



UBUHLEBEZWE LOCAL MUNICIPALITY
(DERMACATION CODE KZN 434)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral Committee

His worship, The Mayor

Z D Nxumalo

Cllr.Ngubo E.B (Deputy Mayor)

Councillors

Cllr.Mngoyama C.Z (Speaker)

Cllr. Shabalala Z.M

Cllr. Mkhize T.T

Cllr.Caluza B. M

Cllr.Ndlovu P

Cllr.Dlamini T.C.

Cllr.Ndlovu M.C

Cllr. Mkhize V.C

Cllr. Jili N.Z

Cllr. Jili H.C

Cllr.Ngcongo G. J

Cllr.Maluleka S.P

Cllr.Radebe N.G

Cllr. Khumalo Z.C

Cllr. Mdunge N.M

Cllr.Mpungose P.B

Cllr. Msimango S.M

Cllr.Ntabeni C.N

Cllr. Nxumalo T.B

Cllr. Shoba E.T

Cllr. Khuboni B.M

Cllr. Nkontwana M.C

Cllr. Zulu B.R.

Cllr.Nduli B. R

Cllr.Davids L.M

Grading of local authority

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

Accounting Officer

G.M Sineke

Chief Finance Officer (CFO)

Ms NK Sibobi (Resigned 25 May 2019)

Ms MP Mbatha (Acting from 01 June 2019)

Registered office

Ubuhlebezwe Local Municipality

Margaret Street

Ixopo

3276

Business Address

29 Margaret Street

Ixopo

3276

Postal Address

P.O. Box 132

Ixopo

3276

Bankers

First National Bank

Auditors

Auditor General (S.A)

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
EPWP	Expended Publics Works Programme
SDL	Skills Development Levies
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)
FMG	Finance Management Grant
mSCOA	Municipal Standard Chart of Accounts
MPRA	Municipal Property Rates Act

uBuhlebezwe Local Municipality

(Registration number KZN 434)

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements set out on pages 4 to 59, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

G.M Sineke
Accounting Officer

uBuhlebezwe Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
ASSETS			
Current Assets			
Inventories	3	9,199,474	9,987,822
VAT receivable	4	5,300,118	4,602,892
Receivables from non-exchange transactions	5	16,631,162	7,423,087
Receivables from exchange transactions	6	5,399,714	1,995,294
Prepayments	7	-	675,156
Cash and cash equivalents	8	155,455,064	102,277,331
Investments	9	-	32,542,736
		191,985,532	159,504,318
Non-Current Assets			
Investment property	10	20,670,810	20,961,275
Property, plant and equipment	11	269,392,967	251,876,840
Intangible assets	12	1,403,648	212,393
Heritage assets	13	4,808,819	4,808,819
		296,276,244	277,859,327
TOTAL ASSETS		488,261,776	437,363,645
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	32,137,702	23,536,042
Unspent conditional grants and receipts	15	1,285,554	1,163,515
Provisions	16	3,264,536	3,893,612
		36,687,792	28,593,169
Non-Current Liabilities			
Employee benefit obligation	17	4,668,000	6,089,000
Provisions	16	2,549,000	2,355,000
		7,217,000	8,444,000
TOTAL LIABILITIES		43,904,792	37,037,169
NET ASSETS		444,356,984	400,326,476
Reserves			
Housing Development	20	373,787	373,787
Accumulated surplus		443,983,197	399,952,689
TOTAL NET ASSETS		444,356,984	400,326,476

* See Note 45

uBuhlebezwe Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	19	2,257,263	2,155,141
Rental of facilities and equipment	21	1,074,076	923,761
Agency services		884,998	634,223
Licences and permits		2,884,673	2,710,002
Other income	22	327,895	220,901
Interest received - investment	23	13,026,783	11,001,948
Total revenue from exchange transactions		20,455,688	17,645,976
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	21,886,399	13,681,143
Transfer revenue			
Government grants & subsidies	25	138,943,262	126,444,003
Fines, Penalties and Forfeits		901,062	1,957,000
Total revenue from non-exchange transactions		161,730,723	142,082,146
TOTAL REVENUE	18	182,186,411	159,728,122
EXPENDITURE			
Employee related costs	26	(62,083,872)	(62,333,281)
Remuneration of councillors	27	(10,182,136)	(9,901,684)
Depreciation and amortisation	28	(20,831,259)	(21,269,841)
Impairment loss/ reversal of impairments	29	(3,184,560)	(5,303,291)
Finance costs	30	(2,395)	(2,856)
Debt Impairment	31	(4,743,403)	(4,477,729)
Contracted services	32	(14,542,813)	(14,031,483)
General Expenses	33	(24,795,297)	(21,671,593)
TOTAL EXPENDITURE		(140,365,735)	(138,991,758)
Operating surplus		41,820,676	20,736,364
(Loss) gain on disposal of assets and liabilities		(460,657)	127,230
SURPLUS FOR THE YEAR		41,360,019	20,863,594

* See Note 45

uBuhlebezwe Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Balance at 01 July 2017	373,787	379,089,095	379,462,882
Surplus for the year	-	20,863,594	20,863,594
Total changes	-	20,863,594	20,863,594
Opening balance as previously reported	373,787	385,889,162	386,262,949
Adjustments			
Correction of errors	-	13,372,527	13,372,527
Restated* Balance at 01 July 2018 as restated*	373,787	402,623,178	402,996,965
Changes in net assets			
Surplus for the year	-	41,360,019	41,360,019
Balance at 30 June 2019	373,787	443,983,197	444,356,984

Note(s)

* See Note 45

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Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates		12,878,841	12,292,781
Sale of goods and services		6,678,359	2,155,141
Grants		135,403,000	146,444,000
Interest income		13,026,783	11,001,948
		<u>167,986,983</u>	<u>171,893,870</u>
Payments			
Employee related costs		(72,266,008)	(72,795,640)
Suppliers		(30,736,448)	(44,717,622)
Finance costs		(2,395)	(2,856)
Other cash item		-	2,368
		<u>(103,004,851)</u>	<u>(117,513,750)</u>
Net cash flows from operating activities	34	<u>64,982,132</u>	<u>54,380,120</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(41,566,182)	(38,020,020)
Proceeds from sale of property, plant and equipment	11	362,857	173,285
Purchase of investment property	10	-	(1,108,000)
Purchase of other intangible assets	12	(1,722,830)	(237,845)
Proceeds from sale of other intangible assets	12	(1)	11,397
Proceeds from sale of other assets		32,542,736	(32,573,208)
Net cash flows from investing activities		<u>(10,383,420)</u>	<u>(71,754,391)</u>
Cash flows from financing activities			
Movement in retirement benefits: post employment medical benefits		(1,421,000)	1,351,000
Net increase/(decrease) in cash and cash equivalents		<u>53,177,712</u>	<u>(16,023,271)</u>
Cash and cash equivalents at the beginning of the year		102,277,331	118,300,602
Cash and cash equivalents at the end of the year	8	<u>155,455,043</u>	<u>102,277,331</u>

