

eThekwini Municipality and its Municipal Entities
Annual Financial statements
for the year ended June 30, 2018

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Metropolitan Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	High Capacity, Category A, Local Authority
ACCOUNTING OFFICER	Mr. S. Nzuzi
REGISTERED OFFICE	City Hall Dr. Pixle Kaseme Street Durban 4000
POSTAL ADDRESS	P O Box 1014 Durban 4000
MUNICIPALITY	Municipality incorporated in South Africa
BANKERS	Nedbank P O Box 5662, Durban, 4000
AUDITORS	The Auditor-General, South Africa

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

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COID	Compensation for Occupational Injuries and Diseases
VAT	Value added tax
DBSA	Development Bank of South Africa
MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
PPE	Property, Plant and Equipment
HDF	Housing Development Fund
SALA	South African Local Authority Pension Fund
MSCOA	Municipal Standard Chart of Accounts
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMPF	Natal Joint Municipal Pension Fund
DOHS	Department of Human Settlements
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee

eThekweni Municipality and its Municipal Entities

Consolidated Annual Financial Statements for the year ended 30 June 2018

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 128, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Durban

30 September 2018

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Position as at June 30, 2018

Figures in Rand thousand	Note(s)	Group		Municipality	
		2018	2017 Restated*	2018	2017 Restated*
Assets					
Current Assets					
Inventories	2	709,346	596,996	576,328	451,210
Investments	3	5,880,431	5,932,097	5,700,000	5,750,000
Receivables from exchange transactions	4	2,065,880	2,142,333	2,030,876	2,100,932
Receivables from non-exchange transactions	5	81,845	254,584	81,845	254,584
VAT receivable	6	443,551	282,695	451,162	275,082
Consumer debtors	7	4,542,656	3,915,796	4,577,457	3,935,389
Current portion of Long term receivables	8	41,533	42,844	41,533	42,844
Call Investment Deposits	9	242,036	500,516	200,000	480,000
Cash and Bank Balances	10	264,240	154,595	198,226	75,316
		14,271,518	13,822,456	13,857,427	13,365,357
Non-Current Assets					
Investment property	11	267,253	293,264	208,646	233,014
Property, plant and equipment	12	49,154,698	46,771,557	48,279,890	45,855,538
Intangible assets	13	821,723	845,990	820,009	843,229
Heritage assets	14	24,536	24,039	24,536	24,039
Investments in Municipal Entities	15	-	-	940,831	908,779
Interest in Joint Ventures	16	-	-	129,714	145,093
Deferred Income		1,377	1,415	-	-
Long term Receivables	8	58,292	55,009	58,292	55,009
		50,327,879	47,991,274	50,461,918	48,064,701
Total Assets		64,599,397	61,813,730	64,319,345	61,430,058
Liabilities					
Current Liabilities					
External Borrowings	17	874,388	793,528	874,388	793,528
Payables from exchange transactions	18	6,051,839	5,854,729	6,052,441	5,843,075
Transfers payable from non-exchange transactions	19	29,280	17,760	29,280	17,760
Consumer deposits	20	2,291,756	2,168,026	2,267,863	2,143,476
Employee benefit obligation	21	664,384	501,958	664,384	501,958
Unspent conditional grants and receipts	22	1,269,669	867,988	1,269,669	867,988
Provisions	23	627,225	580,193	618,825	573,630
		11,808,541	10,784,182	11,776,850	10,741,415
Non-Current Liabilities					
External Borrowings	17	7,286,712	8,042,457	7,286,712	8,042,457
Employee benefit obligation	21	3,547,237	3,269,679	3,547,237	3,269,679
Provisions	23	1,109,632	835,541	1,109,632	835,541
		11,943,581	12,147,677	11,943,581	12,147,677
Total Liabilities		23,752,122	22,931,859	23,720,431	22,889,092
Net Assets		40,847,275	38,881,871	40,598,914	38,540,966
Housing Development Fund	24	57,470	123,512	57,470	123,512
Accumulated surplus		40,789,805	38,758,359	40,541,444	38,417,454
Total Net Assets		40,847,275	38,881,871	40,598,914	38,540,966

* See Note 44

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group		Municipality	
		2018	2017 Restated*	2018	2017 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	25	17,180,137	16,431,897	17,226,739	16,477,010
Rental of facilities and equipment	26	760,041	578,729	684,106	484,540
Other income	27	541,558	528,672	302,608	270,269
Interest received	28	904,661	799,767	879,784	771,989
Gain on disposal of assets and liabilities		-	1,693	-	1,840
Share of income from Joint Venture	16	-	-	-	21,151
Total revenue from exchange transactions		19,386,397	18,340,758	19,093,237	18,026,799
Revenue from non-exchange transactions					
Taxation revenue					
Fines		435,931	389,387	435,931	389,387
Property rates	29	7,673,349	6,551,275	7,689,731	6,565,139
Property rates - penalties imposed		149,141	141,525	149,141	141,525
Donations - Property, Plant and Equipment		857	9,397	857	9,397
Licences and permits		48,868	47,340	48,868	47,340
Transfer revenue					
Government grants & subsidies	30	5,762,574	5,684,499	5,762,574	5,684,499
Levies	31	2,211,611	2,185,002	2,211,611	2,185,002
Public contributions and donations		26,746	35,898	15,750	28,792
Reversal of loss on impairment: Investment Properties	11	346	6,465	346	6,465
Reversal of loss on impairment - Property, Plant and Equipment	12	4,029	3,733	4,029	3,733
Reversal of impairment: Municipal Entities and Joint Venture	15	-	-	32,052	-
Total revenue from non-exchange transactions		16,313,452	15,054,521	16,350,890	15,061,279
Total revenue		35,699,849	33,395,279	35,444,127	33,088,078
Expenditure					
Employee related costs	32	(10,081,933)	(8,860,255)	(9,909,720)	(8,702,119)
Remuneration of councillors	33	(119,344)	(110,934)	(119,344)	(110,934)
Amortisation - Intangible assets	13	(218,890)	(199,148)	(217,516)	(198,118)
Impairment Loss - Investment Properties	11	(2,102)	(7,855)	(2,102)	(7,855)
Depreciation - Property, Plant and Equipment	12	(2,137,755)	(2,001,013)	(2,072,179)	(1,933,397)
Impairment Loss - Property, Plant and Equipment	12	(13)	(3,700)	(13)	(3,700)
Finance costs	34	(852,320)	(897,959)	(852,316)	(897,959)
Lease rentals on operating lease		(128,711)	(122,028)	(128,333)	(121,875)
Debt Impairment	48	(2,076,465)	(2,011,349)	(2,079,746)	(2,013,798)
Depreciation - Investment Properties	11	(3,193)	(3,840)	(1,241)	(1,432)
Bulk purchases	35	(10,433,650)	(10,099,008)	(10,433,650)	(10,099,008)
Contracted services	36	(4,433,017)	(3,963,205)	(4,418,844)	(3,946,208)
Grants and subsidies paid	37	(397,901)	(216,200)	(476,444)	(285,815)
Loss on disposal of assets and liabilities		(4,619)	-	(4,619)	-
Share of losses from Joint Ventures	16	-	-	(2,031)	-
Impairment Loss - Intangible Assets	13	-	(576)	-	(576)
General Expenses	38	(2,844,097)	(2,767,889)	(2,668,081)	(2,590,384)
Total expenditure		(33,734,010)	(31,264,959)	(33,386,179)	(30,913,178)
Surplus before taxation		1,965,839	2,130,320	2,057,948	2,174,900
Taxation	55	435	3,216	-	-

* See Note 44

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Statement of Financial Performance

Figures in Rand thousand	Note(s)	Group		Municipality	
		2018	2017 Restated*	2018	2017 Restated*
Surplus for the year		1,965,404	2,127,104	2,057,948	2,174,900

* See Note 44

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated surplus	Total net assets
Group			
Opening balance as previously reported	123,512	36,719,767	36,843,279
Adjustments			
Prior year adjustments (prior to 2016/17)	-	(172,501)	(172,501)
Balance at July 01, 2016 as restated*	123,512	36,547,266	36,670,778
Changes in net assets			
Surplus for the year as previously reported	-	2,194,431	2,194,431
Gain on Umgungundlovu take-on	-	16,226	16,226
Gain on Ugu take-on	-	30,513	30,513
Gain on Vulamehlo take-on	-	32,467	32,467
Change in estimates - Landfill sites	-	1,167	1,167
Investment in Durban Point Development Company - elimination of share of loss	-	3,616	3,616
Total changes	-	2,278,420	2,278,420
Opening balance as previously reported	123,512	38,825,686	38,949,198
Adjustments			
Prior year adjustments (2016/17)	-	(67,327)	(67,327)
Balance at July 01, 2017 as restated*	123,512	38,758,359	38,881,871
Changes in net assets			
Surplus for the year	-	1,965,404	1,965,404
Housing Development Fund transfer	(66,042)	66,042	-
Total changes	(66,042)	2,031,446	1,965,404
Balance at June 30, 2018	57,470	40,789,805	40,847,275
Note(s)			
Municipality			
Opening balance as previously reported	123,512	36,296,097	36,419,609
Adjustments			
Prior year adjustments (prior to 2016/17)	-	(133,916)	(133,916)
Balance at July 01, 2016 as restated*	123,512	36,162,181	36,285,693
Changes in net assets			
Surplus for the year as previously reported	-	2,244,916	2,244,916
Gain on Umgungundlovu take-on	-	16,226	16,226
Gain on Ugu take-on	-	30,513	30,513
Gain on Vulamehlo take-on	-	32,467	32,467
Change in estimates - Landfill sites	-	1,167	1,167
Total changes	-	2,325,289	2,325,289
Opening balance	123,512	38,487,470	38,610,982
Adjustments			
Prior year adjustments (2016/17)	-	(70,016)	(70,016)
Balance at July 01, 2017 as restated*	123,512	38,417,454	38,540,966
Changes in net assets			
Surplus for the year	-	2,057,948	2,057,948
Housing Development Fund transfer	(66,042)	66,042	-
Total changes	(66,042)	2,123,990	2,057,948
Balance at June 30, 2018	57,470	40,541,444	40,598,914
Note(s)			

