Management is of the view that such additional detailed segments are not useful and relevant.

Types of goods and/or services by segment

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

Finance & administration	Provision of support services
Community & public safety	Provision of community facilities, refuse removal & protection services
Planning & development	Economic and infrastructure development

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Information about geographical areas

The municipality's operations are in the KwaZulu-Natal Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

1.26 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities under the control of Council are considered to be related parties.

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

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1.27 Related parties (continued)

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

Only transactions with related parties that are not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Value Added Tax

Recognition of asset and liability

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

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2. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	63 477 380	-	63 477 380	61 270 000	-	61 270 000

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Vacant land	61 270 000	587 000	1 620 380	63 477 380

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Vacant land	59 840 000	1 430 000	61 270 000

Pledged as security

No investment property were pledged as security:

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.

Details of valuation

The effective date of the revaluations was Thursday, 30 June 2022. Revaluations were performed by an independent valuer, Mr WF Hamilton, of MPG Mass Appraisals (Pty) Ltd. BPG Mass Appraisals (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

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3. 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	71 302 265	-	71 302 265	71 302 265	-	71 302 265
Buildings	158 171 408	(39 823 982)	118 347 426	142 230 660	(31 769 678)	110 460 982
Infrastructure	236 734 020	(99 153 288)	137 580 732	222 750 897	(84 852 467)	137 898 430
Solid waste	9 601 867	(501 271)	9 100 596	9 469 019	(383 533)	9 085 486
Other PPE	51 319 158	(25 099 409)	26 219 749	48 952 430	(23 129 081)	25 823 349
Total	527 128 718	(164 577 950)	362 550 768	494 705 271	(140 134 759)	354 570 512

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	71 302 265
Buildings	110 460 980	15 940 748	-	(4 129 392)	(3 924 910)	118 347 426
Infrastructure	137 898 479	13 983 123	-	(14 300 891)	-	137 580 732
Solid waste	9 085 487	132 848	-	(117 739)	-	9 100 596
Other equipment	25 823 355	5 535 479	(127 820)	(5 001 106)	(10 159)	26 219 749
	-	-	-	-	-	-
	354 570 566	35 592 198	(127 820)	(23 549 128)	(3 935 069)	362 550 768

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	71 302 265
Buildings	95 432 769	19 329 830	-	(3 830 642)	(470 977)	110 460 981
Infrastructure	133 797 672	20 803 386	-	(16 639 021)	(63 558)	137 898 479
Solid waste	6 788 046	2 414 497	-	(117 056)	-	9 085 487
Other PPE	19 397 021	11 904 349	(6 080 034)	(3 831 371)	(13 306)	25 823 355
	-	-	-	-	-	-
	326 717 773	54 452 062	(6 080 034)	(24 418 090)	(547 841)	354 570 567

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	14 461 235	22 617 873	37 079 108
Additions/capital expenditure	13 718 027	15 921 248	29 639 275
Other movements [specify]	-	(3 924 910)	(3 924 910)
Transferred to completed items	(5 026 711)	(12 299 740)	(17 326 451)
	23 152 551	22 314 471	45 467 022

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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	8 801 296	17 167 055	25 968 351
Additions/capital expenditure	20 803 387	19 318 509	40 121 896
Impairment	-	(275 675)	(275 675)
Transferred to completed items	(15 143 447)	(13 592 016)	(28 735 463)
	14 461 236	22 617 873	37 079 109

Expenditure incurred to repair and maintain property, plant and equipment

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

Buildings	550 039	429 908
Infrastructure	12 530 433	20 763 916
Other	1 625 112	4 055 361
	14 705 584	25 249 185

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

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4. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 061 310	(1 777 088)	1 284 222	3 061 310	(1 237 406)	1 823 904

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	1 823 904	(539 682)	1 284 222

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	2 233 074	(409 170)	1 823 904

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5. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other Heritage Assets	46 949	-	46 949	46 949	-	46 949
Works of art	23 996	-	23 996	23 996	-	23 996
Total	70 945	-	70 945	70 945	-	70 945

Reconciliation of heritage assets 2022

	Opening balance	Total
Other Heritage Assets	46 949	46 949
Works of art	23 996	23 996
	70 945	70 945

Reconciliation of heritage assets 2021

	Opening balance	Total
Other Heritage Assets	46 949	46 949
Works of art	23 996	23 996
	70 945	70 945

Pledged as security

No heritage assets pledged as security.

6. Employee benefit obligation

Defined benefit plan

Medical Benefits:

An actuarial valuation has been performed by One Pangaea & Solutions to ascertain the municipality's liability in respect of the benefits to eligible employees

The actuarial valuation is performed every year.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(2 090 106)	(1 972 225)
Interest costs	(170 014)	(174 534)
Benefits paid	255 159	262 389
Actuarial gain/(loss)	(1 191 193)	(205 736)
	(3 196 154)	(2 090 106)

Net expense recognised in the statement of financial performance

Interest cost	(170 014)	(174 534)
Actuarial gains (losses)	1 191 193	205 736
	1 021 179	31 202

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6. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.08 %	8.65 %
Salary inflation	8.77 %	8.47 %
1% increase in medical inflation	9.68 %	8.16 %
1% decrease in medical inflation	8.47 %	7.24 %
1% increase in discount rate	7.80 %	6.63 %
1% decrease in discount rate	9.03 %	7.58 %
Mortality less 2 years	7.71 %	9.55 %

Other assumptions

The municipality has been unsuccessful in obtaining the necessary information to support proper defined plan accounting due to restrictions imposed by the multiemployer plan. As a result of the restrictions, some of the entities defined benefit plans have not been treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contributions plans. This is in line with the GRAP 25 exemption which states that where information required for proper defined benefit plan accounting is not available in respect of multi employer state plans, these should be accounted for as defined contributions plan.

Pension benefits

The municipality's personnel are members of one of the pension funds listed below:

- KwaZulu Natal Joint Municipal Pension Fund
- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Government Employees Pension Fund

As the aforementioned funds are multiemployer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained, the funds are all treated as defined contribution plans, an independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and interim valuation on an annual basis.

Superannuation Fund: The interim valuation carried out on the Superannuation Fund as at March 2016 reflected the following:

- The memorandum account in respect of the pensioners was fully funded
- The ability in respect of active members was 100% funded.

Retirement and Provident Fund: The latest statutory valuation on the Retirement/Provident Fund (defined contribution) as at 30 June 2022 revealed the following: The memorandum account in respect of the pensioners was fully funded.