* See Note 45

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,090,247	(90,247)	2,000,000	2,257,263	257,263	(a)
Rental of facilities and equipment	1,000,000	-	1,000,000	1,074,076	74,076	(b)
Agency services	815,300	(70,000)	745,300	884,998	139,698	(c)
Licences and permits	3,678,900	(1,000,000)	2,678,900	2,884,673	205,773	(d)
Other income	1,306,192	86,000	1,392,192	327,895	(1,064,297)	(e)
Interest received - investment	10,000,000	4,000,000	14,000,000	13,026,783	(973,217)	(f)
Total revenue from exchange transactions	18,890,639	2,925,753	21,816,392	20,455,688	(1,360,704)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36,001,950	(14,075,227)	21,926,723	21,886,399	(40,324)	(g)
Transfer revenue						
Government grants & subsidies	148,819,096	24,750,810	173,569,906	138,943,262	(34,626,644)	(h)
Fines, Penalties and Forfeits	200,000	800,000	1,000,000	901,062	(98,938)	(i)
Total revenue from non-exchange transactions	185,021,046	11,475,583	196,496,629	161,730,723	(34,765,906)	
Total revenue	203,911,685	14,401,336	218,313,021	182,186,411	(36,126,610)	
Expenditure						
Employee related costs	(68,426,559)	570,207	(67,856,351)	(62,083,872)	5,772,479	(j)
Remuneration of councillors	(9,862,407)	(496,436)	(10,358,844)	(10,182,136)	176,708	
Depreciation and amortisation	(20,000,000)	-	(20,000,000)	(20,831,259)	(831,259)	(k)
Impairment loss/ Reversal of impairments	-	-	-	(3,184,560)	(3,184,560)	(l)
Finance costs	-	-	-	(2,395)	(2,395)	
Debt Impairment	(1,578,000)	-	(1,578,000)	(1,578,000)	-	(l)
Other materials	(756,000)	(14,454)	(770,454)	-	770,454	(m)
Contracted Services	(21,047,892)	19,042	(21,021,934)	(14,542,813)	6,479,121	(n)
Transfers and Subsidies	(20,152,096)	(20,614,787)	(40,766,883)	-	40,766,883	(o)
Other expenditure	(24,124,744)	(384,866)	(24,534,610)	(27,960,700)	(3,426,090)	(p)
Total expenditure	(165,947,698)	(20,921,294)	(186,887,076)	(140,365,735)	46,521,341	
Operating surplus	37,963,987	(6,519,958)	31,444,029	41,820,676	10,376,647	
Loss on disposal of assets and liabilities	-	-	-	(460,657)	(460,657)	
Surplus after capital transfer & contribution	37,963,987	(6,519,958)	31,444,029	41,360,019	9,915,990	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37,963,987	(6,519,958)	31,444,029	41,360,019	9,915,990	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

(a) Service charges

Collection target was achieved and it includes the prior year debt.

(b) Rental of facilities

Hall hire rental targets were achieved due to increase in usage of halls..

(c) Agency Services

The collection of Traffic Department income was lower than expected which led to lower agency fees received from the Department Transport.

(d) Licences and permits

Target achieved and a great turnout from applicants in this financial year.

(e) Other income

Lower than expected due to the usage of E-portal instead of the normal process of procuring tenders

(f) Interest in investments

Receipt lower than the budget due to the fluctuations of the interest rates in commercial banks.

(g) Property rates

Variance less than 10% and within the norm.

(h) Government grants and subsidies

INEP and Housing was initially budgeted for under revenue, however there was no revenue recognised in the income statement due to changes in the accounting treatment by provincial circular.

(i) Fines, penalties and forfeits

This was due to lower fines and penalties issued.

(j) Employee costs

This was due to reduction in overtime, post employment benefits and savings on director corporate services..

(k) Depreciation

Depreciation is inline with the budget.

(l) Impairment provision

The impairment is in the current year was due to current year damages and was not anticipated.

(m) Other materials

This was budgeted under general expenditure.

(n) Contracted Service

The expenditure relating to grants is accounted for in general expenses due to the implementation of the mSCOA alignments.

(q) General Expenditure

This is due to the mSCOA alignment where allocations were classified to general expenditure instead of contracted services.

(r) Finance costs

Interest on late payment of Eskom was not budgeted for.

The accounting policies on pages 12 to 28 and the notes on pages 29 to 59 form an integral part of the annual financial statements.

uBuhlebezwe Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	36,001,950	(14,075,227)	21,926,723	-	-	21,926,723	21,886,399	-	(40,324)	100 %	61 %
Service charges	2,090,247	(90,247)	2,000,000	-	-	2,000,000	2,257,263	-	257,263	113 %	108 %
Investment revenue	10,000,000	4,000,000	14,000,000	-	-	14,000,000	13,026,783	-	(973,217)	93 %	130 %
Transfers recognised - operational	148,819,096	10,154,756	158,973,852	-	-	158,973,852	108,842,563	-	(50,131,289)	68 %	73 %
Other own revenue	7,000,392	(184,000)	6,816,392	-	-	6,816,392	6,072,704	-	(743,688)	89 %	87 %
Total revenue (excluding capital transfers and contributions)	203,911,685	(194,718)	203,716,967	-	-	203,716,967	152,085,712	-	(51,631,255)	75 %	75 %
Employee costs	(68,686,949)	-	(68,686,949)	-	-	(68,686,949)	(62,083,872)	-	6,603,077	90 %	90 %
Remuneration of councillors	(9,962,311)	(299,967)	(10,262,278)	-	-	(10,262,278)	(10,182,136)	-	80,142	99 %	102 %
Debt impairment	(1,578,000)	-	(1,578,000)	-	-	(1,578,000)	(4,743,403)	-	(3,165,403)	301 %	301 %
Depreciation and asset impairment	(20,000,000)	-	(20,000,000)	-	-	(20,000,000)	(24,015,819)	-	(4,015,819)	120 %	120 %
Finance charges	-	-	-	-	-	-	(2,395)	-	(2,395)	DIV/0 %	DIV/0 %
Other expenditure	(65,741,351)	(6,183,056)	(71,924,407)	-	-	(71,924,407)	(39,798,767)	-	32,125,640	55 %	61 %
Total expenditure	(165,968,611)	(6,483,023)	(172,451,634)	-	-	(172,451,634)	(140,826,392)	-	31,625,242	82 %	85 %
Surplus/(Deficit)	37,943,074	(6,677,741)	31,265,333	-	-	31,265,333	11,259,320	-	(20,006,013)	36 %	30 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-	-	-	30,100,699	-	30,100,699	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	37,943,074	(6,677,741)	31,265,333	-	-	31,265,333	41,360,019	-	10,094,686	132 %	109 %
Surplus/(Deficit) for the year	37,943,074	(6,677,741)	31,265,333	-	-	31,265,333	41,360,019	-	10,094,686	132 %	109 %

uBuhlebezwe Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of computer software and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, computer software is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of computer software and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

1.4 Investment property

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

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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

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1.4 Investment property (continued)

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

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of the following areas involve a significant degree of estimation and uncertainty. Any remaining inspection costs from .