* See Note 44

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Annual Financial Statements for the year ended June 30, 2018

Cash Flow Statement

Figures in Rand thousand	Note(s)	Group		Municipality	
		2018	2017 Restated*	2018	2017 Restated*
Cash flows from operating activities					
Receipts					
Ratepayers, Government and other		32,866,366	31,133,281	32,588,741	30,843,737
Interest income		904,661	799,767	879,784	771,989
		33,771,027	31,933,048	33,468,525	31,615,726
Payments					
Employee costs and suppliers		(27,742,481)	(25,974,089)	(27,475,458)	(25,696,997)
Finance costs		(852,320)	(897,959)	(852,316)	(897,959)
Taxes on surpluses		(435)	(3,216)	-	-
		(28,595,236)	(26,875,264)	(28,327,774)	(26,594,956)
Net cash flows from operating activities	39	5,175,791	5,057,784	5,140,751	5,020,770
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(4,503,978)	(5,113,713)	(4,479,529)	(5,056,762)
Proceeds from sale of property, plant and equipment	12	5,157	13,753	5,073	13,739
Purchase of investment property	11	(309)	-	-	-
Purchase of other intangible assets	13	(195,073)	(162,667)	(194,746)	(161,168)
Purchases of heritage assets	14	(497)	(435)	(497)	(435)
Capital repayment received from Joint Venture		-	-	6,848	-
(Increase) / decrease in non-current receivables		(6,707)	(18,702)	(10,105)	(21,391)
Net cash flows from investing activities		(4,701,407)	(5,281,764)	(4,672,956)	(5,226,017)
Cash flows from financing activities					
Proceeds from external borrowings		-	700,000	-	700,000
Repayment of external borrowings		(674,885)	(1,100,374)	(674,885)	(1,100,374)
Net cash flows from financing activities		(674,885)	(400,374)	(674,885)	(400,374)
Net increase/(decrease) in cash and cash equivalents		(200,501)	(624,354)	(207,090)	(605,621)
Cash and cash equivalents at the beginning of the year		6,587,208	7,211,562	6,305,316	6,910,937
Cash and cash equivalents at the end of the year	10	6,386,707	6,587,208	6,098,226	6,305,316

* See Note 44

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and 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
Group - 2018											
Financial Performance											
Property rates	6,907,500	193,542	7,101,042	-	-	7,101,042	7,673,349	-	572,307	108 %	111 %
Service charges	18,265,088	(284,709)	17,980,379	-	-	17,980,379	17,180,137	-	(800,242)	96 %	94 %
Investment revenue	1,296,055	(703,253)	592,802	-	-	592,802	598,038	-	5,236	101 %	46 %
Transfers recognised - operational	3,087,889	2,292,257	5,380,146	-	-	5,380,146	5,333,730	-	(46,416)	99 %	173 %
Other own revenue	3,828,123	(1,872,524)	1,955,599	-	-	1,955,599	2,274,140	-	318,541	116 %	59 %
Total revenue (excluding capital transfers and contributions)	33,384,655	(374,687)	33,009,968	-	-	33,009,968	33,059,394	-	49,426	100 %	99 %
Employee costs	(9,824,018)	(51,476)	(9,875,494)	-	-	(9,875,494)	(10,081,933)	-	(206,439)	102 %	103 %
Remuneration of councillors	(107,947)	(11,953)	(119,900)	-	-	(119,900)	(119,344)	-	556	100 %	111 %
Debt impairment	(649,219)	(607)	(649,826)	-	-	(649,826)	(2,076,465)	-	(1,426,639)	320 %	320 %
Depreciation and asset impairment	(2,080,881)	30,324	(2,050,557)	-	-	(2,050,557)	(2,361,953)	-	(311,396)	115 %	114 %
Finance charges	(1,466,337)	596,793	(869,544)	-	-	(869,544)	(852,320)	-	17,224	98 %	58 %
Materials and bulk purchases	(10,840,262)	(785,439)	(11,625,701)	-	-	(11,625,701)	(11,414,637)	-	211,064	98 %	105 %
Transfers and grants	(226,275)	(216,854)	(443,129)	-	-	(443,129)	(397,901)	-	45,228	90 %	176 %
Other expenditure	(7,502,333)	344,842	(7,157,491)	-	-	(7,157,491)	(6,429,457)	-	728,034	90 %	86 %
Total expenditure	(32,697,272)	(94,370)	(32,791,642)	-	-	(32,791,642)	(33,734,010)	-	(942,368)	103 %	103 %
Surplus/(Deficit)	687,383	(469,057)	218,326	-	-	218,326	(674,616)	-	(892,942)	(309)%	(309)%

eThekweni Municipality and its Municipal Entities

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	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	3,807,036	(840,623)	2,966,413	-	-	2,966,413	2,640,455	-	(325,958)	89 %	69 %
Surplus (Deficit) after capital transfers and contributions	4,494,419	(1,309,680)	3,184,739	-	-	3,184,739	1,965,839	-	(1,218,900)	62 %	44 %
Taxation	-	-	-	-	-	-	435	-	435	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	4,494,419	(1,309,680)	3,184,739	-	-	3,184,739	1,965,404	-	(1,219,335)	62 %	44 %
Capital expenditure and funds sources											
Total capital expenditure	7,340,084	(775,940)	6,564,144	-	-	6,564,144	4,791,159	-	(1,772,985)	73 %	65 %
Sources of capital funds											
Transfers recognised - capital	3,807,036	(840,623)	2,966,413	-	-	2,966,413	2,640,455	-	(325,958)	89 %	69 %
Borrowing	1,000,000	(800,501)	199,499	-	-	199,499	184,689	-	(14,810)	93 %	18 %
Internally generated funds	2,533,048	865,184	3,398,232	-	-	3,398,232	1,966,015	-	(1,432,217)	58 %	78 %
Total sources of capital funds	7,340,084	(775,940)	6,564,144	-	-	6,564,144	4,791,159	-	(1,772,985)	73 %	65 %

eThekweni Municipality and its Municipal Entities

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s28 and s31 of the MFMA)	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
Cash flows											
Net cash from (used) operating	6,016,702	(654,874)	5,361,828	-	-	5,361,828	5,175,791		(186,037)	97 %	86 %
Net cash from (used) investing	(7,317,652)	2,581,916	(4,735,736)	-	-	(4,735,736)	(4,701,407)		34,329	99 %	64 %
Net cash from (used) financing	345,255	(1,077,316)	(732,061)	-	-	(732,061)	(674,885)		57,176	92 %	(195)%
Net increase/(decrease) in cash and cash equivalents	(955,695)	849,726	(105,969)	-	-	(105,969)	(200,501)		(94,532)	189 %	21 %
Cash and cash equivalents at the beginning of the year	6,336,321	-	6,336,321	-	-	6,336,321	6,587,208		250,887	104 %	104 %
Cash and cash equivalents at year end	5,380,626	849,726	6,230,352	-	-	6,230,352	6,386,707		156,355	103 %	119 %

eThekweni Municipality and its Municipal Entities

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and 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
Municipality - 2018											
Financial Performance											
Property rates	6,907,500	193,542	7,101,042	-	-	7,101,042	7,689,731	-	588,689	108 %	111 %
Service charges	18,265,088	(284,709)	17,980,379	-	-	17,980,379	17,226,739	-	(753,640)	96 %	94 %
Investment revenue	1,277,611	(702,359)	575,252	-	-	575,252	573,161	-	(2,091)	100 %	45 %
Transfers recognised - operational	3,087,889	2,287,847	5,375,736	-	-	5,375,736	5,333,730	-	(42,006)	99 %	173 %
Other own revenue	3,321,700	(1,836,609)	1,485,091	-	-	1,485,091	1,980,311	-	495,220	133 %	60 %
Total revenue (excluding capital transfers and contributions)	32,859,788	(342,288)	32,517,500	-	-	32,517,500	32,803,672	-	286,172	101 %	100 %
Employee costs	(9,651,898)	(77,150)	(9,729,048)	-	-	(9,729,048)	(9,909,720)	-	(180,672)	102 %	103 %
Remuneration of councillors	(107,947)	(11,953)	(119,900)	-	-	(119,900)	(119,344)	-	556	100 %	111 %
Debt impairment	(649,219)	-	(649,219)	-	-	(649,219)	(2,079,746)	-	(1,430,527)	320 %	320 %
Depreciation and asset impairment	(2,017,502)	(424)	(2,017,926)	-	-	(2,017,926)	(2,293,051)	-	(275,125)	114 %	114 %
Finance charges	(1,466,337)	596,793	(869,544)	-	-	(869,544)	(852,316)	-	17,228	98 %	58 %
Materials and bulk purchases	(10,840,262)	(735,989)	(11,576,251)	-	-	(11,576,251)	(11,414,637)	-	161,614	99 %	105 %
Transfers and grants	(226,275)	(212,883)	(439,158)	-	-	(439,158)	(476,444)	-	(37,286)	108 %	211 %
Other expenditure	(7,212,256)	320,940	(6,891,316)	-	-	(6,891,316)	(6,238,890)	-	652,426	91 %	87 %
Total expenditure	(32,171,696)	(120,666)	(32,292,362)	-	-	(32,292,362)	(33,384,148)	-	(1,091,786)	103 %	104 %
Surplus/(Deficit)	688,092	(462,954)	225,138	-	-	225,138	(580,476)	-	(805,614)	(258)%	(84)%