The ability in respect of active members was 100% funded:

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6. Employee benefit obligation (continued)

	One percentage point increase	One percenta ge point increase
Principal actuarial assumptions:	-	-
1% increase in discount rate	-	-
-Defined benefit obligation	2 946 972	1 951 563
-Percentage	7,80%	6.63%
1% decrease in discount rate	-	-
-Defined benefit obligation	3 484 632	2 248 614
-Percentage	9,03%	7.58%
1% decrease in salary inflation	-	-
-Defined benefit obligation	2 295 518	1 938 747
-Percentage	8,47%	7.24%
1% increase in salary	-	-
-Defined benefit obligation	3 505 442	2 260 754
-Percentage	9,68%	8.16%

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

	2022	2021	2020	2019	2018
Present value of funded obligations	3 196 154	2 090 106	1 972 225	2 120 383	3 187 919
Total	3 196 154	2 090 106	1 972 225	2 120 383	3 187 919

7. Other current assets

Wesbank loan	91 537	-
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8. Statutory receivables from non-exchange transactions

Fines	12 360 431	10 481 991
Property rates	136 845 108	118 290 628
Impairment-Traffic Fines	(11 184 026)	(9 559 575)
Impairment-Property Rates	(121 783 280)	(106 804 405)
	16 238 233	12 408 639

Property rates: Ageing

Current (0-30 days)	8 196 657	10 087 502
31-60 days	2 342 911	3 101 239
61-90 days	2 227 826	2 857 065
91-120 days	2 146 788	2 664 419
121+ days	121 930 926	99 580 403
	136 845 108	118 290 628

Traffic fines: Ageing

Current (0-30 days)	451 900	425 960
31-60 days	239 850	210 950
61-90 days	172 150	355 450
91-120 days	202 060	82 448
121+ days	11 294 471	9 407 183
	12 360 431	10 481 991

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8. Statutory receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R9 612 307 - (2021: R9 669 106 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Property rates	9 612 307	9 669 106
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Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Opening balance	(116 363 981)	(95 509 508)
Contribution for the current year	(16 603 325)	(20 854 473)
	(132 967 306)	(116 363 981)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

- 1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
- 2) Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

- (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or
- (b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

The amount of rates levied by the municipality on properties, is the amount in the Rand

- a) On the market value of the property;

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8. Statutory receivables from non-exchange transactions (continued)

b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;

c) In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

Refer to Note 27 for rate randages.

9. VAT receivable

VAT	1 559 772	4 943 185
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The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate of 15 % in terms of Section 7(1)(a) of the VAT Act in respect of goods or services, except where supplies are specifically zero rates in terms of Section 11, exempted in terms of Section 12 of the VAT Act or are scoped out for VAT purpose. The municipality accounts for VAT on monthly basis.

10. Receivables from exchange transactions

Gross balances

Electricity	17 306 705	15 931 712
Refuse	132 462 495	114 185 072
Other	4 369 671	3 175 116
	154 138 871	133 291 900

Less: Allowance for impairment

Electricity	(7 982 870)	(4 932 209)
Refuse	(127 230 774)	(113 205 770)
Other	(3 027 803)	(3 039 920)
	(138 241 447)	(121 177 899)

Net balance

Electricity	9 323 835	10 999 503
Refuse	5 231 721	979 301
Other	1 341 868	135 196
	15 897 424	12 114 000

Electricity

Current (0 -30 days)	7 786 783	7 631 773
31 - 60 days	1 017 443	502 360
61 - 90 days	884 788	547 965
91 - 120 days	892 739	354 684
121+ days	6 724 952	6 894 930
	17 306 705	15 931 712

Refuse

Current (0 -30 days)	3 176 808	2 879 451
31 - 60 days	1 315 896	1 253 159
61 - 90 days	1 303 054	1 265 098
91 - 120 days	1 296 344	1 236 294
121+ days	125 370 393	107 551 070
	132 462 495	114 185 072

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10. Receivables from exchange transactions (continued)

Other

Current (0 -30 days)	214 487	152 120
31 - 60 days	15 442	61 620
61 - 90 days	120 689	19 928
91 - 120 days	29 886	73 503
121+ days	3 989 167	2 867 944
	4 369 671	3 175 115

Reconciliation of allowance for impairment

Balance at beginning of the year	(121 177 899)	(109 378 962)
Contributions to allowance	(17 063 548)	(11 798 937)
	(138 241 447)	(121 177 899)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R5 741 083 - (2021:R5 842 700 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Electricity	2 054 968	3 604 027
Refuse	2 744 228	1 463 651
Other	941 888	775 022

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 717	1 717
Bank balances	10 261 438	3 529 136
Short-term deposits	169 621	128 954
	10 432 776	3 659 807

The municipality had the following bank accounts

Account number	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB - 62027530858	10 223 654	3 529 136	10 223 654	3 529 136
FNB - 62375342377	94	94	94	94
FNB - 62377992104	182	182	182	182
FNB - 62389585286	895	895	895	895
FNB - 62389586507	7 946	7 898	7 946	7 898
FNB - 62404561377	87	87	87	87
FNB - 62404287345	7 737	57 478	7 737	57 478
FNB - 62658357001	5 192	5 160	5 192	5 160
FNB - 62305239718	91 563	2 932	91 563	2 932
FNB - 74275780911	51 696	50 485	51 696	50 485
FNB - 62253771896	3 025	3 025	3 025	3 025
FNB - 62230436405	22	22	22	22
FNB - 62596797559	1 183	697	1 183	697
Cash on hand	1 717	1 717	1 717	1 717
Receipt recognised but not yet reflecting on the B/S	37 783	-	37 783	-
Total	10 432 776	3 659 808	10 432 776	3 659 808

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12. Financial liabilities

Current liabilities	-	1 086 772
Present value of minimum lease payments due		
- within one year	2 398 800	1 086 772
- in second to fifth year inclusive	4 455 600	-
	6 854 400	1 086 772

The municipality leased twelve (12) motor vehicles from Minatlou from 01 January 2019 to 31 December 2021. Thirty six (36)monthly lease instalments of R189 000.78 in total are payable monthly for the entire lease period. The interest is charged at 12% and 18% for Toyota and Isuzu respectively. The municipality has the option to either acquire the motor vehicles at fair value or not at the end of the lease term.

The municipality leased thirthen (13) motor vehicles from RIS Vehicle Hire (Pty) Ltd from 01 June 2022 to 31 May 2025. Thirty six (36)monthly lease instalments of R199 900.00 in total are payable monthly for the entire lease period. The municipality has no option to either acquire the motor vehicles at fair value or not at the end of the lease term as this is a operational lease.