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance property, plant and equipment will be valued using the revaluation model.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of the following areas involve a significant degree of estimation and uncertainty has been assessed as follows:

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1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life in years
Land	Straight line	Infinite
Buildings	Straight line	25 - 30
Finance Lease Assets	Straight line	3
Plant and Equipment	Straight line	10 -20
Furniture and office equipment	Straight line	5-15
Motor vehicles	Straight line	7
Computer equipment	Straight line	5-10
Infrastructure - Cemeteries	Straight line	15-30
Machinery and equipment	Straight line	5-15
Infrastructure - Electricity	Straight line	15 -30
Infrastructure - Road	Straight line	15 - 55
Infrastructure - Solid Waste Disposal	Straight line	10 - 55
Specialised vehicles	Straight line	10-20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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1.8 Financial instruments (continued)

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.9 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.

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1.9 Leases (continued)

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

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 interest rate implicit in the lease.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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1.12 Impairment of non-cash-generating assets (continued)

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.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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1.15 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus .

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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1.18 Revenue from non-exchange transactions (continued)

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.

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

Fines

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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1.19 Comparative figures

All municipalities are required to comply with mScoa as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the mScoa and comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 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.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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1.22 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2021.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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1.25 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.

1.26 Principal and Agent arrangements

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Accounting by agent

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal).

An agent does not recognise expenses it incurs on behalf of the principal in its statement of financial performance. The result of the transaction with third parties, in this case suppliers, results in the principal having the ability to use all, or substantially all, of the resources related to that transaction and not the agent.

Recognising assets and liabilities as an agent

The Framework for the Preparation and Presentation of Financial Statements requires, inter-alia, that an entity must control an asset, as a result of a past event, before it can be recognised in the statement of financial position. Consequently, an agent assesses whether the resources it holds as a result of undertaking transactions with third parties on behalf of the principal are under its control and would otherwise meet the definition and recognition criteria for such assets in accordance with other Standards of GRAP.

Where an agent holds cash or other monetary assets on behalf of its principal, it is necessary to assess whether this should be recognised as an asset by the agent, with a corresponding liability in respect of the obligation to transfer the amounts to the principal. In making this assessment, the agent considers whether it controls (even if this control is temporary) the cash or other asset it holds, and consequently whether it meets the definition of an asset in accordance with the Framework for Preparation and Presentation of Financial Statements.

1.27 Unspent Conditional Grants and receipts

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

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Income statement for the year 30 June 2020

The changes in the new standards and interpretations resulted in a decrease in basic earnings per share and diluted earnings per share as follows:

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3. Inventories		
Consumable stores	-	40,717
Land held for sale	9,947,105	2,530,614
	<u>9,947,105</u>	<u>2,571,331</u>
Disposals	(827,631)	(528,509)
Additions	80,000	7,945,000
	<u>9,199,474</u>	<u>9,987,822</u>
Carrying value of inventories carried at fair value less costs to sell	9,199,474	9,987,822
Inventories recognised as an expense during the year	1,026,641	487,790
Consumables stores relate to Cleaning chemicals and Stationery. Land held for sale is included in the Assets Held for Sale.		
4. VAT receivable		
VAT	<u>5,300,118</u>	<u>4,602,892</u>
VAT is disclosed on the accrual basis, declarations to SARS are made on payments basis		
5. Trade receivable from non exchange transaction		
Gross balances		
Rates	36,823,744	25,122,512
Fines	3,039,664	2,189,703
	<u>39,863,408</u>	<u>27,312,215</u>
Less: Allowance for impairment		
Rates	(20,362,723)	(18,066,533)
Fines	(2,869,523)	(1,822,595)
	<u>(23,232,246)</u>	<u>(19,889,128)</u>
Net balance		
Rates	16,461,021	7,055,979
Fines	170,141	367,108
	<u>16,631,162</u>	<u>7,423,087</u>
Rates		
Current (0 -30 days)	1,843,393	824,961
31 - 60 days	1,579,434	703,353
61 - 90 days	1,532,749	643,554
91 - 120 days	1,318,877	628,834
> 121 days	29,840,546	22,321,810
	<u>36,114,999</u>	<u>25,122,512</u>
Fines		
Fines outstanding	<u>3,039,664</u>	<u>2,189,703</u>
	<u>-</u>	<u>-</u>

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Figures in Rand	2019	2018
5. Trade receivable from non exchange transaction (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19,889,128)	(18,821,678)
Contributions to allowance	(3,343,395)	(1,067,450)
	(23,232,523)	(19,889,128)
6. Receivables from exchange transactions		
Housing debtors	115,075	122,298
Accrued interest	1,858,665	291,656
Consumer debtors - Refuse	5,714,984	4,509,041
Consumer debtors - Rental	1,138,854	1,040,600
Sundry debtors	362,158	22,652
Less: Allowance for Impairment-Refuse	(3,160,261)	(3,242,619)
Less: Allowance for Impairment- Rental	(629,761)	(748,334)
	5,399,714	1,995,294
7. Prepayments		
Prepayments	-	675,156
Prepayment for the prior year relate to SALGA membership paid in advance.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3,000	5,249
Bank balances	24,570,573	5,214,266
Short-term deposits	130,881,491	97,057,816
	155,455,064	102,277,331

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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB - Current Account - 52552416194	24,535,343	5,214,266	6,396,226	24,570,573	5,214,266	6,396,226
FNB -Equitable Share - 62143895988	5,147,234	6,166,184	650,336	5,147,234	6,404,365	650,336
FNB -Equitable Share- 74617848129	-	-	10,729,139	-	-	10,729,139
FNB- Equitable share- 62248166218	690,309	664,709	(9,147,188)	690,309	664,709	(9,147,188)
FNB-74814614472	14,038,663	-	-	14,038,663	-	-
FNB-7 Day Call Short Term - Investment Account	-	-	282,546	-	-	282,546
FNB-7479441557	15,566,845	-	-	15,566,845	-	-
FNB-74806555642	14,237,047	-	-	14,237,048	-	-
FNB -Lums - 62074735831	-	-	15,253,356	-	-	15,253,356
FNB - Investment account	-	-	38,346	-	-	38,346
FNB-745590521793	-	6,464,559	-	-	6,464,559	-
FNB Investment	-	-	555,254	-	-	555,254
FNB Investment account	-	-	10,778,890	-	-	10,778,890
FNB -Equitable Share	-	-	10,288,805	-	-	10,288,805
FNB -71770508335	-	5,677,600	-	-	5,677,600	-
ABSA-Small Town Rehab/3 months fixed deposit - 2074567242	-	-	12,034,457	-	-	12,034,457
ABSA - Bank - 2074567242	-	12,944,135	-	-	12,944,135	-
ABSA Bank-10M 20178479582	10,062,860	-	-	10,062,860	-	-
ABSA Bank-10M 2078355849	10,181,233	-	-	10,181,234	-	-
ABSA-Small Town Rehab/3 months fixed deposit - 20751136603	-	-	11,632,881	-	-	11,632,881
Nedbank - Fixed Deposit 1 month - 7881076763/001	-	-	197,226	-	-	197,226
Nedbank 7881076763/122	20,000,000	-	-	20,000,000	-	-
Nedbank 7881076763/124	21,000,000	-	-	21,000,000	-	-
Nedbank - Fixed Deposit 1 month - 7881076763/101	-	-	5,477,350	-	-	5,477,350
Nedbank - Fixed Deposit 1 month - 7881076763/018	-	-	5,000,000	-	-	5,000,000
Nedbank - Investment Account	-	15,889,682	-	-	15,889,682	-
Standard Bank-068730276-008	15,151	14,494	-	15,151	14,494	-
Standard bank 068730276/009	14,039,066	-	-	14,039,066	-	-
Standard Bank - 90 Days	-	-	(10,231,644)	-	-	(10,231,644)
Standard Bank - 90 Days	-	-	10,011,381	-	-	10,011,381
Standard Bank-068730276 005	-	-	12,508,568	-	-	12,508,568
Standard Bank -068730276 001	122,628	109,507	-	122,628	109,507	-
Standard Bank -068730276 006	5,780,455	5,328,561	-	5,780,455	5,328,561	-
Standard Bank- R6M	-	-	10,245,482	-	-	10,245,482
Ithala Bank- Equitable Share- 46142189	-	-	131,433	-	-	131,433
Ithala Bank- Equitable Share	-	-	5,062,205	-	-	5,062,205
INVESTEC -11005393353455	-	43,946,807	-	-	43,560,204	-
INVESTEC-50011092081	-	-	10,405,513	-	-	10,405,513
Total	155,416,834	102,420,504	118,300,562	155,452,066	102,272,082	118,300,562

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9. Investments

Ithala Bank	-	32,547,736
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As at 30 June 2019 the Municipality has no investments in financial institutions.

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10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22,056,533	(1,385,723)	20,670,810	22,136,533	(1,175,258)	20,961,275

Reconciliation of investment property - 2019

	Opening balance	Transfers	Depreciation	Total
Investment property	20,961,275	(80,000)	(210,465)	20,670,810

Reconciliation of investment property - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	20,364,596	1,108,000	(301,000)	(210,321)	20,961,275

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,072,166	923,761
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11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	35,033,503	(12,045,485)	22,988,018	28,343,129	(11,190,835)	17,152,294
Plant and machinery	8,250,630	(5,200,028)	3,050,602	8,687,139	(4,957,868)	3,729,271
Furniture and fixtures	6,352,250	(4,998,710)	1,353,540	6,377,512	(4,102,126)	2,275,386
Motor vehicles	14,860,285	(9,662,455)	5,197,830	15,084,876	(8,365,251)	6,719,625
IT equipment	4,716,798	(2,970,933)	1,745,865	4,754,939	(3,227,072)	1,527,867
Infrastructure	280,825,297	(154,548,380)	126,276,917	259,745,969	(143,631,729)	116,114,240
Community Libraries	166,793,043 4,706,767	(60,933,711) (1,785,904)	105,859,332 2,920,863	154,406,296 4,706,767	(53,131,272) (1,623,634)	101,275,024 3,083,133
Total	521,538,573	(252,145,606)	269,392,967	482,106,627	(230,229,787)	251,876,840

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Work in Progress	Depreciation	Impairment loss	Total
Buildings	17,152,294	-	-	6,690,374	(854,650)	-	22,988,018
Plant and Equipment	3,729,271	70,160	(49,218)	-	(699,611)	-	3,050,602
Furniture and fixtures	2,275,386	319,102	(3,548)	-	(1,237,400)	-	1,353,540
Motor vehicles	6,719,625	551,719	(427,819)	-	(1,645,695)	-	5,197,830
IT equipment	1,527,867	555,815	(2,962)	-	(334,855)	-	1,745,865
Infrastructure	116,114,240	56,348	-	20,949,479	(10,843,150)	-	126,276,917
Community	101,275,024	37,271	-	12,368,530	(4,636,933)	(3,184,560)	105,859,332
Libraries	3,083,133	-	-	-	(162,270)	-	2,920,863
	251,876,840	1,590,415	(483,547)	40,008,383	(20,414,564)	(3,184,560)	269,392,967

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	16,317,306	2,237,941	-	-	(869,518)	(533,435)	17,152,294
Plant and machinery	2,569,069	1,747,499	-	-	(587,297)	-	3,729,271
Furniture and fixtures	3,938,403	360,840	(31,980)	(933,982)	(1,057,895)	-	2,275,386
Motor vehicles	7,193,914	1,227,734	-	-	(1,702,023)	-	6,719,625
IT equipment	881,184	35,813	-	933,983	(323,113)	-	1,527,867
Infrastructure	103,195,746	24,286,732	-	-	(11,368,238)	-	116,114,240
Community	102,717,620	8,123,461	-	-	(4,796,201)	(4,769,856)	101,275,024
Libraries	3,245,510	-	-	-	(162,377)	-	3,083,133
	240,058,752	38,020,020	(31,980)	1	(20,866,662)	(5,303,291)	251,876,840

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11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16,681,613	12,044,339	2,460,810	31,186,762
Additions/capital expenditure	20,949,479	12,368,530	6,690,374	40,008,383
Transferred to completed items	(10,221,293)	(4,333,903)	-	(14,555,196)
	27,409,799	20,078,966	9,151,184	56,639,949

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	13,716,202	10,215,317	3,261,265	27,192,784
Additions/capital expenditure	15,396,123	5,612,235	2,185,335	23,193,693
Other movements	(12,430,712)	(3,783,213)	(2,985,790)	(19,199,715)
	16,681,613	12,044,339	2,460,810	31,186,762

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	4,266,552	3,111,623
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There are no long outstanding projects which are taking longer than expected to complete.

There are no indications that projects in Work in Progress are impaired.