eThekweni Municipality and its Municipal Entities

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	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	3,807,036	(840,623)	2,966,413	-	-	2,966,413	2,640,455	-	(325,958)	89 %	69 %
Surplus (Deficit) after capital transfers and contributions	4,495,128	(1,303,577)	3,191,551	-	-	3,191,551	2,059,979	-	(1,131,572)	65 %	46 %
Share of (surplus) deficit of associate	-	-	-	-	-	-	2,031	-	2,031	- %	DIV/0 %
Surplus/(Deficit) for the year	4,495,128	(1,303,577)	3,191,551	-	-	3,191,551	2,057,948	-	(1,133,603)	64 %	46 %
Capital expenditure and funds sources											
Total capital expenditure	7,247,283	(771,489)	6,475,794	-	-	6,475,794	4,766,075	-	(1,709,719)	74 %	66 %
Sources of capital funds											
Transfers recognised - capital	3,807,036	(840,623)	2,966,413	-	-	2,966,413	2,640,455	-	(325,958)	89 %	69 %
Borrowing	1,000,000	(800,501)	199,499	-	-	199,499	184,689	-	(14,810)	93 %	18 %
Internally generated funds	2,440,247	869,635	3,309,882	-	-	3,309,882	1,940,931	-	(1,368,951)	59 %	80 %
Total sources of capital funds	7,247,283	(771,489)	6,475,794	-	-	6,475,794	4,766,075	-	(1,709,719)	74 %	66 %

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s31 of the MFMA)	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
Cash flows											
Net cash from (used) operating	5,969,588	(596,719)	5,372,869	-	-	5,372,869	5,140,751		(232,118)	96 %	86 %
Net cash from (used) investing	(7,224,851)	2,584,712	(4,640,139)	-	-	(4,640,139)	(4,672,956)		(32,817)	101 %	65 %
Net cash from (used) financing	345,236	(1,077,316)	(732,080)	-	-	(732,080)	(674,885)		57,195	92 %	(195)%
Net increase/(decrease) in cash and cash equivalents	(910,027)	910,677	650	-	-	650	(207,090)		(207,740)	(31,860)%	23 %
Cash and cash equivalents at the beginning of the year	6,031,239	-	6,031,239	-	-	6,031,239	6,305,316		274,077	105 %	105 %
Cash and cash equivalents at year end	5,121,212	910,677	6,031,889	-	-	6,031,889	6,098,226		66,337	101 %	119 %

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1. Basis of preparation

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. Only Standards of GRAP, IGRAP Standards, Directives, Guidelines and IFRS Standards applicable to the Municipality and its entities have been disclosed. The Minister has determined the effective date for the following Standards of GRAP:

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Interest in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting (Not yet effective for municipalities)
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 27 Agriculture GRAP
- GRAP 31 Intangible Assets
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions between Entities Under Common Control
- GRAP 106 Transfer of Functions between Entities Not Under Common Control
- GRAP 107 Mergers

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ACCOUNTING POLICIES

Directives issued and effective:

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2: Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Further Education and Training Colleges and Constitutional Institutions.
Directive 3: Transitional Provisions for High Capacity Municipalities.
Directive 5: Determining the GRAP reporting framework.
Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 9: The Application of The Standards of GRAP by Trading Entities
Directive 11: Changes in the Measurement Bases following Initial Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3: Determining Whether an Arrangement Contains a Lease
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9: Distributions of Non-cash Assets to Owners
IGRAP 10: Assets Received from Customers
IGRAP 11: Consolidation - Special Purpose Entities
IGRAP 12: Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IGRAP 13: Operating Leases – Incentives
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services
IGRAP 16: Intangible Assets - Website Costs

Approved guidelines of Standards of GRAP:

Guide 1: Guideline on Accounting for Public Private Partnerships

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs .21 to .27 of the Directive:

IFRS 4 (AC 141) Insurance Contracts
IAS 12 (AC 102) Income Taxes
SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 21 Levies

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20 Related Party Disclosures

Standards of GRAP and Interpretations of Standards of GRAP approved, but not yet effective:

GRAP 20: Related Party Disclosures-issued June 2011:

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

GRAP 32 and IGRAP 17: Service Concession Arrangements: Grantor - issued August 2013:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to service concession arrangements exists in the current year

GRAP 108: Statutory Receivables - issued September 2013:

Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables together with additional disclosure on measurement basis and impairment criteria

GRAP 109: Accounting by Principals and Agents issued July 2015:

Compliance with this standard would have had an effect on presentation and disclosure. The information disclosed in accordance with this Standard shall be provided for each material principal-agent arrangement and in aggregate for other principal-agent arrangements.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and its entities..

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the group presented as those of a single entity.

The consolidated annual financial statements incorporate the statements of the municipality and municipal entities controlled by the municipality, joint ventures and the transport authority.

On acquisition, the assets and liabilities of any entity are measured at their fair values at the date of acquisition. The interests of outstanding shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of entities acquired or disposed during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustment are made to the annual financial statements of municipal entities to bring the accounting policies used into those used by the municipality and other entities included in the group.

All significant transactions and balances between members of the group are eliminated on consolidation.

1.4 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.5 Retirement Benefits

1.5.1 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 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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.5 Retirement Benefits (continued)

1.5.2 Defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. 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 Municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.5 Retirement Benefits (continued)

1.5.3 Pension obligations

The Municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 86% of staff.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - Retirement Durban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

SALA

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in the statement of financial performance.

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Durban Marine Theme Park (proprietary) limited reimburses uShaka Management (Pty) Ltd for the cost of the provident fund which is governed by the pension's funds act of 1956. Contributions are based on a percentage of the payroll and charged to the statement of financial performance in the year to which they relate.

All staff of the I.C.C (proprietary) Limited are members of the I.C.C pension fund which is defined contribution fund.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.5 Retirement Benefits (continued)

1.5.4 Other post-employment benefit obligations

The Municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of financial performance in the year that they arise.

Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of annual financial statements are compiled for each fund not per employer. Further details of this plan are included in note 21.

1.6 Significant Judgements

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:

Post Retirement Benefits and Multi-Employer Retirement Benefit Plans

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 using the actuarial valuation. 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 that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in the notes to the annual financial statements.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the asset's carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

Non-cash generating and cash generating impairment testing

Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired.

All assets owned/recognised by the municipality are held for the provision of basic services and are considered to be non-cash generating assets.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.6 Significant Judgements (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the annual financial statements.

Provisions are measured at the Head of Department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- the Municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Fine revenue

Fine revenue is recognised after taking into account the probability of future withdrawals and reductions. The probability of withdrawals and reductions is based on a 5 year past trend of gross charges issued which are likely to be disputed. The success rate of the disputed fines is taken into account in calculating the probability of withdrawals and reductions.

eThekwini Municipality and its Municipal Entities

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ACCOUNTING POLICIES

1.7 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations

At initial recognition, investment property is measured at cost including transaction costs once it meets the definition of investment property. The cost of an item of investment property is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment properties is carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from investment properties are made when the particular asset no longer meets the definition of investment properties.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. All assets are considered to have a nil residual value. The lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property – land	indefinite
Property – buildings	10 - 80years

Derecognition and Impairment

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in the Statement of Financial Performance when the compensation becomes receivable.

Impairment testing is done where there is an indication that a property may be impaired. An assessment of whether there is an indication of possible impairment is done during each reporting period. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

eThekwini Municipality and its Municipal Entities

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ACCOUNTING POLICIES

1.8 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

Initial Recognition

Property, plant and equipment are stated at cost. The cost of an item of property, plant and equipment is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an asset is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from property, plant and equipment are made when the particular asset no longer meets the definition of property, plant and equipment.

Depreciation and Impairment:-

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. All assets are considered to have a nil residual value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate on the Statement of Financial Performance. This change in estimate is applied prospectively.

However, if the asset has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in determination of the new useful life. This change would have an impact on accumulated surplus and the balance sheet.

The annual depreciation rates are based on the following estimated asset lives:

Details

Years

Infrastructure

- Engineering infrastructure - Rivers and Coastal Engineering 20 - 80 years
- Roads and Motorways 20 - 80 years
- Economic Development 20 years
- Traffic Equipment 10 - 80 years
- Stormwater Drainage 20 - 80 years
- Airport Infrastructure 15 - 80 years
- Solid Waste 3 - 30 years
- Water and Sanitation 20 - 80 years
- Major Substations: Buildings 30 - 50 years
- Transformers and Related Equipment 30 - 45 years
- Mains 30 - 55 years
- Street Lighting 20 - 30 years
- Conventional and Prepaid Metering 15 - 25 years

Community

- Buildings 20 - 80 years
- Recreational Facilities 10 - 80 years

Other property, plant and equipment

- Buildings 20 - 80 years
- Markets and Informal Markets 15 - 30 years
- Fire Engines 20 years
- Landfill Sites 3 - 80 years
- Car Parks 15 years

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Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.8 Property, plant and equipment (continued)

• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicle	3 - 11 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Other items of Plant and Equipment	3 - 5 years
• Biological Assets	5 - 85 years

Biological assets refer to living animals or plants eg. horses, dogs, birds and maritime species. The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate in the Statement of Financial Performance. Impairment testing is done where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

All assets are considered to have a nil residual value.

Derecognition:

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where part of an asset is replaced, the component being replaced is derecognised and the new component is capitalised. Subsequent expenditure on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.26 on Provisions.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Initial Recognition

Intangible assets are initially measured at cost and comprise of software and servitudes. The cost of an item of intangible assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an intangible asset is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- There is an intention to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- There are resources to complete the project.
- It is probable that future economic benefits or service potential will be received..
- Its ability to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life.