13. Trade and other payables from non-exchange transactions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Belgrade Fitness Centre	6 000 000	-
Human Settlement Housing Grant	759 111	-
Integrated National Electrification Programme	449 783	-
Sub Rank Facility Grant	3 417	3 417
Integrated Spatial Development Economic Plan	1 003 108	500 000
Koppie Allen Guesthouse Project	675 836	-
	8 891 255	503 417

14. Other financial liabilities

Designated at fair value

Other financial liability	341 542	341 542
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15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Non current: Environmental rehabilitation	9 868 852	1 238 035	11 106 887
Current: Bonuses	514 399	(336 675)	177 724
	10 383 251	901 360	11 284 611

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	7 046 054	2 822 798	9 868 852
Current Bonuses	152 226	362 173	514 399
	7 198 280	3 184 971	10 383 251

Non-current liabilities		11 106 887	9 868 852
Current liabilities		177 724	514 399
		11 284 611	10 383 251

Bonus provision: The bonus provision is to provide for performance bonuses of the section 54 & 55 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employee takes place after year end.

Rehabilitation of landfill site

Landfill Site: The rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the time of closure. The value of the provision is based on the present value of the expected future costs to rehabilitate the site.

Rehabilitation costs were calculated based on the following assumptions:

Assumptions.	Percentage	Percentage
Annual Inflation	7.23%	6%
Discount rate	11.05%	10%

The landfill site is 5 hectares and area expected to be rehabilitated is 3 hectares. The estimated closure date is 2035/36. The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 16 years. The value of the provision is created for the rehabilitation of the current operation site at the future estimated time for closure. The value of the provision is based on the expected future cost to rehabilitate the discount back to the reporting date at the cost of capital, which is 6.6%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purpose. The municipality estimates the useful life and makes assumption as to the useful life of the assets, which influence the provision for future costs.

16. Long- service awards

Employee who achieve 05 years' service has a choice of 05 days paid leave (once off) or encashment of leave.
 Employee who achieve 10 years' service has a choice of 10 days paid leave (once off) or encashment of leave.
 Employee who achieve 15 years' service has a choice of 20 days paid leave (once off) or encashment of leave.
 Employee who achieve 20 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 25 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 30 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 35 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 40 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
 Employee who achieve 45 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

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16. Long- service awards (continued)

The above-mentioned leave is granted in addition to the annual leave entitlement and maximum accumulated granted in terms of the National Conditions of Service. The leave may be taken, converted to cash fully or partially or accumulated. The leave is only applicable to those employees who have achieved the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2022. It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not yet been discounted based on the fact that the interest cost is insignificant and their fair presentation of the provisions not materially affected.

The valuation of the liability was performed in line with GRAP 25: Employee benefits, by One Pangaea Expertise and Solutions as at 30 June 2022.

The actuarial valuation is performed every two years

Changes in the present value of the long-service obligation are as follows:

Opening balance	(1 633 076)	(1 382 878)
Service cost	(141 879)	(120 169)
Interest cost	(172 696)	(167 198)
Actuarial gain/(loss)	(330 977)	(929 588)
Benefits paid	309 475	966 757
	(1 969 153)	(1 633 076)

Net expense recognised in the statement of financial performance

Service cost	(141 879)	(120 169)
Interest cost	(172 696)	(167 198)
Actuarial gain/(loss)	(330 977)	(929 588)
	(645 552)	(1 216 955)

Principal actuarial assumption used

Discount rate	12.32 %	10.74 %
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Principal actuarial assumptions used

	Percentage	Percentage
Discount rate	12.32 %	10.74 %
Salary inflation rate	8.82 %	7.49 %
1% decrease in salary inflation	9.66 %	10.15 %
1% increase in salary inflation	10.98 %	11.63 %

17. Long term loans

Non-current Liabilities	-	1 235 113
Current Liabilities	1 235 113	1 148 647
	1 235 113	2 383 760

The Municipality has a loan with Standard Bank for the purchase of property, plant and equipment. The loan bears an interest average effective borrowing rate of 7.38% per annum. The loan is repayable on a semi-annual basis with final payment due on 30 June 2023.

Property, plant and equipment with a combined carrying value of R2 093 183.16 and bi-annual repayments (R639 225.03) have been pledged as security.

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18. Trade and other payables from exchange transactions

Trade payables	21 087 485	20 662 169
Retentions	8 504 395	6 892 682
Staff leave accrual	7 291 060	6 652 903
Payroll deductions	3 182 912	(14 831)
Deposits- Other	(2 383)	(7 912)
Debtors with credit balance	2 443 135	2 289 397
	42 506 604	36 474 408

19. Consumer deposits

Electricity	2 862 261	2 736 960
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20. Service charges

Sale of electricity	46 907 012	45 979 243
Refuse removal	12 215 760	11 749 477
	59 122 772	57 728 720

21. Rental of facilities and equipment

Rental of Facilities and equipment		
Rental of facilities	620 666	631 412

22. Fines, Penalties and Forfeits

Traffic Fines	2 136 960	3 309 350
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23. Licences and permits

Licences and permits	1 437 218	1 366 261
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24. Interest on receivables

Interest charged	19 194 257	18 588 339
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25. Operational revenue

Electricity connection and reconnections fees	38 889	35 719
NPA fees	955 326	1 001 137
Tender document fees	44 033	322 727
Certificate clearance and validation	6 533	1 903
Dumping fees	102	5 423
Other	673 854	551 584
	1 718 737	1 918 493

26. Interest received- investment

Interest on investments		
Current Account	1 032 612	127 226
External investments	268 449	1 677 891
	1 301 061	1 805 117

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27. Property rates

Rates levied

Residential	11 322 315	16 029 854
Commercial	14 380 402	12 375 213
Public service purposes	11 374 463	9 575 794
Municipal	6 121 917	5 892 165
Other	53 859	166 973
	43 252 956	44 039 999

Valuations

Residential	811 478 000	758 593 000
Commercial	647 580 000	647 580 000
Public service purposes	537 878 000	537 878 000
Municipal	41 355 500	41 355 500
Small holdings and farms	1 433 699 000	1 708 027 300
Other	274 328 300	-
	3 746 318 800	3 693 433 800

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Rebates of R60 000.00 are granted to residential and 30% to public services infrastructure. Rates are levied on a monthly basis on property owners.

Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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28. Government grants & subsidies

Operating grants

Equitable share	153 601 000	175 830 000
Expanded Public Works Programme Grant	2 504 000	3 055 000
Financial Management Grant	2 900 000	2 800 000
Provincialisation of Libraries Grant	1 871 000	1 809 000
Community Libraries Services Grant	484 000	452 000
Integrated Spatial Development Economic Plan	496 892	-
Municipal Emergency Housing Grant	15 498 000	-
Ncotshane Title Deeds Grant	-	582 492
Small Town Improvement Grant	-	7 458
	177 354 892	184 535 950

Capital grants

Municipal Infrastructure Grant	34 732 000	37 212 318
	212 086 892	221 748 268

Equitable Share

Current-year receipts	153 601 000	175 830 000
Conditions met - transferred to revenue	(153 601 000)	(175 830 000)
	-	-

No conditions had to be met for this grant in the financial year.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	9 423 318
Current-year receipts	34 732 000	27 789 000
Conditions met - transferred to revenue	(34 732 000)	(37 212 318)
	-	-

Conditions have been met.