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

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12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,494,287	(1,090,639)	1,403,648	1,111,444	(899,051)	212,393

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	212,393	1,722,830	(339,986)	(191,589)	1,403,648

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	881,020	237,845	(25,472)	(881,000)	212,393

13. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4,808,819	-	4,808,819	4,808,819	-	4,808,819

Reconciliation of heritage assets 2019

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

Reconciliation of heritage assets 2018

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

14. Payables from exchange transactions

Trade payables	17,868,488	11,495,147
Unallocated deposits	221,964	1,126,897
Other creditors	256,092	256,092
Deposits other	32,134	32,134
Retention	9,599,272	9,306,787
Advance payments	4,159,752	1,318,985
	32,137,702	23,536,042

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Mckenzie Farm	428,422	428,422
Small Town Rehabilitation	18,245	18,245
MIG	601	-
Ixopo Sportfields	-	8,278
Sangcwaba Grant	565,387	565,387
Ixopo Sportfield Maintenance	151,461	143,182
Sports & Recreation	28,777	-
Gym Park - Receipts	92,661	-
	1,285,554	1,163,514

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reduction due to re- measurement	Total
Leave pay provision	3,893,612	-	(629,076)	3,264,536
Long term service award provision	2,355,000	194,000	-	2,549,000
	6,248,612	194,000	(629,076)	5,813,536

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Leave pay provision	3,651,080	242,532	3,893,612
Long term service award provision	1,962,000	393,000	2,355,000
	5,613,080	635,532	6,248,612
Non-current liabilities		2,549,000	2,355,000
Current liabilities		3,264,536	3,893,612
		5,813,536	6,248,612

Long services award are payable after ten years of continuous services and every five years thereafter to employees.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

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17. Employee benefit obligations

Long service awards

Independent valuers, ZAQ Consultants and Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2019.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical aid plan

The municipality operates on 6 accredited medical aid schemes, namely Bonitas, Keyhealth, LA Health, Hosmed, Fedhealth and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, ZAQ Consultants and Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2019. The post-retirement medical obligations at 30 June 2019 quantified the present value of unfunded obligations at R4,668,000. The Current-service costs for the year ending 30 June 2019 is estimated at R386 000. The principal actuarial assumptions used included a discount rate of Yield Curve , and a health care cost inflation rate of CPI + 1.

Post Medical Aid benefits : The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(6,089,000)	(4,738,000)
Current service costs	(386,000)	(289,000)
Interest costs	(530,000)	(481,000)
Benefit paid	168,000	175,000
Actuarial loss / (gain)	2,169,000	(756,000)
	(4,668,000)	(6,089,000)

Members withdrawal from the service	Males	Females
Age		
20	16.00 %	24.00 %
25	12.00 %	18.00 %
30	10.00 %	15.00 %
35	8.00 %	10.00 %
40	6.00 %	6.00 %
45	4.00 %	4.00 %
50	2.00 %	2.00 %
55	1.00 %	1.00 %
	-	-

Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:

Actuarial gains (losses)	2,169,000	(756,000)
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Figures in Rand	2019	2018
18. Revenue		
Service charges	2,257,263	2,155,141
Rental of facilities	1,074,076	923,761
Agency services	884,998	634,223
Licences and permits	2,884,673	2,710,002
Other income - Miscellaneous	327,895	220,901
Interest received - investment	13,026,783	11,001,948
Property rates	21,886,399	13,681,143
Donation income	-	-
Government grants	138,943,262	126,444,003
Fines	901,062	1,957,000
	182,186,411	159,728,122
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2,257,263	2,155,141
Rental of facilities and equipment	1,074,076	923,761
Agency services	884,998	634,223
Licences and permits	2,884,673	2,710,002
Other income - Miscellaneous	327,895	220,901
Interest received - investment	13,026,783	11,001,948
	20,455,688	17,645,976
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21,886,399	13,681,143
Transfer revenue		
Government grants	138,943,262	126,444,003
Fines	901,062	1,957,000
	161,730,723	142,082,146
19. Service charges		
Refuse removal	2,178,570	2,037,394
Other service charges - Fire	78,693	117,747
	2,257,263	2,155,141
20. Housing operating account		
Loans extinguished by Government on 1 April 1998	373,787	373,787
The housing operating account is represented by the following assets and liabilities		
Housing selling scheme loans	122,298	122,298
Bank and cash	251,489	251,489
Assets	373,787	373,787
Total Housing Development Fund Assets and Liabilities	373,787	373,787

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Figures in Rand	2019	2018
21. Rental of facilities and equipment		
Premises		
Hall hire	166,394	851,746
Rental of Buildings	907,682	72,015
	1,074,076	923,761
	1,074,076	923,761
22. Other income		
Rates Clearance	2,657	3,289
Sundry Income	325,238	155,518
Skills development	-	62,094
	327,895	220,901
23. Investment revenue		
Interest revenue		
Short term investments	13,026,783	11,001,948

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24. Property rates

Rates received

Residential	9,762,503	3,621,796
Commercial	5,831,033	2,794,834
State	2,305,716	2,781,121
Property rates	-	937,079
Agricultural	2,955,074	2,382,272
Communal	311,430	17,991
Industrial	690,630	636,159
Public Service Infrastructure	30,013	509,891
	21,886,399	13,681,143

Valuations

Residential	686,574,002	276,469,200
Commercial	324,955,000	348,778,000
Public Service Infrastructure	165,002	8,560,000
Industrial	33,828,001	23,850,000
Municipal	66,923,000	25,200,000
Agricultural	1,249,713,000	1,140,388,000
Vacant Land	20,379,005	37,102,000
Farm : Residential	122,767,000	4,839,000
Public Service Purposes	300,602,000	361,067,000
Smallholdings: Commercial	28,458,000	12,245,000
Ingonyama Trust	138,898,000	264,048,000
Informal Settlement	3,204,000	9,119,000
	2,976,466,010	2,511,665,200

Valuations on land and buildings are performed every 5 years. In terms of the new MPRA legislation an extension of 1 year has been granted. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in 12 monthly equal instalments with the first being due at the end of July and the last instalment is in June.

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

Residential
Agricultural
Small holding (Agricultural)
Commercial
Industrial and
Communal

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Figures in Rand	2019	2018
25. Government grants and subsidies		
Operating grants		
Equitable share	99,319,000	95,443,000
FMG	1,970,000	1,900,000
Sports & recreation	21,223	-
Gym Park	1,907,339	-
Library Grant	1,035,000	771,000
Municipal Disaster Grant	3,000,000	-
EPWP	1,590,001	1,000,000
	108,842,563	99,114,000
Capital grants		
MIG	26,438,399	27,330,003
Electrification	3,662,300	-
	30,100,699	27,330,003
	138,943,262	126,444,003
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	35,910,422	51,001,000
Unconditional grants received	99,319,000	95,443,000
	135,229,422	146,444,000
Equitable Share		
Current-year receipts	99,319,000	95,443,000
Mc Kenzie Farm		
Balance unspent at beginning of year	428,422	428,422
Conditions still to be met - remain liabilities (see note 15).		
FMG Grant		
Current-year receipts	1,970,000	1,900,000
Conditions met - transferred to revenue	(1,970,000)	(1,900,000)
	-	-
Sports and Recreation		
Current-year receipts	50,000	-
Conditions met - transferred to revenue	(21,223)	-
	28,777	-
Conditions still to be met - remain liabilities (see note 15).		
Electrification Grant		
Current-year receipts	16,000,000	-