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil. Transfers from intangible assets are made when the particular asset no longer meets the definition of an intangible asset.

Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows:-

Details	Years
Computer Software	5 - 20 years

The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the amortisation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. Impairment testing for intangible assets with finite useful lives is done where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition:

Intangible assets are derecognized when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.10 Heritage assets (continued)

Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of an item of heritage assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition. If at initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the annual financial statements.

Subsequent measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses i.e. cost model. Transfers from heritage assets are made when the particular asset no longer meets the definition of a heritage asset.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired. Where the carrying amount of an item of heritage assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

1.11 Investments in Municipal Entities

Group annual financial statements

Investments in controlled entity are consolidated in the group annual financial statements. Refer to the accounting policy on Consolidations (Note 1.3).

Municipality annual financial statements

Investments in municipal entities are initially recognised at cost.

Subsequently they are accounted for at cost less any accumulated impairment.

The Municipality assesses at each reporting date whether there is any indication that an investment in municipal entities may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in municipal entities. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in the Statement of Financial Performance.

1.12 Interest in Joint Ventures

Group annual financial statements

An interest in a joint venture is accounted for using the proportionate consolidation method. Under the proportionate consolidation method the group's share of each of the assets, liabilities, revenue and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.12 Interest in Joint Ventures (continued)

Municipality annual financial statements

An investment in a joint venture is initially recognised at cost.

Subsequently the investment is carried at cost less any accumulated impairment taking into account the Municipality's share of profits or losses, resulting from operations of the joint venture, on the accrual basis. The share of losses are limited to the carrying amount of the joint venture and as a result if the interest in the joint venture is considered to be fully impaired or if the accumulated losses are equal to the cost of the interest in the joint venture, there will be no further losses recognised from the joint venture.

The Municipality assesses at each reporting date whether there is any indication that an investment in a joint venture may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in a joint venture. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

The recoverable amount of an investment in a joint venture is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in the Statement of Financial Performance.

1.13 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.

Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to municipal entities

Loans to municipal entities are initially recognised at fair value plus any transaction costs. Subsequently the loans are measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors

Debtors are initially recognised at fair value plus any transaction costs.

Debtors are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of debtors is established when there is objective evidence that the full amount due will not be collectable according to the original terms of the debtors.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable amount based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off during the year in which they are identified against the provision for impairment on the Statement of Financial Position. If no such provision for impairment was raised the bad debts are written off on the Statement of Financial Performance.

Creditors

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value plus any transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are initially recognised at fair value plus any transaction costs. Subsequently they are measured at amortised cost.

Loans and receivables

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.13 Financial instruments (continued)

Loans and receivables are initially measured at fair value plus any transaction costs.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the full amount due will not be collectable according to the original terms. The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that are held to maturity.

Fixed and negotiable deposits are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

1.14 Taxation

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

Deferred Income tax with respect to Municipal Entities is provided in full, using the liability method, on temporal differences arising between the tax basis of asset and liabilities and their carrying amounts in the financial Statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax asset are recognised to the extent that is probable that the future taxable profit will be available against which temporary differences will be utilised.

1.15 Long Service Awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees services provided up to Statement of Financial position date.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.16 Leases

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the Statement of Financial Position.

They are depreciated over their expected useful lives (land is not depreciated) on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

Operating leases - The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.17 Inventories

Initial Recognition

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), transport costs and any other costs in bringing the inventories to their current location and condition as intended by management. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent Measurement

Inventories are subsequently measured at the lower of cost and net realisable value using the weighted average method as the basis to determine cost. Net realisable value is the estimated selling price in the ordinary course of operations. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Consumable stores, maintenance materials and water stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.18 Impairment of cash-generating assets

All assets held with the primary objective of generating a commercial return are classified as cash generating assets. An assessment for impairment is done at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the recoverable amount of the asset is determined.

The 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. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

An impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

A reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro-rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.19 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held without an intention of generating a commercial return and held primarily for service delivery purposes. All assets held with the primary objective of not generating a commercial return are classified as non-cash generating assets. Management will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return or not.

An assessment for impairment is done at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. If any such indication exists, the recoverable service amount of the asset is determined. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment annually, irrespective of whether any indication of impairment exists.

1.20 Share capital / contributed capital

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

1.21 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality and its entities have complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is to be retained, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.22 Budget Information

The budget has been included in the Annual Financial Statements in accordance with GRAP 24. An approved budget is the anticipated revenue and expenditure expected to apply in the annual or multi-year period based on current plans and approved by the Municipal Council. Final budget is the approved budget adjusted for transfers, allocations, supplemental appropriations and other changes applicable to the budget period. The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury.

Comparative information is not required.

1.23 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the Municipality, or vice versa, or an entity that is subject to common control, or joint control.

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Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.24 Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

1.25 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual 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);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Amounts recognised in the annual financial statements will be adjusted to reflect adjusting events after the reporting date once the event occurred. The nature of the event will be disclosed as well as 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 annual financial statements.

1.26 Provisions and contingencies

Provisions are recognised when:

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The Municipality uses the prevailing prime rate at year end.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.27 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Municipality and its entities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminating revenue within departments.

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

- The significant risks and rewards of ownership of the goods have been transferred;
- There is no continuing managerial involvement to the degree usually associated with ownership over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Municipality and its entities;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised as follows:

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.27 Revenue (continued)

1.27.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Bulk electricity meters are read monthly.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which the meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on the category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the condition has not been met, a liability is recognised.

All other revenue is recognised as it accrues.

Durban Marine Theme Park recognises revenue from entrance parking fees and sales immediately upon receipt.

1.27.2 Revenue from non-exchange transactions

This refers to transactions where revenue is received from another entity without giving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on management's best estimate of the probable inflows.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred.

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

ACCOUNTING POLICIES

1.27 Revenue (continued)

All other revenue is recognised as it accrues.

1.28 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowing costs are applied.

1.29 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.30 Comparatives information

1.30.1 Current year comparatives

Budgeted amounts have been included in an Annexure to these financial statements for the current financial year only.

1.30.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.31 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, upon the finalisation of an investigation, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.32 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.33 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

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ACCOUNTING POLICIES

1.34 Principal- agent arrangements

Management assesses whether the Municipality is party to any principle-agent arrangements. Should the Municipality be party to such an arrangement, management will assess whether it is a principal or an agent in the arrangement. The Municipality is an agent if the following criterion are met:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

If this criteria is not met, then the Municipality is considered to be a principal in the arrangement.

A principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement using management's best estimates.

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 entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

Changes in the liability are added to, or deducted from, the cost of the related asset in the current financial year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit and if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment.

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Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
2. Inventories				
Unsold Properties held for re-sale	124,903	138,195	-	-
Food and beverages	4,546	3,562	-	-
Consumable stores	558,800	436,388	558,082	435,439
Maintenance materials	89	57	89	57
Water	18,157	15,714	18,157	15,714
Merchandise	2,851	3,080	-	-
	709,346	596,996	576,328	451,210

The cost of inventories recognised as an expense during the period in respect of water sales was R2 154m (2017: R1 799m).

3. Investments

At amortised cost

Fixed deposit	5,880,431	5,932,097	5,700,000	5,750,000
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Current assets

Fixed Deposit	5,880,431	5,932,097	5,700,000	5,750,000
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Investments are non-derivative financial assets and are subsequently measured at amortised cost and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are classified as current assets. Investments with maturities greater than twelve months are classified as non-current assets.

4. Receivables from exchange transactions

Provision for Bad debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(1,557,179)	(1,370,661)	(1,557,179)	(1,370,661)
Prepayments	20,060	27,973	14,823	20,166
Provision for Bad Debts - DOHS	(2,471,033)	(2,502,019)	(2,471,033)	(2,502,019)
Other Debtors (mainly in respect of sundry services and interest on outstanding debt)	1,928,925	2,013,594	1,899,158	1,980,000
Debtor - DOHS	3,974,144	3,823,418	3,974,144	3,823,418
Accruals	170,963	150,028	170,963	150,028
	2,065,880	2,142,333	2,030,876	2,100,932

5. Receivables from non-exchange transactions

Fines	665,569	1,683,226	665,569	1,683,226
Provision for Bad Debts - Traffic Fines	(583,724)	(1,428,642)	(583,724)	(1,428,642)
	81,845	254,584	81,845	254,584

6. VAT

VAT receivable from SARS	116,720	29,971	124,331	22,358
VAT on invoices raised but not yet paid	326,831	252,724	326,831	252,724
	443,551	282,695	451,162	275,082