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of the community within the municipal boundaries. The conditions of this grant were met by the end of the financial year.

Finance Management Grant

Current-year receipts	2 900 000	2 800 000
Conditions met - transferred to revenue	(2 900 000)	(2 800 000)
	-	-

Conditions have been met.

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act. The conditions of this grant were met by the end of the financial year.

Housing Grant

Current-year receipts	43 371 230	47 374 039
Payment made to suppliers	(42 612 119)	(47 374 039)
	759 111	-

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28. Government grants & subsidies (continued)

Conditions have not been met.

This grant relates to the implementation and provision of housing projects to the community in need of them. This grant is accounted for in terms of GRAP 109, therefore the expenditure and revenue is not recognised in the books of the municipality. Some conditions of this grant are still to be met. No funds were surrendered as at the 30th of June 2022.

Expanded Public Works Programme Grant

Current-year receipts	2 504 000	3 055 000
Payment made to suppliers	(2 504 000)	(3 055 000)
	-	-

Conditions have been met.

The Expanded Public Works Programme is a special performance based incentive provided to municipalities that contribute to the employment creation efforts of the Expanded Public Works Programme through the employment of previously unemployed people. The conditions of this grant were met by the end of the financial year.

Koppie-Allen Guesthouse Grant Fund

Balance unspent at beginning of year	-	1 335 594
Current-year receipts	2 500 000	-
Payments made to suppliers	(1 824 164)	(1 335 594)
	675 836	-

Conditions have been met.

The purpose of this grant was to upgrade the Koppie-Allen Guesthouse which is intended to be used for booking by tourist visiting uPhongolo territory. This grant is accounted for in terms of GRAP 109, therefore the expenditure and revenue is not recognised in the books of the municipality. Some conditions of this grant are still to be met. No funds were surrendered as at the 30th of June 2022.

Mkhuze Falls Grant

Balance unspent at beginning of year	-	56 377
Current-year receipts	-	3 000 000
Payments made to suppliers	-	(3 056 377)
	-	-

Conditions have been met.

The purpose of this grant is to furnish and upgrade the infrastructure of the Mkhuze falls Game Reserve in order to attract tourist to visit this Game Reserve. This grant is accounted for in terms of GRAP 109, therefore the expenditure and revenue is not recognised in the books of the municipality. The conditions of this grant were met and no funds were withheld.

Single Land Use Scheme

Balance unspent at beginning of year	-	3 500
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Payment surrendered to COGTA	-	(3 500)
	-	-

No conditions have to be met.

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28. Government grants & subsidies (continued)

This grant relates to the implementation of Spluma. The unspent grant was surrendered to COGTA.

Integrated Spatial Development Economic Plan Grant

Balance unspent at beginning of year	500 000	-
Current-year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(496 892)	-
	1 003 108	500 000

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to develop an Integrated Spatial Development Plan for the municipality. Some conditions of this grant are still to be met. No funds were surrendered as at the 30th of June 2022.

Community Libraries Grant

Current-year receipts	484 000	452 000
Conditions met - transferred to revenue	(484 000)	(452 000)
	-	-

Conditions have been met. (see note 13).

This grant is used to pay salaries for Cyber Cadets and subsidise operational costs associated with libraries. The conditions for this grant were met as at 30th June 2022.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	-	95
Current-year receipts	15 000 000	7 000 000
Payment made to suppliers	(14 550 217)	(7 000 095)
Payment made from own revenue	-	-
	-	-
	449 783	-

Conditions still to be met - (see note 13).

The purpose of the grant is to address the electrification backlog of permanently occupied dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. Some conditions of this grant were not met. This grant is accounted for in terms of GRAP 109, therefore expenditure and revenue is not recognised in the books of the municipality.

Sub-Rank Facility Grant

Balance unspent at beginning of year	3 417	3 417
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Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to construct the Sub-Rank facility in Pongola Town. The conditions of this grant were not met as at 30 June 2022.

Provincialisation of Libraries Grant

Current-year receipts	1 871 000	1 809 000
Conditions met - transferred to revenue	(1 871 000)	(1 809 000)
	-	-

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28. Government grants & subsidies (continued)

Conditions have been met.

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of this grant were met and no funds were withheld.

Small Town Improvement Grant

Balance unspent at beginning of year	-	7 458
Conditions met - transferred to revenue	-	(7 458)
	-	-

Conditions have been met.

The purpose of this grant is to install streetlights and high mast in Pongola. The conditions of this grant were met and no funds were withheld.

Ncotshane Title Deeds

Balance unspent at beginning of year	-	89 511
Current-year receipts	-	492 981
Conditions met - transferred to revenue	-	(582 492)
	-	-

Conditions have been met (see note 13).

This grant was used for transferring Title deeds to the community of uPhongolo. The conditions of this grant were met and no funds were withheld.

Belgrade Fitness Center

Current-year receipts	6 000 000	-
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Conditions still to be met - remain liabilities (see note 13)..

The KZN Sports and Recreation Department and uPhongolo Municipality intends to promote and develop the sport and recreational activities within the municipality.

Municipal Emergency Housing Grant

Current-year receipts	15 498 000	-
Conditions met - transferred to revenue	(15 498 000)	-
	-	-

Conditions have been met.

The purpose of this grant is provide emergency housing to the community of uPhongolo. The conditions of this grant have not been met.

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29. Employee related costs

Salaries and wages	71 302 453	72 368 049
Once-off allowance	830 000	-
Performance and other bonus	4 776 394	5 276 953
Medical aid - company contributions	3 591 661	3 462 874
UIF- company contributions	559 314	537 242
WCA	491 785	521 524
SDL	879 144	735 047
Standby allowance	1 760 664	1 476 741
Leave payout	1 560 696	2 195 566
Remote allowance	140 649	170 267
Group Life Insurance- company contributions	3 390	37 872
Pension and provident fund	9 057 405	8 556 083
Car allowances	5 698 867	5 537 438
Overtime payments	2 619 579	1 383 169
Long-service awards	1 108 636	120 169
Acting allowances	391 508	406 674
Cellphone allowance	376 227	350 596
Housing benefits and allowances	50 341	81 112
Clothing allowance	-	63 516
Industrial Council	32 898	30 749
Danger allowance	-	214 255
	105 231 611	103 525 896

Remuneration of Municipal Manager: MB Khali

Annual Remuneration	562 484	-
Allowances	208 474	-
Performance Bonuses	-	-
Contributions to SDL	7 382	-
	778 340	-

Mr MB Khali was appointed on acting capacity from the 14th of December 2021, he was subsequently appointed as the Municipal Manager effective from 01st of August 2022.

