

Final AFS 25/11/2016.
[Signature]



uBuhlebezwe Municipality
Financial statements
for the year ended June 30, 2016
These financial statements were prepared by:
U.P Mahlasela
CFO
Themarin Mudley
Auditor General : (SA)
Registered Auditors

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

General Information

Mayoral committee

Executive Mayor

Z D Nxumalo

T C Dlamini

S C Shezi

B P Nzimande

M E Mkhize

S H Dlamini

Z V Shange

E B Ngubo

M C Ndlovu

G P Ndzimande

M C Sithole

H C Jili

G J Ngcongo

W M Q Dlamini

N J Peterson

Z C Khumalo

N M Mdunge (Dismissed 22 June 2016)

T P Dlamini

S Msimango

C N Ntabeni

W S Tenza (Resigned : 30 June 2015)

E T Shoba

T E Tenza (Effective from : 01 June 2015)

D Ram (Resigned : 30 June 2015)

C M Ngubo (Deceased : 01 March 2015)

E N Gamede (Effective from : 09 September 2015)

L M Davids (Effective from : 03 August 2015)

Grading of local authority

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

Accounting Officer

G M Sineke

Chief Finance Officer (CFO)

U P Mahlasela

Registered office

Ubuhebezwe Local Municipality

Margaret Street

Ixopo

3276

Business address

29 Margaret Street

Ixopo

3276

Postal address

P.O.Box 132

Ixopo

3276

Bankers

First National Bank

Auditors

Themarin Mudley

Registered Auditors

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Index

The reports and statements set out below comprise the financial statements presented to the Provincial Legislature:

	Page
Index	
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Appropriation Statement	10 - 9
Accounting Policies	10 - 28
Notes to the Financial Statements	28 - 59
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	60
Appendix C: Segmental analysis of Property, Plant and Equipment	66
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	68

Abbreviations

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

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBULEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements have been prepared on the going concern basis, were approved by the accounting officer on June 30, 2016.



G.M Sineke
Accounting Officer

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBULEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Financial Position as at June 30, 2016

Statement of Financial Position as at June 30, 2016			Note(s)	2016	2015 Restated*
Figures in Rand					
Assets					
Current Assets	<u>30.20</u>	7	3,159,122	3,671,140	
Inventories	<u>31.20</u>	9	10,322,551	4,821,505	
VAT receivable from exchange transactions	<u>31.20</u>	10	11,207,397	9,447,053	
Trade receivable from exchange transaction & non exchange transaction	<u>32.20</u>	11	103,229,763	81,969,673	
Cash and cash equivalents			127,918,833	99,909,371	
Non-Current Assets	<u>21.20</u>	2	20,379,035	20,300,484	
Investment property	<u>20.20</u>	3	299,298,275	236,801,103	
Property, plant and equipment	<u>23.22</u>	4	881,020	881,020	
Intangible assets	<u>26.22</u>	5	4,791,660	4,791,659	
Heritage assets			325,349,990	262,774,266	
Total Assets			453,268,823	362,683,637	
Liabilities					
Current Liabilities	<u>25.29</u>	14	62,932	275,123	
Finance lease liability - Current Portion	<u>51.20</u>	16	24,727,569	14,194,364	
Trade and other payables from exchange transactions	<u>43.20</u>	15	9,765,228	14,169,285	
Unspent conditional grants and receipts			34,555,729	28,638,772	
Non-Current Liabilities	<u>25.29</u>	14	-	62,932	
Finance lease liability	<u>52.20</u>		1,832,000	1,704,000	
Retirement benefits: Long Service Awards	<u>43.27</u>		3,917,000	3,836,000	
Retirement benefits: Post Employment Medical Benefits			5,749,000	5,602,932	
Total Liabilities			40,304,729	34,241,704	
Net Assets					
Housing Development	<u>40.22</u>		373,787	373,787	
Accumulated surplus	<u>40.24</u>		412,590,305	328,068,146	
Total Net Assets			412,964,092	328,441,933	

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions	18	1,681,650	1,463,902
Service charges	19	985,191	810,788
Rental of facilities and equipment		6,872,906	5,445,943
Interest received (trading)		3,597,454	3,506,864
Licences and permits	20	1,798,929	1,675,265
Other income		<u>14,936,130</u>	<u>12,902,762</u>
Total revenue from exchange transactions			
Revenue from non-exchange transactions			
Taxation revenue	22	13,123,930	12,348,922
Property rates	22	-	(100)
Property rates - penalties imposed			
Transfer revenue	23	173,795,056	139,610,923
Government grants & subsidies		392,026	263,912
Fines, Penalties and Forfeits		<u>187,311,012</u>	<u>152,223,657</u>
Total revenue from non-exchange transactions	17	<u>202,247,142</u>	<u>165,126,419</u>
Total revenue			
Expenditure			
Employee related costs	24	(48,779,757)	(41,191,856)
Remuneration of councillors	25	(7,554,047)	(7,180,257)
Depreciation and amortisation	27	(18,742,590)	(16,606,097)
Finance costs		(17,066)	(56,951)
Contribution to provision	28	(4,688,817)	(4,990,433)
Repairs and maintenance	26	(2,930,058)	(2,339,133)
Contributions to post retirement benefits		(209,000)	(228,000)
Contracted Services	29	(5,759,731)	(4,962,318)
General Expenses	30	(23,003,547)	(23,483,688)
Total expenditure		<u>(111,684,613)</u>	<u>(101,038,733)</u>
Operating surplus		<u>90,562,529</u>	<u>64,087,686</u>
Loss on disposal/ transfer of assets		(6,300,876)	(3,095,276)
Surplus for the year		<u>84,261,653</u>	<u>60,992,410</u>