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Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(16,000,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Municipal Infrastructure Grant		
Current-year receipts	26,439,000	27,330,000
Conditions met - transferred to revenue	(26,438,399)	(27,330,000)
	601	-
Library Grant		
Current-year receipts	1,035,000	771,000
Conditions met - transferred to revenue	(1,035,000)	(771,000)
	-	-
Small Town Rehab _ Roads		
Balance unspent at beginning of year	18,245	18,245
Conditions still to be met - remain liabilities (see note 15).		
Municipal Disaster Recovery Grant		
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(3,000,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Ixopo sports maintenance Grant		
Balance unspent at beginning of year	8,278	8,278
Other	(8,278)	-
	-	8,278
Sangcwaba Grant		
Balance unspent at beginning of year	565,387	565,387
Conditions still to be met - remain liabilities (see note 15).		
EPWP Grant		
Current-year receipts	1,590,000	1,000,000
Conditions met - transferred to revenue	(1,590,000)	(1,000,000)
	-	-
Gym Park Grant		
Current-year receipts	2,000,000	-

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Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(1,907,339)	-
	92,661	-
Conditions still to be met - remain liabilities (see note 15).		
Ixopo Sportsfield Grant		
Balance unspent at beginning of year	143,182	143,182
Other	8,278	-
	151,460	143,182
Conditions still to be met - remain liabilities (see note 15).		

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Figures in Rand	2019	2018
26. Employee related costs		
Basic salaries and wages	45,353,423	42,338,505
Bonus	3,582,568	3,281,331
Medical aid - company contributions	828,010	2,542,419
UIF	420,469	353,442
Other payroll levies	18,534	44,077
Leave pay provision charge	739,830	1,801,958
Pension	6,966,937	6,451,184
Travel, motor car, accommodation, subsistence and other allowances	1,549,012	1,526,924
Overtime payments	1,616,050	2,231,119
Long-service awards	341,798	393,000
Housing benefits and allowances	74,191	18,322
Post Retirement Obligation	457,821	1,351,000
Other employee related costs	135,229	-
	62,083,872	62,333,281
Remuneration of Municipal Manager		
Annual Remuneration	958,638	965,054
Performance Bonuses	169,185	169,185
Contributions to UIF, Medical and Pension Funds	131,830	153,046
Other	189,077	150,842
	1,448,730	1,438,127
Remuneration of Chief Finance Officer		
Annual Remuneration	639,891	523,547
Acting allowance	7,683	-
Contributions to UIF, Medical and Pension Funds	39,826	4,169
Other	203,574	156,702
	890,974	684,418
The Chief Financial Officer resigned during the year on 25 May 2019.		
Corporate and human resources (corporate services)		
Annual Remuneration	67,826	813,908
Performance Bonuses	-	130,747
Contributions to UIF, Medical and Pension Funds	10,915	82,304
Other	-	123,665
	78,741	1,150,624
The director for corporate services resigned during the year on 31 July 2018		
Social Development		
Annual Remuneration	590,820	393,880
Performance Bonuses	107,014	-
Contributions to UIF, Medical and Pension Funds	179,087	81,112
Other	172,297	88,441
	1,049,218	563,433
Technical Services		

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Figures in Rand	2019	2018
26. Employee related costs (continued)		
Annual Remuneration	782,063	838,493
Performance Bonuses	105,368	114,396
Contributions to UIF, Medical and Pension Funds	158,571	109,507
Other	143,481	113,459
	1,189,483	1,175,855
27. Remuneration Of Councillors		
Executive Mayor	873,579	840,313
Deputy Executive Mayor	706,990	610,693
Exco Members	1,312,747	1,408,469
Speaker	731,754	592,530
Councillors	6,557,066	6,449,679
	10,182,136	9,901,684
<p>The Accounting officer affirms that remuneration of councillors disclosed above are within the upper limits envisaged in section 219 of the constitution and were aligned with gazette number 1426 issued on 21 December 2018.</p>		
In-kind benefits		
<p>The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p>		
<p>The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.</p>		
<p>The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.</p>		
<p>The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.</p>		
28. Depreciation and amortisation		
Property, plant and equipment	20,352,472	21,041,469
Investment property	210,465	210,322
Intangible assets	268,322	18,050
	20,831,259	21,269,841
29. Impairment		
Impairments		
Property, plant and equipment	3,184,560	5,303,291
30. Finance costs		
Other interest paid	2,395	2,856
31. Provision for Bad debts		
Self help housing	-	59,808
Receivables from non-exchange	3,142,186	4,417,921
Bad debts written off	1,601,217	-
	4,743,403	4,477,729

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Figures in Rand	2019	2018
32. Contracted services		
Security services	4,052,944	3,141,085
Legal fees	697,543	752,080
Valuation services	263,348	512,647
Other Contractors	923,031	696,529
Repairs and Maintenance	4,266,552	3,111,623
Catering	1,001,711	672,964
Event promoters	309,407	695,823
Plants and decorations	-	100,225
Consultants and Professional Services	2,851,041	4,240,448
Pest control and fumigation	11,087	13,287
Audit committee fees	166,149	94,772
	14,542,813	14,031,483
33. General expenses		
Mscosa Implementation and system development	1,315,659	1,611,581
Advertising	2,225,931	1,273,950
Auditors remuneration	2,191,088	1,391,515
Bank charges	217,595	212,740
Consumables	396,286	832,832
Entertainment	84,609	59,595
Road Traffic levy	2,181	5,497
Free Basic Services	790,519	1,579,541
Insurance	619,103	462,982
Operating Leases: Furniture and Office	679,112	477,443
Parking Fees	67,645	124,251
SDL	466,050	578,847
Specialised Computer Service	821,233	260,967
Fuel and oil	1,895,563	1,768,996
Postage and courier	175,290	149,244
Printing and stationery	604,247	861,125
Bursary Youth	550,176	600,000
Employment creation and assistant programme	273,800	1,132,405
Conferences and seminars	1,010,772	63,086
Software expenses	609,546	137,286
Ward Committees	882,202	735,976
Subscriptions and membership fees	764,134	674,298
Travel - local	3,346,843	2,050,187
Water and electricity	866,938	618,150
Uniforms/ Protective Clothing	775,113	806,960
Communication costs	1,827,732	1,602,333
Computer & Network extensions and internet costs	48,758	524,536
Licence and permits	127,861	158,326
Other expenses	1,159,311	916,944
	24,795,297	21,671,593

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Figures in Rand	2019	2018
34. Cash generated from operations		
Surplus	41,360,019	20,863,594
Adjustments for:		
Depreciation and amortisation	20,831,259	21,269,841
Transfer of assets	460,657	(127,230)
Impairment deficit	3,184,560	5,303,291
Provisions	4,743,403	4,477,729
Movements in benefit assets and liabilities	(1,421,000)	1,351,000
Other non-cash items	(1,054,249)	7,373,897
Changes in working capital:		
Inventories	788,348	(7,454,839)
Receivables from exchange transactions	(3,404,420)	2,946,201
Trade receivables from non exchange transactions	(9,208,075)	(3,406,496)
Prepayments	675,156	(237,909)
Payables from exchange transactions	8,601,661	13,274,786
VAT	(697,226)	(11,253,745)
Unspent conditional grants and receipts	122,039	-
	64,982,132	54,380,120