Remuneration of Former Municipal Manager: WM Nxumalo

Annual Remuneration	773 069	1 030 759
Allowances	168 922	341 230
Performance Bonuses	-	-
Contributions to SDL	7 809	9 331
	949 800	1 381 320

The Mr WM Nxumalo was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Acting Chief Financial Officer: SF Mkhize

Annual Remuneration	50 275	-
Allowances	131 549	-
Performance Bonuses	-	-
	181 824	-

The Manager Budget & Reporting (Mr SF Mkhize) was appointed to act as the CFO from the 14 December 2021. He was paid the acting allowance for the period served.

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29. Employee related costs (continued)

Remuneration of Former Chief Financial Officer: JV Nkosi

Annual Remuneration	713 180	950 207
Allowances	185 295	386 089
Performance Bonuses	-	-
Contributions to SDL	8 735	10 731
	907 210	1 347 027

Mr JV Nkosi was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Acting Chief Financial Officer: TI Khanye

Annual Remuneration	23 104	-
Allowances	58 800	-
	81 904	-

The Manager Financial Services (Mr TI Khanye) was appointed to act as the CFO from the 01 July 2021 to 30 September 2021. He was paid the acting allowance for the period served.

Remuneration of Planning and Economic Development Director

Annual Remuneration	634 730	-
Allowances	280 989	-
Contributions to SDL	8 379	-
	924 098	-

Remuneration of Director Community Services

Annual Remuneration	705 256	582 405
Allowances	235 190	42 153
Contributions to SDL	9 814	5 343
	950 260	629 901

The Director Community Services was appointed on the 01 September 2021, and suspended on the 08th April 2022 to date, Director Planning & Economic Development (Mr MVM Mbatha) was appointed to act on Director Community Services position.

Remuneration of Director Corporate Services: Mrs SSP Simelane

Annual Remuneration	23 104	-
Car Allowance	58 800	-
	81 904	-

The Manager Human Resource (Mrs SSP Simelane) was appointed to act as the Director Corporate from the 01 July 2021 to 30 September 2021. She was paid the acting allowance for the period served.

Remuneration of Director Corporate Services: Mr BA Mkhonza

Annual Remuneration	141 051	846 307
Allowances	62 442	374 652
Contributions to SDL	1 804	9 030
Leave days payouts	136 748	-
	342 045	1 229 989

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29. Employee related costs (continued)

Remuneration of Director Technical Services:

Annual Remuneration	-	846 307
Contributions to SDL	-	8 379
Leave days payouts	139 452	-
	139 452	854 686

Chief Financial Officer (Mr JV Nkosi) was appointed to act as Director Technical. No additional allowances paid as the position acted on is equivalent to the CFO's position.

30. Remuneration of councillors

Mayor	748 942	491 066
Deputy Mayor	430 242	428 598
Speaker	430 145	428 598
Chief Whip	260 316	-
Executive Committee	1 219 626	1 214 657
Other Councillors	7 188 383	7 179 465
	10 277 654	9 742 384

In-kind benefits

The municipality had a change in Council Structure after the Local Government election held on the 1st of November 2021. Municipality has 29 Councillors, only the Mayor is a full-time Councillor. The Deputy Mayor, Speaker and Executive Committee Members are part-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor, Deputy Mayor and Speaker each have full-time contracted bodyguards.

31. Depreciation, amortisation and impairment

Property, plant and equipment	27 484 223	24 965 936
Intangible assets	539 683	409 165
	28 023 906	25 375 101

32. Finance costs

Borrowings	289 357	821 358
Capitalised	1 105 188	408 301
Actuarial interest cost	342 710	341 732
	1 737 255	1 571 391

33. Debt impairment

Debt impairment- receivables from exchange transactions	33 711 473	32 653 411
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34. Bulk purchases

Electricity - Eskom	36 689 378	34 080 640
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34. Bulk purchases (continued)

Electricity losses

Units purchased	26 723 796	28 290 696
Units sold	(21 562 328)	(25 196 077)
Total loss	5 161 468	3 094 619

Electricity losses in Rands comprises of:

Electricity losses	6 986 422	4 120 587
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Percentage Loss:

Electricity losses	19 %	14 %
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The municipality purchased 26 723 796 (2021: 28 948 128) from Eskom and sold 21 562 328 units (2021: 25 196 077 units) to consumers. This represents a loss of 5 161 468 units (2021: 3 094 619 units) which equates to R5 981 656 (2021: R4 120 587) and translates to a percentage of 19% (2021: 14%) electricity losses as a result of technical losses and illegal connections

35. General expenses

Advertising	1 169 689	1 118 048
Auditors remuneration	1 992 679	1 678 576
Bank charges	330 218	710 387
Consulting and professional fees	1 957 449	213 340
Entertainment	70 853	111 294
Flowers	160 228	1 157 206
Insurance	1 507 884	535 311
Magazines, books and periodicals	1 420 862	256 579
Fuel and oil	3 500 516	1 860 111
Printing and stationery	586 106	381 883
Promotions	1 575 730	1 199 880
Repairs and maintenance	14 705 586	24 282 428
Security (Guarding of municipal property)	51 478 948	40 766 265
Subscriptions and membership fees	1 208 830	1 153 638
Telephone and fax	1 285 785	1 070 138
Training	796 807	651 188
Travel - local	4 763 683	3 125 082
Refuse	1 079 507	742 617
Title deed search fees	1 377 600	2 095 200
Other expenses	27 110 355	12 789 246
	118 079 315	95 898 417

36. Fair value adjustments

Investment property (Fair value model)	1 620 380	1 430 000
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37. Auditors' remuneration

Fees	1 992 679	1 678 576
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38. Cash generated from operations

Surplus	6 088 665	45 508 187
Adjustments for:		
Depreciation and amortisation	28 023 906	25 375 101
Loss on sale of assets and liabilities	106 818	723 338
Actuarial interest cost	342 710	-
Actuarial losses	1 522 170	-
Fair value adjustments	(1 620 380)	(1 430 000)
Debt impairment	33 711 473	-
Other non-cash items	(107 900)	2 071 440
Changes in working capital:		
Receivables from exchange transactions	(3 783 423)	(10 627 171)
Receivables from non-exchange transactions	(3 829 595)	(744 698)
Other current assets	(91 537)	209 968
Movement on unspent conditional grants	8 387 838	-
Payables from exchange transactions	6 032 196	(25 716 181)
VAT	3 383 413	2 812 152
Consumer deposit	-	702 578
Contribution to provision for impairment	(33 711 473)	(10 415 853)
Movement in landfill site	-	408 301
Movement in long service award	336 077	368 079
Movement in bonuses	(336 675)	481 477
	44 454 283	29 726 718