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
6. VAT (continued)				
Municipality:				
VAT is claimed on the payment basis. Only once an invoice is paid is VAT claimed and receivable from SARS.				
The value disclosed is the net VAT on Payables & Receivables.				
7. Consumer debtors				
Gross balances				
Rates	3,031,985	2,591,206	3,031,985	2,591,206
Electricity	2,430,435	1,831,177	2,430,435	1,831,177
Water	2,887,573	2,175,934	2,923,492	2,203,740
Refuse	218,229	169,951	218,229	169,951
Housing rental	107,191	91,947	107,191	91,947
Waste water	523,149	356,679	523,149	356,679
ICC Debtors	1,118	8,259	-	-
	9,199,680	7,225,153	9,234,481	7,244,700
Less: Allowance for impairment				
Rates	(1,283,924)	(1,118,063)	(1,283,924)	(1,118,063)
Electricity	(503,564)	(358,724)	(503,564)	(358,724)
Water	(2,319,280)	(1,476,849)	(2,319,280)	(1,476,849)
Refuse	(133,627)	(83,629)	(133,627)	(83,629)
Housing rental	(94,940)	(66,685)	(94,940)	(66,685)
Waste water	(321,689)	(205,361)	(321,689)	(205,361)
ICC Debtors	-	(46)	-	-
	(4,657,024)	(3,309,357)	(4,657,024)	(3,309,311)
Net balance				
Rates	1,748,061	1,473,143	1,748,061	1,473,143
Electricity	1,926,871	1,472,453	1,926,871	1,472,453
Water	568,293	699,085	604,212	726,891
Refuse	84,602	86,322	84,602	86,322
Housing rental	12,251	25,262	12,251	25,262
Waste water	201,460	151,318	201,460	151,318
ICC Debtors	1,118	8,213	-	-
	4,542,656	3,915,796	4,577,457	3,935,389
Included in the above is receivables from exchange transactions				
Electricity	1,926,871	1,472,453	1,926,871	1,472,453
Water	568,293	699,085	604,212	726,891
Waste water	201,460	151,318	201,460	151,318
Refuse	84,602	86,322	84,602	86,322
Housing rental	12,251	25,262	12,251	25,262
ICC Debtors	1,118	8,213	-	-
	2,794,595	2,442,653	2,829,396	2,462,246
Included in the above is receivables from non-exchange transactions (taxes and transfers)				
Rates	1,748,061	1,473,143	1,748,061	1,473,143
Net balance	4,542,656	3,915,796	4,577,457	3,935,389

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
7. Consumer debtors (continued)				
Rates				
Current (0 -30 days)	670,430	719,887	670,430	719,887
31 - 60 days	119,867	117,771	119,867	117,771
61 - 90 days	82,283	102,838	82,283	102,838
91 - 120 days	81,470	61,698	81,470	61,698
121 - 365 days	2,039,280	1,589,012	2,039,280	1,589,012
> 365 days	38,655	-	38,655	-
	3,031,985	2,591,206	3,031,985	2,591,206
Electricity, Water, Refuse and Waste Water				
Current (0 -30 days)	2,247,057	1,746,860	2,278,155	1,774,665
31 - 60 days	340,360	220,054	340,360	220,054
61 - 90 days	165,170	118,601	165,170	118,601
91 - 120 days	140,181	101,368	140,181	101,368
121 - 365 days	2,947,044	2,346,859	2,947,044	2,346,859
> 365 days	224,395	-	224,395	-
	6,064,207	4,533,742	6,095,305	4,561,547
Housing rental				
Current (0 -30 days)	9,773	5,410	9,773	5,410
31 - 60 days	2,703	2,496	2,703	2,496
61 - 90 days	2,265	2,177	2,265	2,177
91 - 120 days	2,304	2,114	2,304	2,114
121 - 365 days	84,152	79,750	84,152	79,750
> 365 days	5,994	-	5,994	-
	107,191	91,947	107,191	91,947
I.C.C. Debtors				
Current (0 -30 days)	43	8,152	-	-
31 - 60 days	-	41	-	-
61 - 90 days	159	15	-	-
> 90 days	916	51	-	-
	1,118	8,259	-	-
Movement in the provision for bad debts				
Balance at beginning of year	3,309,357	3,007,526	3,309,311	3,007,526
Contribution	1,359,451	926,029	1,359,497	925,984
Bad Debts written off	(11,784)	(624,198)	(11,784)	(624,199)
	4,657,024	3,309,357	4,657,024	3,309,311
8. Long-term receivables				
DPDC rates	46,294	42,895	92,588	85,790
Housing Selling scheme loans	140,959	141,113	140,959	141,113
First Metro Housing Loans	11,815	11,194	11,815	11,194
Education Loans	14,320	11,480	14,320	11,480
Debt Impairment: DPDC	(46,294)	(42,895)	(92,588)	(85,790)
Debt Impairment: Housing Selling scheme loans	(67,269)	(65,934)	(67,269)	(65,934)
	99,825	97,853	99,825	97,853

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
8. Long-term receivables (continued)				
Less: Current portion transferred to current receivables				
Housing Selling scheme loans	37,770	39,737	37,770	39,737
First Metro Housing Loans	2,067	777	2,067	777
Education Loans	1,696	2,330	1,696	2,330
	41,533	42,844	41,533	42,844
Long-term receivables - Non-current portion	58,292	55,009	58,292	55,009
Long-term receivables - Current portion	41,533	42,844	41,533	42,844

Study assistance schemes

These relate to students who are studying full-time at Universities in the Engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These schemes are interest free.

Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the provincial administration housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years.

Housing First Metro loan

These loans attract interest at a fixed rate of 10% and are repayable over 20 years.

DPDC rates

Due to eThekwini Municipality owning 50% of Durban Point Development Company (DPDC), only half of DPDC's rates liability was accounted for when the Municipality proportionately consolidated the assets and liabilities of this joint venture. On consolidation the rates liability was eliminated against the DPDC rates receivable, hence the reduction in this receivable when compared to the municipal figures. The impairment provision relating to the eliminated rates receivable was reversed.

9. Call investment deposits

30 Day deposits	242,036	500,516	200,000	480,000
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eThekwini Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
10. Cash and Bank Balances				
Refer to note 51 for details on Bank accounts and balances.				
Cash and cash equivalents consist of:				
Cash on hand	31,777	18,548	30,673	17,998
Bank balances	615,253	515,747	550,343	437,018
Bank balances and cash	647,030	534,295	581,016	455,016
Bank overdraft	(382,790)	(379,700)	(382,790)	(379,700)
	264,240	154,595	198,226	75,316
Call Investment Deposits	242,036	500,516	200,000	480,000
Investments	5,880,431	5,932,097	5,700,000	5,750,000
Cash and Cash Equivalents	6,386,707	6,587,208	6,098,226	6,305,316

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

11. Investment property

Group	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	207,545	(64,790)	142,755	191,333	(78,640)	112,693
Non-revenue Generating	135,503	(11,005)	124,498	189,795	(9,224)	180,571
Total	343,048	(75,795)	267,253	381,128	(87,864)	293,264

Municipality

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	118,262	(34,114)	84,148	102,359	(49,916)	52,443
Non-revenue Generating	135,503	(1,005)	124,498	189,795	(9,224)	180,571
Total	253,765	(45,119)	208,646	292,154	(59,140)	233,014

Reconciliation of investment property - Group - 2018

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Revenue Generating	112,693	309	-	32,921	25	(3,193)	142,755
Non-revenue Generating	180,571	-	(944)	(53,348)	(1,781)	-	124,498
	293,264	309	(944)	(20,427)	(1,756)	(3,193)	267,253

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

11. Investment property (continued)

Reconciliation of investment property - Group - 2017

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	116,533	-	-	(3,840)	112,693
Non-revenue Generating	185,418	(3,457)	(1,390)	-	180,571
	301,951	(3,457)	(1,390)	(3,840)	293,264

Reconciliation of investment property - Municipality - 2018

	Opening balance	Disposals	Transfers	Impairments	Depreciation	Total
Revenue Generating	52,443	-	32,921	25	(1,241)	84,148
Non-revenue Generating	180,571	(944)	(53,348)	(1,781)	-	124,498
	233,014	(944)	(20,427)	(1,756)	(1,241)	208,646

Reconciliation of investment property - Municipality - 2017

	Opening balance	Disposals	Impairments	Depreciation	Total
Revenue Generating	53,875	-	-	(1,432)	52,443
Non-revenue Generating	185,418	(3,457)	(1,390)	-	180,571
	239,293	(3,457)	(1,390)	(1,432)	233,014

Municipality

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

11. Investment property (continued)

The Municipality lets properties under operating leases. Property rental income earned during the year was R87.5million (2017: R72.5million) - (refer note 26). The operating costs related to the rental of these properties amounted to R9.7million (2017: R7.0million). The net impairment loss of R1.8million is made up of an impairment loss of R1.75million and the impact of the impairment reversal is immaterial. The impairment loss relates to a decrease in the value of investment properties as a result of a general decline in property values and damages to property. Included in investment properties above are items that are still in use and that have a historical cost of R4.5million (2017: R1.39million) but are fully depreciated/impaird. This amount is made up as follows: Investment property fully depreciated – R4.1million; Investment property fully impaired R0.4million. The repairs and maintenance cost for investment properties was R53.4 thousand (2017: R53.7 thousand) in the current financial year. This cost consists of only payments made to contractors for repairing and maintaining assets. No staff member is engaged in any labour towards the repair and maintenance of investment property as contractors are outsourced. Both the operating cost, and repairs and maintenance comparative balances have been restated. These costs in the prior year erroneously included those relating to the Winder Street Building. This is a property used for administrative purposes, which is correctly accounted for as property, plant and equipment.

There is no item of investment property with restrictions on title or held as security for liabilities.

Group

Durban Marine Theme Park (Pty) Ltd: Investment property comprises the Village Walk retail shopping mall from which rental income is derived. The original cost of this property including land was approximately R69 million. The directors fair value thereof is R145 million (2017: R141 million) based on a valuation method of net rental return, capitalised at a fair value market rate of return of 12.5% (2017: 12%).