35. Financial instruments disclosure

Categories of financial instruments

2019

Financial Assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8,900,759	8,900,759
Other receivables from non-exchange transactions	14,628,949	14,628,949
Cash and cash equivalents	155,437,958	155,437,958
	178,967,666	178,967,666

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	32,459,478	32,459,478

2018

Financial assets

	At amortised cost	Total
Prepayments	675,156	675,156
Trade and other receivables from exchange transactions	4,602,892	4,602,892
Other receivables from non-exchange transactions	3,740,600	3,740,600
Consumer debtors	675,156	675,156
Cash and cash equivalents	102,277,331	102,277,331
Interest	35,542,736	35,542,736
	147,513,871	147,513,871

Financial liabilities

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35. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	23,536,041	23,536,041
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	16,549,782	5,342,619
• Community property	5,064,920	1,654,906
• Buildings	36,747,861	25,327,427
	58,362,563	32,324,952
Total capital commitments		
Already contracted for but not provided for	58,362,563	32,324,952
Authorised operational expenditure		
Already contracted for but not provided for		
• Operating expenditure	18,438,993	2,347,978
Total operational commitments		
Already contracted for but not provided for	18,438,993	2,347,978
Total commitments		
Total commitments		
Authorised capital expenditure	58,362,563	32,324,952
Authorised operational expenditure	18,438,993	2,347,978
	76,801,556	34,672,930

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and grants.

37. Contingencies

Contingent liabilities

There were no contingent liabilities as at 30 June 2019

Contingent assets

There were no contingent assets as at 30 June 2019.

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38. Related parties

There were related party transactions in the current financial year. The two related party transactions were the Municipalities councillors and s57 employees as per Grap 20

Remuneration of key management

Councillors

2019

Name

Councillors

2018

Name

Councillors

Section 57 Employees

2019

Basic salary

Name

Municipal manager

958,63

Chief Financial Officer

639,89

Corporate Services Manager

67,82

Social Development Manager

590,82

Technical Manager

782,06

3,039,23

2018

Basic salary

Name

Municipal manager

965,05

Chief Financial Officer

523,54

Corporate Services Manager

813,90

Social Development Manager

393,88

Technical Manager

838,49

3,534,88

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39. Key source of estimation, uncertainty and judgments

Property, plant and equipment

- Useful live and residual values of property, plant and equipment
- Recoverable amount of property plant and equipment
- Present value of defined benefit obligations
- Provision for doubtful debts
- Determining the collectable amount traffic fines issued
- Valuation of properties for the purposes of rates billing.

40. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of 441,185,904 and that the municipality's total assets exceed its liabilities by 441,185,904.

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.

41. Risk management

Financial risk management

Liquidity risk

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

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	2019	2018
Cash and cash equivalents	155,455,064	102,277,331
Investments	-	32,547,736
Trade and other receivables	9,189,736	5,986,247
Receivables from non exchange transactions	11,793,065	3,432,134

42. Events after the reporting date

Management is not aware of any events that occurred post balance sheet date identified during the year.

43. Fruitless and wasteful expenditure

Opening balances	110,787	107,931
Interest	2,395	2,856
	113,182	110,787

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43. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure in the current year relates to interest charged by Eskom.

44. Irregular expenditure

Opening balance	12,658,045	581,321
Add: Irregular Expenditure - current year	580,000	12,076,724
Less: Amounts written off	(448,983)	-
	12,789,062	12,658,045

Analysis of expenditure awaiting condonation per age classification

Current year	580,000	12,076,724
Prior years	12,658,045	581,321
	13,238,045	12,658,045

Details of irregular expenditure condoned

This amount relates to the prior irregular expenditure which was sent MPAC and Council for condonement	Written off by council Relates to 2016/2017	448,983
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45. Prior period errors

Receivables from Non-Exchange Transactions

The Receivables from non exchange transactions are adjusted in 2017/18 year end as a result of debtors being qualified in the audit for the year ended 30 June 2018. The Auditors could not be satisfied on the completeness of property rates. UBuhlebezwe Municipality has recalculated the billings for 2017/18 year end and has adjusted accordingly on both property rates and Receivables from non-exchange. See movement below

Cash and Cash Equivalents

Cash and cash equivalents were overstated in the 2017/18 year end. This was due to two Investment accounts being misstated comprising of FNB investment and Investec. The bank confirmations or 3rd party confirmations reflected figures which do not agree to the GL /cash book. As a result UBuhlebezwe Municipality's cash book did not agree to the 3rd party confirmations of the previous year. Adjustments have been processed to correct the misstatement.

Trade and Other payables from exchange transactions

Payables from exchange transaction were overstated in the 30 June 2018 year end . Accrual for the 2016/17 year end were not reversed at the beginning of the 2017/18 year end. This misstatement was identified during the preparation of the Annual financial statements for the year ended June 2019. An adjustment correcting the prior period error has been processed accordingly

Trade Receivables from Exchange Transactions

During the review of the 2018/17 disclosed accrued interest, it was noted that the interest been overstated as it doesn't align to the supporting bank statements. The correction was made to correctly reflect the interest and align it to the bank statements as provided for 30 June 2018.

Investments property

The properties held by the municipality for capital appreciation were not recognised in the prior years in the asset register, these assets were identified from the deeds office. An adjustment at market value obtained from the valuation roll was made to correctly reflect the properties held by the municipality.

Investments

This is due to when reviewing the bank statement dated 30 June 2018, it was identified that the Ithala GL account had been misstated by R5000 and this was not a reconciling item. The error correction aims to correct this error and align the GL balance to the supporting document

Inventory

This is due to when reviewing the carrying value of the land held for sale, it was noted that inventory write-down that was calculated in prior years had not been taken into consideration when calculating the carrying value of the assets, hence the adjustment aims to align the carrying value to the net realisable value.

Intangible Assets

It was identified that an incorrect assets was capitalized which is was not in line with GRAP definition as there was no underlying software being used by the municipality for service provision, hence there was no service delivery benefits.