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Changes in Net Assets

	Housing Development Fund	Accumulated surplus	Total net assets
Figures in Rand			
Opening balance as previously reported	373,787	266,027,754	266,401,541
Correction of errors	-	(599,768)	(599,768)
Balance at July 01, 2014 as restated*	373,787	265,691,516	266,065,303
Correction of error	-	1,384,220	1,384,220
Correction recognised directly from revenue	-	1,384,220	1,384,220
Surplus for the year	-	60,992,410	60,992,410
Total changes	-	62,376,630	62,376,630
Restated* Balance at July 01, 2015	373,787	328,328,652	328,702,439
Changes in net assets	-	84,261,653	84,261,653
Surplus for the year	-	84,261,653	84,261,653
Total changes	-	84,261,653	84,261,653
Balance at June 30, 2016	373,787	412,590,305	412,964,092
Note(s)			

UBUHLEBEZWE MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2016

	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		187 311 012	164 735 588
Cash paid to suppliers and employees		(80 813 297)	(85 230 382)
Cash generated from operations	31	106 497 715	79 505 206
Interest received		6 872 906	5 445 944
Net operating cash flow from operating activities		113 370 621	84 951 150
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	3	(91 543 932)	(68 055 806)
Purchase of investment assets	2	(294 667)	(400 780)
Net cash flows from investing activities		(91 838 599)	(68 456 586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in retirement benefits		(209 000)	-
Finance costs Lease Liability		(62 932)	(558 043)
Net cash flows from financing activities		(271 932)	(558 043)
Net increase / (decrease) in net cash and cash equivalents		21 260 090	15 936 521
Cash and cash equivalents at beginning of period		81 969 673	66 033 153
Net cash and cash equivalents at end of period	11	103 229 763	81 969 673

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as a %
--	-----------------	-------------	--------------	------------------------------------	--	-----------------------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1,878,000	-	1,878,000	1,681,650	196,350	90%
Rental of facilities and equipment	474,000	5,000	479,000	985,191	(506,191)	206%
Interest received (trading)	3,000,000	(3,000,000)	-	6,872,906	(1,904,468)	144%
Agency services	700,000	-	700,000	752,061	(52,061)	107%
Licences and permits	3,020,000	500,000	3,520,000	3,597,454	(77,454)	102%
Other income - (rollup)	191,000	302,000	493,000	1,046,868	(1,305,929)	212%
Total revenue from exchange transactions	9,263,000	(2,193,000)	7,070,000	14,936,130	(3,649,753)	

Revenue from non-exchange transactions

Taxation revenue						
Property rates	12,980,000	-	12,980,000	13,123,930	(143,930)	101%
Transfer revenue						
Government grants & subsidies	163,724,000	18,492,345	182,216,345	173,795,056	8,421,289	95%
Fines, Penalties and Forfeits	200,000	-	200,000	392,026	(192,026)	196%
Total revenue from non-exchange transactions	176,904,000	18,492,345	195,396,345	187,311,012	8,085,333	
Total revenue	186,167,000	16,299,345	202,466,345	202,247,142	4,435,580	

Expenditure

Personnel	55,135,000	(1,106,000)	54,029,000	48,779,757	5,249,243	90%
Remuneration of councillors	7,556,000	-	7,556,000	7,554,047	1,953	99%
Depreciation and amortisation	18,000,000	-	18,000,000	18,667,605	(667,605)	104%
Other expenditure	43,979,000	1,879,000	45,858,000	43,122,810	2,735,190	94%
Total expenditure	124,670,000	773,000	125,443,000	118,124,219	7,318,781	
Operating surplus	61,497,000	15,526,345	77,023,345	83,654,485	5,302,515	
Capital expenditure	88,188,000	14,338,000	102,526,000	100,380,270	2,145,730	98%
Surplus after capital transfer & contribution	149,684,000	41,799,000	191,483,000	184,034,755	7,448,245	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	149,684,000	41,799,000	191,483,000	184,034,755	7,448,245	

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual outcome as a %
--	--------------------	-------------	--------------	--	---	--------------------------

Figures in Rand

Details

Service Charges
Interest Received
Other Income
Licence & permits
Fines, penalties and forfeits
Personnel

Other expenditure

Explanations

More was collected than anticipated
Better and improved cash management
More was collected than anticipated
Increases local licencing
Budget based on past experiances
Performance Management Section not paid in full. Vacant posts
filled during the year.
Better expenditure management

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBULEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Accounting Policies

1. Presentation of Financial Statements

The 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 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. Accounting policies for material transaction, events or condition not covered by the GRAP report framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which been issued but are not effective yet.

GRAP 20 - Related parties

Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

GRAP 108 - Statutory Receivables

GRAP 109 - Accounting by Principals and Agents

GRAP 32 - Service Concession Arrangements

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include :

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions are used and disclosed in note 6 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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

uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives of different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar asset available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time. Management referred to the following when making assumptions regarding useful life and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions).