

## Notes to the Financial Statements

The amounts recognised in the Statement of Financial Performance were as follows:

	2016	2015
Current service cost	270,000	283,000
Interest cost	346,000	342,000
Benefit payments	-124,510	-111,000
Actuarial (gains)/losses	-410,490	-439,000
	<u>81,000</u>	<u>75,000</u>

### Key Assumptions

Discount rate per annum	Yield Curve CPI + 1	Yield Curve CPI + 1
Health care cost inflation rate	Yield Curve Based	Yield Curve Based
Net effective discount rate	0%	0%
Benchmark inflation (equal to salary inflation)	63	63
Average retirement age	100%	100%
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	SA 85-90 ultimate	SA 85-90 ultimate
Mortality during employment	PA90 ultimate	PA90-1 ultimate
Mortality post-retirement		
(No explicit assumption was made about additional mortality or health care costs due to AIDS)		

Percentage of in-service members withdrawing before retirement:

	Males	Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 59	1%	1%
Age 60+	0%	0%
	<u>3,917,000</u>	<u>3,705,000</u>

The amounts recognised in the Statement of Financial Position

### 6.4 Long Service Awards.

Independent valuers, Zaqen Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2016.

The principal actuarial assumptions used were as follows:

Discount rate per annum	Yield Curve CPI+1	Yield Curve CPI+1
General Salary Inflation (Long term)	Yield Curve	Yield Curve
Net effective discount rate		

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services:

	Males	Females
Age 20 - 24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 59	1%	1%
Age 60+	0%	0%

## Notes to the Financial Statements

The amounts recognised in the Statement of Financial Position were determined as follows:

	2016	2015
Present value of funded obligations	1,700,000	1,704,000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	<u>1,700,000</u>	<u>1,704,000</u>
<b>Movements in the defined benefit obligation is as follows:</b>		
Balance at beginning of the year	1,704,000	1,551,000
Current service cost	230,000	227,000
Interest cost	112,000	127,000
Benefit payments	-123,000	-75,000
Actuarial (gains)/losses	-91,000	-126,000
Balance at end of year	<u>1,832,000</u>	<u>1,704,000</u>

# uBuhlebezwe Municipality

(Registration number KZN 434)  
Trading as UBULEBEZWE LOCAL MUNICIPALITY  
Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>7. Inventories</b>		
Opening Inventory	3,671,140	4,600,000
Sales	(512,018)	(928,860)
	<b>3,159,122</b>	<b>3,671,140</b>
<b>8. Other receivables from non-exchange transactions</b>		
<b>9. VAT receivable</b>		
VAT	10,322,551	4,821,505
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtor		
<b>10. Trade receivable from exchange transaction &amp; non exchange transaction</b>		
<b>Gross balances</b>		
Rates	21,641,492	16,758,708
Electricity	7,545	7,545
Loans & Self help	204,284	211,756
Refuse	3,146,878	2,791,834
Fines	359,335	162,933
Vat Debtors	516,755	432,818
Housing rental	744,722	468,958
Sundry	304,476	1,393,533
	<b>26,925,487</b>	<b>22,228,085</b>
<b>Less: Allowance for impairment</b>		
Less : provision for bad debt	(15,718,090)	(12,781,032)
Business service levies	359,335	162,933
<b>Net balance</b>		
Rates	21,641,492	16,758,708
Electricity	7,545	7,545
Loans & self help	204,284	211,756
Refuse	3,146,878	2,791,834
Fines	359,335	162,933
Vat Debtors	516,755	432,818
Housing rental	744,722	468,958
Sundry	304,476	1,393,533
Less: Provision for bad debt	(15,718,090)	(12,781,032)
	<b>11,207,397</b>	<b>9,447,053</b>
<b>Rates</b>		
Current (0 -30 days)	(2,188)	(114,023)
31 - 60 days	498,044	12,235
61 - 90 days	460,115	9,839
91 - 120 days	422,347	499,048
Greater than 120 days	20,263,174	16,351,609
	<b>21,641,492</b>	<b>16,758,708</b>
<b>Electricity</b>		
Greater than 120 days	7,545	7,545

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>10. Trade receivable from exchange transaction &amp; non exchange transaction (continued)</b>		
<b>Loans &amp; self help</b>		
Greater than 120 days	204,284	211,756
<b>Refuse</b>		
Current (0 -30 days)	159,445	125,461
31 - 60 days	188,329	13,838
61 - 90 days	80,568	82,100
91 - 120 days	72,273	74,928
Greater than 120 days	2,646,263	2,495,507
	<b>3,146,878</b>	<b>2,791,834</b>
<b>Sundry</b>		
Current (0 -30 days)	30,753	1,130,200
31 - 60 days	21,312	114,997
61 - 90 days	16,158	5,300
91 - 120 days	80,007	4,203
121 - 365 days	21,031	29,100
> 365 days	135,215	109,733
	<b>304,476</b>	<b>1,393,533</b>
<b>VAT Debtors</b>		
Current (0 -30 days)	24,546	(75,861)
31 - 60 days	16,060	1,712
61 - 90 days	14,122	14,332
91 - 120 days	22,793	27,555
Greater than 120 days	439,234	465,080
	<b>516,755</b>	<b>432,818</b>
<b>Housing rental</b>		
Current (0 -30 days)	54,893	59,945
31 - 60 days	60,738	12,592
61 - 90 days	25,424	17,970
91 - 120 days	22,002	17,314
Greater than 120 days	581,665	361,137
	<b>744,722</b>	<b>468,958</b>
<b>Reconciliation of doubtful debt</b>		
Balance at beginning of the year	(12,781,032)	(11,095,531)
Contributions to allowance	(2,937,058)	(2,818,177)
Debt impairment written off against allowance	-	1,132,676
	<b>(15,718,090)</b>	<b>(12,781,032)</b>
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	5,249	5,249
Bank balances	11,356,655	3,206,659
Short-term deposits	91,867,859	78,757,765
	<b>103,229,763</b>	<b>81,969,673</b>



# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand				2016	2015	
<b>11. Consumer debtors disclosure (continued)</b>						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
FNB - Current Account - 52552416194	11,361,934	3,211,908	1,933,602	11,361,934	3,211,908	1,933,602
FNB - Equitable Share - 62143895988	5,401,006	207,163	2,455,109	5,401,006	207,163	2,455,109
FNB - Equitable Share - 62248166218	613,504	592,381	633,047	613,504	592,381	633,047
FNB - 7 Day Call Short Term Investment Account - FNB - Lums - 62074735831	5,013,041	-	4,192,999	5,013,041	-	4,192,999
ABSA - Small Town Rehab/3 months fixed deposit - 2074566678	15,253,356	-	-	15,253,356	-	-
ABSA - Small Town Rehab/3 months fixed deposit - 2074567242	5,624,830	5,207,759	-	5,624,830	5,207,759	-
ABSA - Small Town Rehab/3 months fixed deposit - 2073068077	11,303,000	10,471,117	-	11,303,000	10,471,117	-
ABSA - 2075702582	-	-	5,335,168	-	-	5,335,168
ABSA - Small Town Rehab/3 months fixed deposit - 2075113660	5,180,654	-	-	5,180,654	-	-
Nedbank - Fixed Deposit 1 month - 7881076763/001	10,852,132	10,000,000	-	10,852,132	10,000,000	-
Nedbank - Fixed Deposit 1 month - 7881076763/0069	-	-	10,406,787	-	-	10,406,787
Nedbank - Fixed Deposit 1 month - 7881076763/018	-	10,307,804	-	-	10,307,804	-
Nedbank - Fixed deposit 3 months - 7881076763/002	-	-	3,790,022	-	-	3,790,022
Standard Bank - 90 Days Equitable Share - 0687302760-004	-	-	5,314,469	-	-	5,314,469
Standard Bank - 90 Days Equitable Share - 0687302760-007	-	29	2,950,382	-	29	2,950,382
Standard Bank - 068730276 005	11,219	5,568,451	5,202,039	11,219	5,568,451	5,202,039
Standard Bank - 30 Days Equitable Share - 0687302760-005	11,561,919	-	-	11,561,919	-	-
Standard Bank - 90 Days Equitable Share - 0687302760-006	-	10,765,896	10,143,972	-	10,765,896	10,143,972
Standard Bank - R6M	-	-	5,366,354	-	-	5,366,354
Ithala Bank - Equitable Share - 46142189	10,245,482	-	-	10,245,482	-	-
Ithala Bank - Equitable Share - 46149515	5,745,480	5,384,085	5,069,737	5,745,480	5,384,085	5,069,737
<b>Total</b>	<b>103,229,763</b>	<b>81,969,672</b>	<b>66,033,153</b>	<b>103,229,763</b>	<b>81,969,672</b>	<b>66,033,153</b>

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>12. Long-term Receivables</b>		
Housing selling scheme loans	122,298	122,298
Less: Provision for bad debts	(122,298)	(122,298)
	-	-
<b>13. Housing operating account</b>		
Housing Operating Account	373,787	373,787
<b>The housing operating account is represented by the following assets and liabilities</b>		
Housing selling scheme loans	122,298	122,298
Cash and cash equivalents	251,489	251,489
<b>Assets</b>	<b>373,787</b>	<b>373,787</b>
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>373,787</b>	<b>373,787</b>
<b>14. Finance lease liability</b>		
<b>Minimum lease payments due</b>		
- within one year	62,932	275,123
- in second to fifth year inclusive	-	62,932
<b>Present value of minimum lease payments</b>	<b>62,932</b>	<b>338,055</b>
<b>Present value of minimum lease payments due</b>		
- within one year	62,932	275,123
- in second to fifth year inclusive	-	62,932
	<b>62,932</b>	<b>338,055</b>
Non-current liabilities	-	62,932
Current liabilities	62,932	275,123
	<b>62,932</b>	<b>338,055</b>
Finance lease payments represent payments payable by the municipality for photocopiers and printers.		
No finance lease period is more than five years. All finance leases have signed contracts with the service providers.		
.		
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Mckenzie Farm	480,796	480,796
Library Grant	-	25,225
Small Town Rehabilitation	8,567,585	12,825,345
Ixopo Sportfields	8,278	129,350
Sangcwaba Grant	565,387	565,387
Ixopo Sportfield Mantainance	143,182	143,182
	<b>9,765,228</b>	<b>14,169,285</b>



# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>16. Trade and other payables from exchange transactions</b>		
Trade payables	10,784,678	5,827,144
Payments received in advance	1,688,465	814,891
Deposits other	427,889	363,279
Other payables	(1,299)	60
Retention	8,738,636	4,645,095
Staff Leave Accrual	3,089,200	2,543,895
	<b>24,727,569</b>	<b>14,194,364</b>
<b>17. Revenue</b>		
Service charges	1,681,650	1,463,902
Rental of facilities	985,191	810,788
Interest received	6,872,906	5,445,943
Licences and permits	3,597,454	3,506,864
Other income - Miscellaneous	1,798,929	1,675,265
Property rates	13,123,930	12,348,922
Property rates - penalties imposed	-	(100)
Government grants & subsidies	173,795,056	139,610,923
Fines	392,026	263,912
	<b>202,247,142</b>	<b>165,126,419</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	1,681,650	1,463,902
Rental of facilities and equipment	985,191	810,788
Interest received (trading)	6,872,906	5,445,943
Licences and permits	3,597,454	3,506,864
Other income - Miscellaneous	1,798,929	1,675,265
	<b>14,936,130</b>	<b>12,902,762</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	13,123,930	12,348,922
Penalties imposed	-	(100)
<b>Transfer revenue</b>		
Government grants & subsidies	173,795,056	139,610,923
Fines	392,026	263,912
	<b>187,311,012</b>	<b>152,223,657</b>
<b>18. Service charges</b>		
Refuse removal	1,681,650	1,463,902
<b>19. Rental of facilities and equipment</b>		
<b>Premises</b>		
Venue hire	101,924	34,475
Rental of equipment	883,267	776,313
	<b>985,191</b>	<b>810,788</b>
	<b>985,191</b>	<b>810,788</b>

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>20. Other income</b>		
Rates Clearance	9,107	6,829
Sale of assets	-	160,752
Sundry Income	802,960	427,875
Admin Fees	41,035	26,949
Disposal of land	11,675	131,167
Skills development	95,905	79,763
Building fees	20,760	48,233
Sundry Income	3,933	5,400
Basic Charge : Fire service	36,338	36,103
Licence Commission	752,061	732,927
Burial Fees	25,155	19,341
Discount received	-	(74)
	<b>1,798,929</b>	<b>1,675,265</b>
<b>21. Investment revenue</b>		
Interest revenue	6,872,906	5,445,944
Call Interest	-	-
Bank current account	<b>6,872,906</b>	<b>5,445,944</b>



# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBULEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

	2016	2015
Figures in Rand		

### 22. Property rates

#### Rates received

Property rates	20,910,542	19,935,452
Less: Income forgone	(7,786,612)	(7,586,530)
	13,123,930	12,348,922
	-	(100)
Property rates - penalties imposed	13,123,930	12,348,822

#### Valuations

Residential	223,094,000	229,855,000
Commercial	258,459,000	268,779,000
State	-	240,376,000
Industrial	22,050,000	22,050,000
Municipal	56,871,000	19,564,000
Agricultural	1,801,095,000	1,815,200,000
Vacant Land	25,900,000	28,957,000
Farm : Residential	4,691,000	4,839,000
Smallholdings : Agricultural	2,525,000	2,525,000
Public Service Infrastructure	-	2,578,000
Smallholdings : Commercial	6,526,000	6,547,000
Ingonyama Trust	267,314,000	24,360,000
Commercial Settlement	12,245,000	12,245,000
	<b>2,680,770,000</b>	<b>2,677,875,000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in ten monthly equal instalments with the first being due at the end of August and the last instalments in May. The May instalment is due at the end of June.