39. Commitments

2021/2022	Community Assets	Infrastructure Assets	Transport Assets	Total
The following commitments exist at the reporting date:	-	-		
Commitments for the acquisition of property, plant and equipment	-	-	16 276 800	16 276 800
Commitments to construct or develop property, plant and equipment	12 463 575	10 154 891		22 618 465
	12 463 575	10 154 891	16 276 800	38 895 266
2020/2021	Community Assets	Infrastructure Assets	Transport Assets	Total
The following commitments exist at the reporting date:	-	-		
Commitments for the acquisition of property, plant and equipment	-	-	5 626 537	5 626 537
Commitments to construct or develop property, plant and equipment	18 698 569	10 312 582	-	29 011 151
	18 698 569	10 312 582	5 626 538	34 637 689

The committed expenditure has been disclosed exclusive of VAT. These committed capital expenditure relates only to property, plant and equipment.

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40. Contingencies

Contingent liabilities

Disconnect error	-	55 369
Pongola advertiser suing the municipality	141 163	600 000
V1 Security services suing the municipality	-	500 000
Bongani Sielency Qwabe suing the municipality	77 383	-
	218 546	1 155 369

Contingent assets

Heading

Elam investments-payment ,ade for accommodation during SALGA games	164 840	164 840
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41. Related parties

Relationships

Key Management personnel

Councillors

Senior managers

Refer to Remuneration of Councillors note

Refer to Employee related costs note

There are no related party transactions that were not at arms length during the financial period.

42. Change in estimate

Property, plant and equipment

During the current financial year, the municipality performed a condition assessment on assets. With assets that were nearing their useful lives or that had impairment indicators, the remaining useful life was adjusted to take into account the current situation. The result of the adjustment is a change in expected depreciation. In the current year, the depreciation decreased by R257 372.04 and in future years the depreciation will decrease by the same amount.

43. Prior period errors

Certain comparative figures have been restated due to errors identified in the current year. The effects of the restatement are as follows:

Accumulated surplus

Audited balance	(390 682 587)
Correction of performance bonus provision	(119 304)
Correction on VAT payable/ receivable	(6 385 557)
Previous year payments for assets not recognised	(2 926 708)
Previous year payments for payments not recognised	3 365 663
Reversal of duplicated electricity estimate recognition	1 754 397
Prior year depreciation not capitalised	70 190
Prior year payments for operational cost	292 859
Reversal of incorrect interest charges	1 403 348
	(393 227 699)

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43. Prior period errors (continued)

VAT Payable/ Receivables

Audited balance	(1 442 372)
Correction on VAT payable/ receivable	6 385 557
	4 943 185

This error relates to VAT payable to SARS incorrectly recognised in the prior year, where as there was a receivable which was subsequently refunded to the municipality.

Provision for bonuses

Audited balance	633 703
Correction of performance bonus provision	(119 304)
	514 399

Property, plant & equipments

Audited balance	351 714 118
Previous year payments for assets	2 926 584
Depreciation not capitalised	(70 190)
	354 570 512

Trade and other payables from exchange transactions

Audited balance	32 816 009
Previous year payments for assets	3 365 714
Previous year payments for operational costs	292 686
	36 474 409

Interest on receivables

Audited Balance	19 991 687
Debt Impairment adjustment due to uncorrect method used	(1 403 348)
	18 588 339

Receivables from non-exchange transactions

Audited Balance	4 743 771
Re-allocation of receipts and interest take-on balances	7 664 868
	12 408 639

Receivables from exchange transactions

Audited balance	22 936 612
Re-allocation of receipts and interest take-on balaces	(9 068 215)
Reversal of duplicated electricity estimate recognised	(1 754 397)
	12 114 000

Services charges

Audited balance	59 483 117
Reversal of duplicated electricity estimate recognition	(1 754 397)
	57 728 720

Depreciation and amortisation

Audited balance	25 304 911
Prior year depreciation not recognised	70 190
	25 375 101

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43. Prior period errors (continued)

44. 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.

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.

Consumer deposits	2 862 261	2 736 960
Trade payables from exchange transactions	42 506 604	36 474 408
Current portion of loans	1 235 113	1 148 647
Non-current portion of loans	-	1 235 113
Current portion of finance lease	-	1 086 772
	46 603 978	42 681 900

The municipality objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consist of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 12, cash and cash equivalents in note 3 and equity as disclosed in statement of financial position. There are no externally imposed capital requirements. There have been no changes on what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements for the previous year.

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 counter-party.

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

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

Financial instrument	2022	2021
Cash and cash equivalents	10 432 776	3 659 807
Receivables from exchange transactions	15 897 423	12 114 001
Statutory receivables from non exchange transactions	16 238 233	12 408 639

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44. Risk management (continued)

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.

45. Going concern

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.

In assessing the going concern, management noted some regress on ratios. However, the management is comfortable with the municipality's ability to continue operating as a going concern.

The following measures are being implemented by management to improve the municipality's cash flow going forward:

- Implementation of cost cutting measures
- Strict monitoring of the credit control and debt collection policy

Although there are some negative financial indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form for the foreseeable future.

46. Events after the reporting date

The municipal Refuse Truck (Powerstar) was destroyed by unexpected fire.

47. Unauthorised expenditure

Opening balance as previously reported	34 216 465	29 206 811
Employee related costs	1 793 986	3 454 274
Remuneration of Councillors	118 216	-
Debt impairment	23 256 073	14 094 161
Depreciation and amortisation	288 009	-
Finance charges	1 237 255	1 053 457
General expenses	14 789 906	2 064 989
Actuarial losses	1 522 170	-
Loss on disposal of assets	106 818	519 871
Less: Amount written off by Council	-	(16 177 098)
Closing balance	77 328 898	34 216 465

The above unauthorised expenditure within the votes is as a result of yearend accounting transactions exceeding the allocated budget. This unauthorised expenditure will be tabled in the adjustment budget when the annual report is tabled in accordance with Section 23(6) of the budget and reporting regulations.

48. Fruitless and wasteful expenditure

Opening balance as previously reported	621 650	1 742 537
Add: Current year interest, penalties and invalid payments made	7 861 915	2 529
Less: Amount written off by Council	-	(1 123 416)
Closing balance	8 483 565	621 650

The fruitless and wasteful expenditure incurred during the current year has not yet been presented to the Council.

Fruitless and wasteful expenditure relates to interest, penalties on late payments and invalid payments made.

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48. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on late payments	Reported to the Council	33 092	2 529
Invalid payments made	Reported to council	7 856 786	-
		7 889 878	2 529

49. Irregular expenditure

Opening balance as previously reported	43 848 435	126 219 241
SCM processes not followed	23 277 364	404 337
Recruitment and selection process not followed	1 335 906	-
Less: Amount written off by Council	-	(82 775 143)
Closing balance	68 461 705	43 848 435

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

	Disciplinary steps taken/criminal proceedings		
SCM processes not followed	Reported to the Council	23 277 364	404 337
Recruitment and selection process not followed		1 335 906	-
		24 613 270	404 337

The figures reported above are inclusive of VAT.

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50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	1 208 830	1 153 638
Amount paid - current year	(1 208 830)	(1 153 638)
	-	-

Audit fees

Opening balance	4 686	66 616
Current year subscription / fee	970 068	1 678 576
Amount paid - current year	(970 068)	(1 673 890)
Amount paid - previous years	(4 686)	(66 616)
	-	4 686

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	16 971 330	16 559 876
Amount paid - current year	(15 579 947)	(16 559 876)
Amount paid - previous years	-	-
	1 391 383	-

Pension and Medical Aid Deductions

Opening balance	-	1 510 707
Current year subscription / fee	20 339 589	19 227 104
Amount paid - current year	(18 628 995)	(19 227 104)
Amount paid - previous years	-	(1 510 707)
	1 710 594	-

VAT

VAT receivable/ (payables)	1 559 772	4 943 185
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VAT output payables and VAT input receivables are shown in note .

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

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

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SR Mhlongo	7 096	185 056	192 152
Cllr CN Nxumalo-Sibiya	2 367	72 448	74 815
Cllr BES Ntshangase	1 061	27 200	28 261
Cllr CN Mavundla	2 014	25 389	27 403
Cllr JB Ngema	993	21 132	22 125
Cllr MP Mafuleka	588	11 521	12 109
Cllr KE Nxumalo	572	-	572
	14 691	342 746	357 437

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr B Mvelase	8 448	154 686	163 134
Cllr SR Mhlongo	6 273	156 710	162 983
Cllr KE Nxumalo	550	-	550
Cllr NJ Mkhwanazi	360	-	360
Cllr AZ Thabede	104	-	104
	15 735	311 396	327 131

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51. 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 and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Section 36 Deviations	2022	2021
DLV Engineers (Emergency)	-	5 825 000
Quantum Sphere (Sole service provider)	-	153 860
Risk Management (Pty) Ltd (Emergency)	-	27 430
Lancet Laboratories (Emergency)	-	242 250
Shangulani (Pty) Ltd (Emergency)	-	7 000
Lithotec (Sole service provider)	-	8 177
Neffcon Roadtech (Impractical to follow SCM process)	-	18 538
Terblanche Engineering (Sole supplier)	-	67 500
Ntshangase General supplies (Emergency)	-	22 000
Truvelo manufacturers (Sole service provider)	-	10 527
Nuprint Printers (Sole supplier)	-	4 813
Payday System (Sole supplier)	-	8 050
Mavandla Projects (Acquisition of special works)	-	35 000
International Safety Equipment (Sole supplier)	-	7 850
Truvelo Manufactures (Emergency)	-	14 384
Junk Shop (Emergency)	-	316 708
Junk Shop (Emergency)	-	297 636
Junk Shop (Emergency)	-	188 570
Junk Shop (Emergency)	-	167 465
Junk Shop (Emergency)	-	180 579
SNF Engineering & Trading (Emergency)	-	181 305
Terblanche Engineering	2 031	-
Truvelo Manufactures	11 221	-
Ntonga Recreational Club	3 000	-
Neffcon Roadtech	18 354	-
RLTA Trading	189 350	-
Sizowakha Security Services	190 614	-
Zululand Netball Assosiation	5 000	-
Terblanche engineering(Sole Provider)	17 140	-
Okwevondo (Pty) Ltd	129 000	-
Southgate Electrical	207 000	-
Gijima KM Security Services (Pty) Ltd	294 701	-
Gijima KM Security Services (Pty) Ltd	355 357	-
Gijima KM Security Services (Pty) Ltd	361 685	-
Gijima KM Security Services (Pty) Ltd	384 685	-
Gijima KM Security Services (Pty) Ltd	384 685	-
Hia international security (Emergency)	11 851 991	-
Gijima KM Security (Emergency)	357 629	-
Ilanga News Paper	23 796	-
Ayanda Mbanqa Communications	72 216	-
Ilanga News Paper	5 636	-
Ilanga News Paper	13 776	-
Onako Development Consulting	192 000	-
Ilanga Newspaper	4 383	-
Nkosikayihlulwa (Pty) Ltd	199 000	-
Thully Dlamini	5 000	-
Ilanga Newspaper	16 907	-
Ilanga Newspaper	10 019	-

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51. Deviation from supply chain management regulations (continued)

Best 2 Electrical	9 775	-
Zuma and Partners Incorporated	4 097 332	-
	19 413 283	7 784 642

52. Budget differences

Material differences between budget and actual amounts

Reason were provided for variance more than 10%, as these were considered material.

Revenue:

Interest receivables: The increase is due to poor payment of services by debtors whom were charges interest.

License and permits: The decrease is due to lower demand of license and permits by the communit/ residents.

Fines, penalties and permits: The decrease is due to less offenders of road regulations.

Operational revenue: The budget for this item was overstated

Interest received on investments: The decrease is due to poor collection which resulted to lower investments of funds.

Gains on disposal: No gains were anticipated during the final budget preparation.

Fair value adjustment: No adjustment were anticipated during the final budget preparation.

Expenditure:

Finance costs: The increase is due to penalties for late payment of invoices.

Debt impairment: The increase due to poor payment of services by debtors whom were subjected to allowance for impairment.

Bulk purchases: The decrease is due to lower demand of electricity services caused by loadshedding.

Transfers and subsidies: The budget for was overstated.

General expenditure: The increase was due to increase in high demand for security services and maintenance of infrascture.

Loss on disposal of capital assets: The municipality incureed a loss on disposal of laptop which was not anticipated.

Actuarial gains/ losses: The municipality did not anticipated to have a loss on actuarial evaluation.