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

12. Property, plant and equipment

Group	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	6,693,771	(1,893,106)	4,800,665	6,434,272	(1,710,707)	4,723,565
Plant and machinery	2,110,578	(1,423,302)	687,276	1,959,384	(1,301,876)	657,508
Furniture and fixtures	421,912	(324,698)	97,214	368,330	(266,218)	102,112
Motor vehicles	3,359,235	(2,571,001)	788,234	3,045,527	(2,309,748)	735,779
IT equipment	1,056,971	(852,614)	204,357	976,890	(763,525)	213,365
Infrastructure	47,254,695	(10,780,764)	36,473,931	43,875,511	(9,640,258)	34,235,253
Community	8,559,738	(2,523,624)	6,036,114	8,291,280	(2,252,929)	6,038,351
Biological Assets	592	(559)	33	592	(534)	58
Housing Development Fund Assets	133,162	(66,288)	66,874	130,872	(65,306)	65,566
Total	69,590,654	(20,435,956)	49,154,698	65,082,658	(18,311,101)	46,771,557

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

12. Property, plant and equipment (continued)

Municipality	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	5,313,196	(1,322,831)	3,990,365	5,073,602	(1,189,540)	3,884,062
Plant and machinery	1,977,348	(1,320,973)	656,375	1,780,891	(1,173,118)	607,773
Furniture and fixtures	323,485	(251,751)	71,734	307,906	(227,187)	80,719
Motor vehicles	3,357,273	(2,569,815)	787,458	3,042,933	(2,308,643)	734,290
IT equipment	1,035,483	(838,445)	197,038	967,337	(757,838)	209,499
Infrastructure	47,254,695	(10,780,764)	36,473,931	43,875,511	(9,640,258)	34,235,253
Community	8,559,738	(2,523,624)	6,036,114	8,291,280	(2,252,929)	6,038,351
Biological Assets	556	(555)	1	556	(531)	25
Housing Development Fund Assets	133,162	(66,288)	66,874	130,872	(65,306)	65,566
Total	67,954,936	(19,675,046)	48,279,890	63,470,888	(17,615,350)	45,855,538

Reconciliation of property, plant and equipment - Group - 2018

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

12. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment	Total
Land and Buildings	4,723,565	67,061	(3)	10,793	170,731	(174,957)	3,475	4,800,665
Plant and machinery	657,508	124,708	(523)	(18,942)	82,346	(157,821)	-	687,276
Furniture and fixtures	102,112	22,518	(95)	12,988	-	(40,296)	(13)	97,214
Motor vehicles	735,779	303,905	(84)	(127)	10,607	(261,846)	-	788,234
IT equipment	213,365	75,539	(415)	2,498	949	(87,579)	-	204,357
Infrastructure	34,235,253	2,111,434	(7,644)	(5,192)	1,288,861	(1,148,781)	-	36,473,931
Community	6,038,351	154,921	-	18,859	88,397	(264,968)	554	6,036,114
Biological Assets	58	-	-	-	-	(25)	-	33
Housing Development Fund	65,566	520	(68)	-	2,338	(1,482)	-	66,874
	46,771,557	2,860,606	(8,832)	20,877	1,644,229	(2,137,755)	4,016	49,154,698

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment	Total
Land and Buildings	4,710,193	15,532	-	-	144,478	(146,638)	-	4,723,565
Plant and machinery	623,626	144,556	(58)	6,726	30,444	(147,522)	(264)	657,508
Furniture and fixtures	100,862	39,259	(164)	(7,054)	-	(30,701)	(90)	102,112
Motor vehicles	848,647	122,080	(548)	2,324	4,432	(241,130)	(26)	735,779
IT equipment	244,857	44,185	(372)	(481)	-	(74,801)	(23)	213,365
Infrastructure	31,136,169	2,734,940	(7,247)	(73,200)	1,558,849	(1,114,694)	436	34,235,253
Community	5,953,294	293,654	-	72,019	(36,680)	(243,936)	-	6,038,351
Biological Assets	84	-	-	-	-	(26)	-	58
Housing Development Fund	65,633	116	(61)	-	1,443	(1,565)	-	65,566
	43,683,365	3,394,322	(8,450)	334	1,702,966	(2,001,013)	33	46,771,557

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Figures in Rand thousand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2018

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment	Total
Land and Buildings	3,884,062	56,566	(3)	6,955	171,384	(132,074)	3,475	3,990,365
Plant and machinery	607,773	117,108	(523)	31	82,346	(150,360)	-	656,375
Furniture and fixtures	80,719	18,784	(95)	(199)	-	(27,462)	(13)	71,734
Motor vehicles	734,290	303,732	-	9	10,607	(261,180)	-	787,458
IT equipment	209,499	72,437	(415)	414	949	(85,846)	-	197,038
Infrastructure	34,235,253	2,111,436	(7,644)	(5,192)	1,288,861	(1,148,783)	-	36,473,931
Community	6,038,351	154,921	-	18,859	88,397	(264,968)	554	6,036,114
Biological Assets	25	-	-	-	-	(24)	-	1
Housing Development Fund	65,566	520	(68)	-	2,338	(1,482)	-	66,874
	45,855,538	2,835,504	(8,748)	20,877	1,644,882	(2,072,179)	4,016	48,279,890

Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment	Total
Land and Buildings	3,835,883	3,924	-	-	143,939	(99,684)	-	3,884,062
Plant and machinery	571,134	134,123	(58)	6,726	30,444	(134,332)	(264)	607,773
Furniture and fixtures	79,670	32,810	(156)	(7,054)	-	(24,461)	(90)	80,719
Motor vehicles	847,057	121,891	(548)	2,324	4,432	(240,840)	(26)	734,290
IT equipment	241,698	42,536	(372)	(481)	-	(73,859)	(23)	209,499
Infrastructure	31,136,168	2,734,942	(7,247)	(73,200)	1,558,849	(1,114,695)	436	34,235,253
Community	5,953,294	293,654	-	72,019	(36,680)	(243,936)	-	6,038,351
Biological Assets	50	-	-	-	-	(25)	-	25
Housing Development Fund	65,633	116	(61)	-	1,443	(1,565)	-	65,566
	42,730,587	3,363,996	(8,442)	334	1,702,427	(1,933,397)	33	45,855,538

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

12. Property, plant and equipment (continued)

Included in property, plant and equipment above are items that are still in use and that have a historical cost of R4.121million (2017: R1.074million) but are fully depreciated/impaired. This amount is made up as follows: PPE fully depreciated - R4.058million; PPE fully impaired R63million. The impairment reversal of R4million is made up of reversal of impairment of R4million and the impact of the impairment loss is immaterial. The impairment reversal relates to assets that were initially impaired, but are now fully operational due to them having been repaired.

The repairs and maintenance cost for property, plant and equipment was R2.56 billion (2017: R2.48billion) in the current financial year. This cost consists of payments made to contractors, material issues and consumables for repairing and maintaining assets. This cost excludes internal labour costs which form part of internal charges (internal charges are eliminated on consolidation).

There is no item of property, plant and equipment with restrictions on title or held as security for liabilities.

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13. Intangible assets

Group	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes Computer software	61,318 1,606,936	- (846,531)	61,318 760,405	58,767 1,416,220	- (628,997)	58,767 787,223
Total	1,668,254	(846,531)	821,723	1,474,987	(628,997)	845,990
Municipality						
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes Computer software	61,318 1,600,233	- (841,542)	61,318 758,691	58,767 1,409,844	- (625,382)	58,767 784,462
Total	1,661,551	(841,542)	820,009	1,468,611	(625,382)	843,229
Reconciliation of intangible assets - Group - 2018						
Servitudes Computer software	Opening balance 58,767 787,223	Additions 13 149,477	Transfers - (450)	Work-in- progress 2,538 43,045	Amortisation - (218,890)	Total 61,318 760,405
	845,990	149,490	(450)	45,583	(218,890)	821,723

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Figures in Rand thousand

13. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Impairment loss	Total
Servitudes	54,865	2,335	-	-	1,567	-	-	58,767
Computer software	827,877	545,419	(153)	458	(386,654)	(199,148)	(576)	787,223
	882,742	547,754	(153)	458	(385,087)	(199,148)	(576)	845,990

Reconciliation of intangible assets - Municipality - 2018

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	58,767	13	-	2,538	-	61,318
Computer software	784,462	149,255	(450)	42,940	(217,516)	758,691
	843,229	149,268	(450)	45,478	(217,516)	820,009

Reconciliation of intangible assets - Municipality - 2017

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Impairment loss	Total
Servitudes	54,865	2,335	-	-	1,567	-	-	58,767
Computer software	825,433	543,920	(1)	458	(386,654)	(198,118)	(576)	784,462
	880,298	546,255	(1)	458	(385,087)	(198,118)	(576)	843,229

Other information

Included in intangible assets above are items that are still in use and that have a historical cost of R341million, but are fully amortised.

There is no item of intangible assets with restrictions on title or held as security for liabilities.

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14. Heritage assets

Group	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	24,536	-	24,536	24,039	-	24,039

Municipality	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	24,536	-	24,536	24,039	-	24,039

Reconciliation of heritage assets Group - 2018

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	24,039	497	24,536

Reconciliation of heritage assets Group - 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	24,396	435	(792)	24,039

Reconciliation of heritage assets Municipality - 2018

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	24,039	497	24,536

Reconciliation of heritage assets Municipality - 2017

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	24,396	435	(792)	24,039

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14. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

The following items of heritage assets cannot be reliably valued due to the nature of the items. These are categories of heritage assets which reflect the number of assets for each category:

Ornithology	39,286
Mammalogy	14,673
Entomology	140,420
Arachnology	619
Echinodermata	36
Palaeontology	33,297
Ethnographic	11,759
Library collection	4,794
Conchology	5,207
Audio Visual collection	3,668
Numismatic	2,464
Textile & Costume	14,442
Glass & Ceramics	7,863
Other Historical	1,105
Don Africana Books & Periodicals	4,556
Exhibitions	2,173
Ichthyology	357
Herpetology	2,755
Biographical	1,191
Toys	4,415
Philately	2,247
War memorials	113
Firearms	168
Paintings	7,365
Photographic	3,846,903
Furniture	674
Documents / Cartoons / Plans	633,597
Pinetown Library Collection	228

Heritage assets which fair values cannot be reliably measured

The Municipality has undertaken valuations to determine fair values of its heritage assets. The Municipality did apply a valuation methodology and completed the exercise on certain classes of heritage assets after extensive research, reviewing benchmarks, both nationally and internationally, including consulting research papers that have been compiled on this subject matter. Where there is no active market for the items of heritage assets, the Municipality is currently testing various valuation methodologies in order to determine the fair value of these heritage assets. GRAP 103 does allow the entity to determine fair value by using a replacement cost approach in cases where there is no active market and the Municipality has followed this approach, where applicable. No heritage assets were pledged as security for liabilities during the financial year end.