	2016	2015
Residential	0.0141c/R	0.0141c/R
State owned	0.0145c/R	0.0145c/R
Agriculture	0.0035c/R	0.035c/R
Infrastructure	0.0035c/R	0.0035c/R
Communal land	0.0035c/R	0.0035c/R
Commercial	0.0145c/R	0.0145c/R
Industrial	0.0152c/R	0.0152c/R
Place of worship	Exempt	Exempt

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

Residential  
Agricultural  
Small holding ( Agricultural )  
Commercial  
Industrial and  
Communal

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	85,227,000	66,977,000
FMG	1,800,000	1,800,000
Project Consolidate (MSIG)	930,000	934,000
Grant : Ixopo Sportsfield	-	276,818
Library Assistant - Cyber	170,000	126,000
Library Grant	578,225	557,493
LED Programmes	-	1,735,000
Sponya Housing grant	-	57,832
Sportsfield Mantainance	121,071	107,145
GIS Grant	-	2,659
EPWP	1,420,000	1,090,000
Project Management unit	-	163,377
LUMS Grant	-	220,238
Capital Investment programme	-	9,700
	<b>90,246,296</b>	<b>74,057,262</b>
<b>Capital grants</b>		
MIG	24,335,000	23,553,000
McKenzie Farm	-	7,519,204
Electrification	54,956,000	28,815,000
Ixopo Town roads	4,257,760	5,666,457
	<b>83,548,760</b>	<b>65,553,661</b>
	<b>173,795,056</b>	<b>139,610,923</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
<b>Equitable Share</b>		
Current-year receipts	85,227,000	66,977,000
Conditions met - transferred to revenue	(85,227,000)	(66,977,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Mc Kenzie Farm</b>		
Balance unspent at beginning of year	480,796	-
Current-year receipts	-	8,000,000
Conditions met - transferred to revenue	-	(7,519,204)
	<b>480,796</b>	<b>480,796</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>FMG Grant</b>		
Current-year receipts	1,800,000	1,800,000
Conditions met - transferred to revenue	(1,800,000)	(1,800,000)
	-	-

# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>23. Government grants and subsidies (continued)</b>		
<b>GIS Grant</b>		
Balance unspent at beginning of year	-	2,659
Conditions met - transferred to revenue	-	(2,659)
	-	-
<b>Electrification Grant - Cogta</b>		
Current-year receipts	24,956,000	20,815,000
Conditions met - transferred to revenue	(24,956,000)	(20,815,000)
	-	-
<b>Electrification Grant - DOE</b>		
Current-year receipts	30,000,000	8,000,000
Conditions met - transferred to revenue	(30,000,000)	(8,000,000)
	-	-
<b>Municipal Infrastructure Grant</b>		
Current-year receipts	24,335,000	23,553,000
Conditions met - transferred to revenue	(24,335,000)	(23,553,000)
	-	-
<b>Library Grant</b>		
Balance unspent at beginning of year	25,225	47,718
Current-year receipts	553,000	535,000
Conditions met - transferred to revenue	(578,225)	(557,493)
	-	25,225
<b>Small Town Rehab _ Roads</b>		
Balance unspent at beginning of year	12,825,345	8,791,802
Current-year receipts	-	9,700,000
Conditions met - transferred to revenue	(4,257,760)	(5,666,457)
	8,567,585	12,825,345
Conditions still to be met - remain liabilities (see note 15).		
<b>Capital Investments</b>		
Balance unspent at beginning of year	-	9,700
Conditions met - transferred to revenue	-	(9,700)
	-	-
<b>MSIG Grant</b>		
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)



# uBuhlebezwe Municipality

(Registration number KZN 434)

Trading as UBUHLEBEZWE LOCAL MUNICIPALITY

Financial Statements for the year ended June 30, 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>23. Government grants and subsidies (continued)</b>		
	-	-
<b>Sponya housing Grant</b>		
Current-year receipts	-	57,832
Conditions met - transferred to revenue	-	(57,832)
	-	-
<b>Ixopo sports mantainance Grant</b>		
Balance unspent at beginning of year	129,350	107,145
Current-year receipts	-	129,350
Conditions met - transferred to revenue	(121,072)	(107,145)
	<b>8,278</b>	<b>129,350</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>LUMS GRANT</b>		
Balance unspent at beginning of year	-	220,238
Conditions met - transferred to revenue	-	(220,238)
	-	-
<b>Project management unit</b>		
Balance unspent at beginning of year	-	163,377
Conditions met - transferred to revenue	-	(163,377)
	-	-
<b>EPWP Grant</b>		
Current-year receipts	1,420,000	1,090,000
Conditions met - transferred to revenue	(1,420,000)	(1,090,000)
	-	-
<b>Ixopo Sportsfield Grant</b>		
Balance unspent at beginning of year	143,182	420,000
Conditions met - transferred to revenue	-	(276,818)
	<b>143,182</b>	<b>143,182</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Library Assistant</b>		
Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(170,000)	(126,000)
	-	-