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

- -

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45. Prior period errors (continued)

Statement of Financial Position	Amount previously reported	Adjustment	Reclassification	Total
Trade receivable from non-exchange transactions	2,558,487	937,079	3,990,953	7,486,519
Cash and cash Equivalents	102,395,778	(118,447)	-	102,277,331
Trade receivables from exchange transactions	5,968,297	(45,482)	(3,990,953)	1,931,862
Investments	32,547,736	(5,000)	-	32,542,736
Inventory	2,346,190	7,641,632	-	9,987,822
Payables from exchange transactions	28,799,622	(5,263,581)	-	23,536,041
Intangible assets	1,105,036	(892,643)	-	212,393
Investment Property	19,853,275	1,108,000	-	20,961,275
Property plant and Equipment	251,702,032	174,808	-	251,876,840
Accumulated Surplus	385,889,162	13,372,527	-	399,261,689
	833,165,615	16,908,893	-	850,074,508

Statement of Financial Performance	Amount previously reported	Adjustment	Reclassification	Total
Property Rates	12,744,064	937,079	-	13,681,143
Contracted services	15,349,679	-	(1,318,196)	14,031,483
General expenditure	19,761,814	-	1,909,779	21,671,593
Employee Costs	62,912,128	-	(578,847)	62,333,281
Depreciation	21,270,935	(1,094)	-	21,269,841
	132,038,620	935,985	12,736	132,987,341

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	72,462	675,156
Amount paid - current year	(72,462)	(675,156)
	-	-

Audit fees

Current year subscription / fee	2,191,088	1,391,514
Amount paid - current year	(2,191,088)	(1,391,514)
	-	-

PAYE, UIF & Skills

Current year subscription / fee	9,791,885	9,484,993
Amount paid - current year	(9,791,885)	(9,484,993)
	-	-

Pension and Medical Aid Contributions

Current year subscription / fee	13,151,532	10,830,557
Amount paid - current year	(13,151,532)	(10,830,557)
	-	-

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	5,300,118	4,602,892
VAT payable	-	-
	5,300,118	4,602,892

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Section 36 deviations and Reasons

THE MUNICIPALITY HAS AN SLA WITH H&B EQUIPMENT AND LUSTED AND JOHNSON AND THEY HAVE FAILED TO REPAIR THE TRUCK. THE UD TRUCK NEEDED REPAIRS TO PTO, CLUTCH PLATE, WIRING, BRAKES, ENGINE BRAKE (COMPRESSOR) AND MAJOR SERVICE. THIS TRUCK NEEDS URGENT ATTENTION AS IT A REFUSE TRUCK SUBSTITUTING NIX 6416 & NIX 8830 .TRUCKS. WITH THE ABOVE REASONS THE MUNICIPALITY HAD TO DEVIATE FROM NORMAL SCM PROCESSES AND TAKEN THE TRUCK DIRECTLY TO AN APPROVED DEALERSHIP.COMPANY AWARDED WAS THOMPSON COMMERCIAL VEHICLES	100,385	-
THE GRADER HAD GEAR SELECTING PROBLEM WHEREBY GEAR NUMBER 1,4,5,7 & 8 WERE NOT ENGAGING. THE GRADER WAS TAKEN FOR REPAIRS AFTER FOLLOWING THE NORMAL SCM PROCESSES. UPON STRIPING THE GRADER IT WAS DISCOVERED THAT THE OTHER GEARS 2,4,6 & THE CLUTCH PADS ARE ALSO DAMAGED AND WILL CAUSE OTHER BREAKDOWNS IN THE NEAR FUTURE. THE ADDITIONAL WORK WAS QUOTE AT R79 925,00. IT WAS FOR THE ABOVE REASONS THAT THE WE DEVIATE FROM THE NORMAL SCM PROCESSES AND THE SAME SERVICE PROVIDER BE APPOINTED FOR THE ADDITIONAL TO AVOID THE DELAYS IN THE MAINTENANCE SECTION.COMPANY AWARDED WAS B&B TRANSPORT AND PLANT HIRE.	79,925	-
THE MUNICIPALITY REQUIRED SERVICES TO SUPPLY AND FIT FORKLIFT ATTACHMENTS TO A TLB FRONT BUCKET. THE MENTIONED SERVICES HAD TO BE DONE BY AN APPROVED CATERPILLAR AGENT. IT IS WITH THE ABOVE REASON THAT WE DEVIATED FROM NORMAL SCM PROCESSES FOR QUOTES ABOVE R30 000 AND APPOINTED BORLOWORLD EQUIPMENT TO RENDERS THIS SERVICE AT AN AMOUNT OF R32348.00. COMPANY AWARDED WAS BARLOWORLD EQUIPMENT (PTY) LTD	32,384	-
THE MUNICIPALITY HAS ENCOUNTERED LAPTOP THEFTS ON THE 25TH OF JANUARY AND UPON CHECKING ON THE CAMERAS IT WAS NOTED THAT THEY WERE NOT FUNCTIONING. WITH THE OCCURENCE OF RECENT EVENTS IT WAS NOTED THAT CAMERAS HAD TO BE QUICKLY ATTENDED TO. A TECHNICIAN FROM KDM ELECTRICAL WAS CALLED TO DO THE ASSESMENT AND REPAIRS OF THE CAMERA SYSTEM. IT IS WITH THE ABOVE REASONS THAT THE MUNICIPALITY DEVIATED FROM NORMAL SCM PROCESSES AND APPLIED REGULATION 36 OF THE SCM REGULATIONS AND APPOINTED KDM ELECTRICAL AT AN AMOUNT OF R5 922.50 FOR SERVICE PROVIDED.COMPANY AWARDED WAS KDM ELECTRICAL	5,923	-
ABANQOBI GROUP WERE SPECIALLY REQUESTED TO PERFORM ON THE PRAYER DAY. THE MUNICIPALITY HAS UTILISED DEVIATION TO DO APPOINTMENT AS IT WAS IMPRATICAL TO FOLLOW NORMAL SCM PROCESSES IN THIS REGARD DUE TO THE FACT THAT WE SPECIFICALLY WANTED ABANQOBI GROUP FOR THEIR POWERFULL MESSAGE SENT ACROSS THROUGH THEIR PERFORMANCE AND THEIR APPEAL TO THE PUBLIC. COMPANY AWARDED WAS ZERO TO HERO TRADING	18,000	-
LEADERSHIP ACADEMY IS THE SOLE PROVIDER OF THE REQUIRED TRAINING FOR OUR INETENAL AUDITORS. IT IS WITH THE ABOVE REASON THAT THE MUNICIPALITY HAD TO APPLY REGULATION 36 OF SCM REGULATION TO PROCURE THE REQUIRED SERVICE, SINCE THEE IS NO OTHER SERVICE PROVIDER THAN C[AN PROVIDE SUCH TRAINING.	135,419	-

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PASTOR STHEMBISO ZONDO FROM ZERO TO HERO WAS SPECIALLY REQUESTED TO GIVE THE KEY NOTE ADDRESS DURING OUR CANDLELIGHTING CEREMONY FOR DECEMBER 2018. THE MUNICIPALITY HAS UTILISED DEVIATION TO DO APPOINTMENT AS IT WAS IPRACTICAL TO FOLLOW NORMAL SCM PROCESSES IN THIS REGARD DUE TO THE FACT THAT MR ZONDO WAS SPECIFICALLY WANTED FOR HIS MOTIVATIONAL POWERS AND HIS APPEAL TO THE PUBLIC. AN AMOUNT OF R11 000 WAS PAID FOR THE SERVICES OFFERED ON THE DAY.THE COMPANY AWARDED WAS ZERO TO HERO TRADING	11,000	-
	383,036	-

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 Council and includes a note to the annual financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.