53. Gains or losses on biological assets

Actuarial gains/ (losses)	(1 522 170)	(1 135 324)
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54. Transfer and subsidies

Transfer and subsidies	1 023 654	2 351 870
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55. Segment information

General information

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55. Segment information (continued)

2022

	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue				
Revenue from exchange transactions				
Service charges	-	12 215 760	46 907 012	59 122 772
Rental of facilities and equipment	-	620 666	-	620 666
Interest on receivables	9 277 236	8 877 978	1 039 043	19 194 257
Licences and permits	-	1 437 218	-	1 437 218
Operational revenue	1 718 737	-	-	1 718 737
Interest on investment	1 301 061	-	-	1 301 061
Revenue from non-exchange transactions	-	-	-	-
Property rates	43 252 956	-	-	43 252 956
Government grants and subsidies	156 501 000	17 853 000	37 732 892	212 086 892
Fines, penalties and forfeits	-	2 136 960	-	2 136 960
Total segment revenue	212 050 990	43 141 582	85 678 947	340 871 519

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	Finance & Admin	Community & Public Safety	Planning & Development	Total
55. Segment information (continued)				
Expenditure				
Employee related costs	105 231 611	-	-	105 231 611
Remuneration of councillors	10 277 654	-	-	10 277 654
Depreciation, amortisation and impairment	28 023 906	-	-	28 023 906
Finance costs	1 737 255	-	-	1 737 255
Debt impairment	15 653 074	17 193 396	865 003	33 711 473
Bulk purchases	36 689 378	-	-	36 689 378
Transfers and subsidies	1 023 654	-	-	1 023 654
Operational costs	118 079 315	-	-	118 079 315
Fair value adjustments	(1 620 380)	-	-	(1 620 380)
Actuarial gains / losses	1 522 170	-	-	1 522 170
Profit / loss on sale of capital assets	106 818	-	-	106 818
Total segment expenditure	316 724 455	17 193 396	865 003	334 782 854
Total segmental surplus/(deficit)				6 088 665
Assets				
Current assets	-	-	-	-
Statutory receivables from non-exchange transactions	15 061 828	1 176 405	-	16 238 233
Other current assets	91 537	-	-	91 537
VAT receivable	1 559 772	-	-	1 559 772
Receivables from exchange transactions	1 341 868	5 231 721	9 323 835	15 897 424
Cash and cash equivalents	10 432 776	-	-	10 432 776
Non-current assets	-	-	-	-
Investment property	63 477 380	-	-	63 477 380
Property, plant and equipment	188 248 235	70 064 559	104 237 974	362 550 768
Intangible assets	1 284 222	-	-	1 284 222
Heritage assets	-	70 945	-	70 945
Total assets	281 497 618	76 543 630	113 561 809	471 603 057
Additions to non-current assets				35 592 198
Total additions				35 592 198

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	Finance & Admin	Community & Public Safety	Planning & Development	Total
55. Segment information (continued)				
Liabilities				
Current liabilities	-	-	-	-
Trade and other payables from exchange transactions	42 506 604	-	-	42 506 604
Consumer deposits	2 862 261	-	-	2 862 261
Trade and other payables from non-exchange transactions	3 417	6 759 111	2 128 727	8 891 255
Provision for bonuses	177 724	-	-	177 724
Long term loan - current portion	1 235 113	-	-	1 235 113
Non-current liabilities	-	-	-	-
Other financial liabilities	341 542	-	-	341 542
Employee benefits obligations	3 196 154	-	-	3 196 154
Provisions	-	11 106 887	-	11 106 887
Long service awards	1 969 153	-	-	1 969 153
Total segment liabilities	52 291 968	17 865 998	2 128 727	72 286 693
2021				
	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue				
Revenue from exchange transactions	-	-	-	-
Service charges	-	11 749 477	45 979 243	57 728 720
Rental of facilities & equipment	631 412	-	-	631 412
Interest on receivables	8 984 375	8 597 721	1 006 243	18 588 339
Licences & permits	-	1 366 261	-	1 366 261
Operational revenue	1 918 493	-	-	1 918 493
Interest on investments	1 805 117	-	-	1 805 117
Revenue from non-exchange transactions	-	-	-	-
Property rates	44 039 999	-	-	44 039 999
Government grants & subsidies	178 630 000	2 261 000	40 857 268	221 748 268
Fines, penalties & forfeits	-	3 309 350	-	3 309 350
Total segment revenue	236 009 396	27 283 809	87 842 754	351 135 959
Municipality's revenue				351 135 959

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55. Segment information (continued)

Expenditure

Employee Related Cost	103 525 896	-	-	103 525 896
Remuneration of Councillors	9 742 384	-	-	9 742 384
Depreciation, Amortisation & Impairment	25 375 101	-	-	25 375 101
Finance Costs	1 571 391	-	-	1 571 391
Debt Impairments	15 161 789	16 653 767	837 855	32 653 411
Bulk Purchases	-	-	34 080 640	34 080 640
Transfers & Subsidies	2 351 870	-	-	2 351 870
Operational Cost	95 898 417	-	-	95 898 417
Fair Value Adjustments	(1 430 000)	-	-	(1 430 000)
Actuarial gains/ losses	1 135 324	-	-	1 135 324
Profit/ loss on sale of capital assets	723 338	-	-	723 338

Total segment expenditure	254 055 510	16 653 767	34 918 495	305 627 772
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Total segmental surplus/(deficit)				45 508 187
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Assets

Current assets	-	-	-	-
Statutory receivables from non-exchange transactions	11 486 223	922 416	-	12 408 639
Receivables from exchange transactions	135 197	979 301	10 999 503	12 114 001
Cash & cash equivalents	3 659 807	-	-	3 659 807
VAT Receivable	4 943 185	-	-	4 943 185
Non-current assets	-	-	-	-
Investment property	61 270 000	-	-	61 270 000
Property, plant & equipment	181 763 174	69 662 566	103 144 772	354 570 512
Intangible assets	1 823 904	-	-	1 823 904
Heritage assets	-	70 945	-	70 945

Total segment assets	265 081 490	71 635 228	114 144 275	450 860 993
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Additions to non-current assets				54 452 062
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Total additions				54 452 062
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	Finance & Admin	Community & Public Safety	Planning & Development	Total
55. Segment information (continued)				
Liabilities				
Current Liabilities	-	-	-	-
Financial liabilities	1 086 772	-	-	1 086 772
Trade & other payables from exchange transaction	36 474 408	-	-	36 474 408
Consumer deposits	2 736 960	-	-	2 736 960
Trade & other payables from non-exchange transactions	3 417	-	500 000	503 417
Provisions	395 916	-	118 483	514 399
Long term loans-current portion	1 148 647	-	-	1 148 647
Non-Current Liabilities	-	-	-	-
Other financial liabilities	341 542	-	-	341 542
Employee benefit obligation	2 090 107	-	-	2 090 107
Provision	9 868 852	-	-	9 868 852
Long-service awards	1 633 076	-	-	1 633 076
Long-term loans-long term portion	1 235 113	-	-	1 235 113
Total segment liabilities	57 014 810	-	618 483	57 633 293
Total liabilities as per Statement of financial Position				57 633 293