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	2018	2017	2018	2017
15. Investments in Municipal Entities				
Name of company	% holding 2018	% holding 2017	Carrying amount June 2018	Carrying amount June 2017
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	100.00 %	962,996	962,996
ICC Durban (Proprietary) Limited			226,591	226,591
Impairment of investment in Municipal entities			1,189,587 (248,756)	1,189,587 (280,808)
			940,831	908,779

Impairment of Investments in Municipal Entities are reviewed and adjusted only on an annual basis. The balances above are reflective of estimations at 30 June 2018.

The Shareholders loan was converted to equity in the prior year. At its meeting on 28 June 2018, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern". There was an impairment reversal in the current year of R32.1million.

As at June 30, 2018

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income Received (R'000)	10,264	22,515
Water Income Received (R'000)	1,996	9,874
Rates Income Received (R'000)	9,134	3,633
Refuse Removal (R'000)	991	947
Insurance (R'000)	5	437

As at June 30, 2017

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income Received (R'000)	11,287	21,307
Water Income Received (R'000)	1,567	8,940
Rates Income Received (R'000)	6,064	3,375
Refuse Removal (R'000)	900	1,088
Insurance (R'000)	39	772

eThekwini Municipality and its Municipal Entities

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16. Interest in Joint Ventures				
Name of company	Listed / Unlisted	Carrying amount June 2018	Carrying amount June 2017	
Effingham Development	66.74%	62,507	72,993	
Durban Point Development Company (Pty) Ltd	50.00%	67,207	72,100	
		129,714	145,093	

This represents a 66.74% investment in Effingham Development and a 50% investment in Durban Point Development Company (Joint Ventures).

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham/Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

Durban Point Development Company is a joint venture entered into with Rocpoint Company, a Malaysian Company. This company has been formed with the objective of driving the development of the Point Precinct area.

Summary of the municipality's interest in the joint venture - Effingham Development

Non-current assets

Township Property	31,557	44,849
Current assets - Debtors	28,672	27,006
Current assets - Bank Balances and Cash on hand	19,647	39,252

Total Assets	79,876	111,107
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Equity and Liabilities

Members Loan Accounts	62,507	72,993
Current liabilities - Creditors	17,369	38,114

Total Equity and Liabilities	79,876	111,107
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Reconciliation of Investment in Joint Venture

Balance at beginning of the reporting period	72,993	74,309
Share of Income	2,862	24,767
Purchase of development rights (adjusted against profits)	-	(26,083)
Share of loan repayment received	(6,848)	-
Share of loan repayment due to eThekwini but retained by Effingham JV for payment of levies	(6,500)	-

Balance at end of year	62,507	72,993
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Summary of the municipality's interest in the joint venture - Durban Point Development Company

Non-current assets - Property	-	-	3,378	2,675
Current assets - Debtors	-	-	10,420	4,105
Current assets - Inventory	-	-	93,345	93,345
Current assets - Bank Balances / Cash on hand	-	-	405	593
TOTAL ASSETS	-	-	107,548	100,718
Equity - Accumulated Loss	-	-	(32,212)	(27,264)
Equity - Loans from shareholders	-	-	78,466	78,466
Non-current liability - Rates Liability	-	-	46,294	42,895
Current Liabilities - Creditors	-	-	15,000	6,621
TOTAL EQUITY AND LIABILITIES	-	-	107,548	100,718
Reconciliation of Investment in Joint Venture	-	-	-	-
Balance at beginning of the reporting period	-	-	72,100	75,716

eThekwini Municipality and its Municipal Entities

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16. Interest in Joint Ventures (continued)				
Share of losses for the year	-	-	(4,893)	(3,616)
Balance at end of the reporting period	-	-	67,207	72,100
<p>The change in the comparative balances for DPDC's accumulated surplus and creditors relate to a correction of error for UEM Sunrise South Africa (Pty) Ltd. (UEM) management fees that weren't accrued for by the joint venture in the prior years. The value of these management fees amounts to R6,250,000 (eThekwini Municipality's share being R3,075,000). Based on the agreement between the joint venture and UEM, these fees would be payable once the joint venture has sufficient cash to make the payment. The cost of the investment in the DPDC is R67.21 million compared to the cost of R78.47 million as reflected in the financial statements of DPDC. The difference is due to eThekwini Municipality having recognised the share of the losses of R4.89 million (2016/17- 3.62 million: 2015/16 - 2.75 million), resulting in cumulative losses recognised of R11.26 million. The net share of loss from joint ventures in the current financial year is R2.03 million, of which R2.86million relates to Effingham and -R4.89million to DPDC.</p>				
17. External Borrowings				
At amortised cost				
Annuity loans	8,161,100	8,835,985	8,161,100	8,835,985
<p>The fair value of all long term loans approximates their book values.</p> <p>Refer to Note 56 for more detail on long-term liabilities.</p> <p>DBSA Phase 3 loans of R400million is separately secured by a cession of an acceptable revenue stream of R20 million p.a. as security.</p> <p>DBSA Phase 5 of R300m is separately secured by a cession of an acceptable revenue stream of R15 million p.a. as security .</p> <p>AFD Calyon of R58.7m is separately secured by a cession of carbon credit income in the event of default or nonpayment. The income is estimated to be R4.2m for the year 2018/19 (excluding VAT).</p> <p>All other loans are unsecured.</p> <p>The Municipality has budgeted to borrow R1billion per annum for the next 3 financial years (commencing in 2018/19) in order to finance capital expenditure. This practice is consistent with prior years.</p>				
Non-current liabilities				
At amortised cost	7,286,712	8,042,457	7,286,712	8,042,457
Current liabilities				
At amortised cost	874,388	793,528	874,388	793,528
18. Payables from exchange transactions				
Trade payables	1,124,855	1,288,550	1,135,810	1,294,710
Payments received in advance	43,056	151,008	43,056	150,830
Income received in advance - D.O.H.S	656,881	704,475	656,881	704,475
Accruals	2,703,657	2,153,695	2,713,761	2,157,091
Other payables	723,421	741,977	702,964	720,945
Retentions	444,727	441,365	444,727	441,365
Bank deposits not receipted	325,240	342,859	325,240	342,859
Deferred Expenditure (Straight-lining of Leases)	30,002	30,800	30,002	30,800
	6,051,839	5,854,729	6,052,441	5,843,075

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19. Transfers payable from non-exchange transactions

Transfers payable	29,280	17,760	29,280	17,760
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Following the review processes performed in the preparation and finalisation of annual financial statements, management identified transfers payable that were accrued for as payables from exchange transactions. These transfers relate to the unpaid portion of grants and subsidies, and as a result should be disclosed as transfers payable from non-exchange transactions. Comparative figures have been restated and disclosed as prior year adjustments.

20. Consumer deposits

I.C.C.: Clients deposits	22,457	23,690	-	-
Consolidated Deposits	2,266,216	2,141,879	2,267,863	2,143,476
Ushaka: Rental deposits	3,083	2,457	-	-
	2,291,756	2,168,026	2,267,863	2,143,476

A decision was taken on the 1st of July 2016 (effective date) to cease the capitalisation of interest on consumer deposits (previously accrued at 3% p.a.). This change was as a result of amendments to the Municipality's Credit Control and Debt Collection Policy. The change sought to align the treatment of consumer deposits to the rationale for deposits, which is to serve as security, mitigate credit risk and cash flow management. All interest that had accrued up to the effective date has been added to the deposit held in line with the amended Credit Control and Debt Collection Policy.

21. Employee benefit obligations

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

Carrying value

Post-employment medical benefits	(4,123,898)	(3,934,770)	(4,123,898)	(3,934,770)
Post-employment pension benefits	(87,723)	163,133	(87,723)	163,133
	(4,211,621)	(3,771,637)	(4,211,621)	(3,771,637)
Non-current liabilities	(3,547,237)	(3,269,679)	(3,547,237)	(3,269,679)
Current liabilities	(664,384)	(501,958)	(664,384)	(501,958)
	(4,211,621)	(3,771,637)	(4,211,621)	(3,771,637)

Actuarial Valuations:

The actuarial valuations were done as at 30 June 2018 by Independent Actuaries & Consultants, an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Assumptions applied in the current period are summarised in the reconciliation of the actuarial gains and losses.

Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Actuarial gains arising from changes in financial assumptions	51,140	376,440	51,140	376,440
Actuarial gains arising from experience adjustments	141,804	3,274	141,804	3,274
	192,944	379,714	192,944	379,714

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21. Employee benefit obligations (continued)

Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Actuarial gains arising from changes in financial assumptions	31,522	341,595	31,522	341,595
Actuarial gains and (losses) arising from experience adjustments	(123,244)	392,763	(123,244)	392,763
	(91,722)	734,358	(91,722)	734,358

Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	189,128	53,227	189,128	53,227
Pension Benefits: Contribution to Funds	250,856	214,483	250,856	214,483
Total, included in employee benefits expense	439,984	267,710	439,984	267,710

Post-Retirement Medical Aid Plan

The Municipality operates on 6 accredited medical aid schemes, namely Key Health, Hosmed, Bonitas, Samwumed, Discovery and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3,934,770	3,881,543	3,934,770	3,881,543
Current service cost	142,540	182,543	142,540	182,543
Interest cost	380,188	369,232	380,188	369,232
Actuarial (gains) losses	(140,656)	(379,714)	(140,656)	(379,714)
Benefit payments	(192,944)	(118,834)	(192,944)	(118,834)
Balance at end of year	4,123,898	3,934,770	4,123,898	3,934,770

Net expense recognised in the Statement of Financial Performance

Current service cost	142,540	182,543	142,540	182,543
Interest cost	380,188	369,232	380,188	369,232
Actuarial (gains) losses	(192,943)	(379,714)	(192,943)	(379,714)
Total, included in employee benefits expense	329,785	172,061	329,785	172,061

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Present Value of Obligations	(3,132,817)	(3,497,714)	(3,881,543)	(3,934,770)	(4,123,898)
Fair Value of Plan Assets	3,132,817	3,497,714	3,881,543	3,934,770	4,123,898

Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)

In respect of Present Value of Obligations	(120,563)	183,275	(21,796)	3,274	141,804
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21. Employee benefit obligations (continued)

Disclosure Requirement in terms of GRAP 25

	Health Care cost Inflation			
	Central Assumption	-1%	+1%	
Accrued Liability June 30, 2018	8.52%	4,123,898	3,538,766	4,857,575
Current Service Cost + Interest Cost 2017/18		574,258	488,835	700,910

Sensitivity Results from Previous Valuation

	Health Care cost Inflation			
	Central Assumption	-1%	+1%	
Accrued Liability June 30, 2017	8.05%	3,934,770	3,415,022	4,581,410
Current Service Cost + Interest Cost 2016/17		516,461	436,775	618,121

Disclosure Requirement in terms of GRAP 25:

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R121.5million.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.22 %	9.66 %	10.22 %	9.66 %
General increases to medical aid contributions	8.52 %	8.05 %	8.52 %	8.05 %
Expected retirement age	63	63	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %	80.00 %	80.00 %
Real rate (Gap)	1.56 %	1.49 %	1.56 %	1.49 %
General Inflation	7.02 %	6.55 %	7.02 %	6.55 %

Other assumptions:

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members - Mortality table based on Durban Pension Fund experience

Mortality of pensioners - based on the PA(90) mortality tables

Percentage of in-service members withdrawing before retirement:

Age 20	7.85 %	7.85 %	7.85 %	7.85 %
Age 25	5.67 %	5.67 %	5.67 %	5.67 %
Age 30	4.20 %	4.20 %	4.20 %	4.20 %
Age 35	3.31 %	3.31 %	3.31 %	3.31 %
Age 40	2.23 %	2.23 %	2.23 %	2.23 %
Age 45	1.21 %	1.21 %	1.21 %	1.21 %
Age 50	0.55 %	0.55 %	0.55 %	0.55 %

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21. Employee benefit obligations (continued)				
Pension benefits				
The amounts recognised in the Statement of Financial Position were determined as follows:				
Present value of funded obligations	11,584,632	11,151,296	11,584,632	11,151,296
Fair value of plan assets	(11,496,909)	(11,314,429)	(11,496,909)	(11,314,429)
Liability (Surplus) in the Statement of Financial Position	87,723	(163,133)	87,723	(163,133)
Net expense recognised in the Statement of Financial Performance				
Service cost	(90,127)	(87,382)	(90,127)	(87,382)
Interest cost	(1,052,361)	(1,075,224)	(1,052,361)	(1,075,224)
Expected return on assets	1,066,499	1,108,450	1,066,499	1,108,450
Net actuarial gains / (losses) recognised in the year	(262,514)	(203,994)	(262,514)	(203,994)
	(338,503)	(258,150)	(338,503)	(258,150)
Movement in the defined benefit obligation is as follows:				
Balance at beginning of the year	(11,151,296)	(11,257,690)	(11,151,296)	(11,257,690)
Current service cost	(90,127)	(125,110)	(90,127)	(125,110)
Contributions by plan participants	18,942	18,864	18,942	18,864
Actuarial losses	73,366	715,494	73,366	715,494
Interest cost	(1,052,361)	(1,075,224)	(1,052,361)	(1,075,224)
Benefit payments	616,844	572,370	616,844	572,370
Balance at end of year	(11,584,632)	(11,151,296)	(11,584,632)	(11,151,296)
Movement in the fair value of plan assets is as follows:				
Balance at beginning of the year	11,314,429	11,635,306	11,314,429	11,635,306
Actuarial gains (losses)	(335,880)	(919,488)	(335,880)	(919,488)
Employer contributions	87,647	81,395	87,647	81,395
Employee contributions	(18,942)	(18,864)	(18,942)	(18,864)
Benefit payments	(616,844)	(572,370)	(616,844)	(572,370)
Expected return on assets	1,066,499	1,108,450	1,066,499	1,108,450
Balance at end of year	11,496,909	11,314,429	11,496,909	11,314,429
Disclosure in terms GRAP 25				
Defined benefit obligation	(11,584,632)	(11,151,296)	(11,584,632)	(11,151,296)
Plan assets	11,496,909	11,314,429	11,496,909	11,314,429
Funded status (before applying the net asset limit)	(87,723)	163,133	(87,723)	163,133
Experience adjustments on plan liabilities	123,244	(392,763)	123,244	(392,763)
Experience adjustments on plan assets	335,880	919,488	335,880	919,488

The expected return on plan assets was determined with reference to the average nominal yield for government bonds with duration of between 15 and 20 years as at 30 June 2018. The resulting expected return on plan assets was 10.22%p.a.

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21. Employee benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	10.22	9.66	10.22 %	9.66 %
Expected return on plan assets	10.22	9.66	10.22 %	9.66 %
General inflation	7.02	6.55	7.02 %	6.55 %
Salary inflation	8.02	7.55	8.02 %	7.55 %
Pension increase provision	7.02	6.55	7.02 %	6.55 %
Post retirement interest rate	2.99	2.92	2.99 %	2.92 %

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	2018	2017	2018	2017

21. Employee benefit obligations (continued)

Examples of mortality rates used were as follows: Active members (All):

Age 20	0.13 %	0.13 %	0.13 %	0.13 %
Age 25	0.18 %	0.18 %	0.18 %	0.18 %
Age 30	0.25 %	0.25 %	0.25 %	0.25 %
Age 35	0.37 %	0.37 %	0.37 %	0.37 %
Age 40	0.52 %	0.52 %	0.52 %	0.52 %
Age 45	0.72 %	0.72 %	0.72 %	0.72 %
Age 50	0.99 %	0.99 %	0.99 %	0.99 %
Age 55	1.37 %	1.37 %	1.37 %	1.37 %
Age 60	1.89 %	1.89 %	1.89 %	1.89 %

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21. Employee benefit obligations (continued) KZN Municipal Pension Fund:

The KZN Municipal Pension Fund is a defined contribution pension fund that replaced the Durban Pension Fund in 2001. It is set up to have only one contributing employer being the eThekwini Municipality. At 30 June 2018 the Fund had a membership of 22,177 with R13 billion investments. There are 179 members who have retired with the in-house living annuity as their pension providing option, an increase from the 116 members a year ago. The investments held for these annuitants increased from R177,4m to R281m.

Investments

Various asset managers are mandated to invest the savings of members. The largest three of these are Investec, Prudential, and Coronation. These managers have a Global Balanced mandate with some R2,5b each. The investment fee paid to these managers averages 0,667% . In terms of peer reviews these three managers performed first, second, and fourth respectively over 5 years and continue to maintain their advantage over their competitors over the 1 and 3 year periods. The investments are wherever feasible now held in the Fund's name rather than in a portfolio offered and 'owned' by an asset manager. Standard Bank is the appointed custodian. Sygnia is the appointed investment administrator and it is their task to check the daily unit values coming in from asset managers and to produce daily unit values for each of the Fund's Investment Portfolios from amongst which the members select to invest. Although the investment return front the local Business Confidence indicator has been low for the last 3 years our largest portfolio the Managed Fund, having R10,5b of the total R13b, has returned 8.8% over 1 year, 6.7% pa over 3 years, and 11.2% pa over 5 years.

Insurance

The Trustees continue with the objective of the Fund to become fully self-insured and in 2018 the Disability insurance premium was fully covered by the Fund. The Death cover is held 50:50 with Nestlife who are a black owned insurance provider. Nestlife also continues to cover the Funeral benefit. The Fund Front Office at SmartXchange Building, 5 Walnut Road, is staffed to investigate the death benefit distributions and the administration of disability claims and payments. Procedures in place continue to be refined and improved as ongoing problems and successes inform the process. It is a goal to be able to have the member invest 15% of the 18% (of salary) that the employer monthly contribution is based upon. At present the death and disability insurance premium portion of this 18% is 2.734%. Added to this the Member Administration Fee paid to Alexander Forbes of 0.144%, as well as the other expenses such as actuarial, legal, trustee, printing, seminars, and front office amounting to 0.206%. This then adds up to a cost to members of 3.084% just 0.0804% above the target.

Communications

Communication consists chiefly of the annual seminar at the Exhibition Centre along with the road show seminars and presentations given at induction sessions, union gatherings, and department staff communication days. Member appointed trustees also perform an important role of engagement in the workplace. Printed brochures are made available along with retirement projection statements and benefit statements for each member. Investment balances are available on-line or can be printed at the front office. The Fund has a web site, members on their e-mail list, as well as a limited presence on social media. Considerable additional work has in the last 12 months been put into investment and retirement counselling as well as financial planning on a one on one basis. Families that are receiving substantial death benefits also receive counselling on tax issues and are encouraged to place their funds in the in house living annuity when tax becomes a consideration. To an extent this option is also preferred by trustees rather than the allocation of orphans money to a beneficiary fund.

Trustees

Thomas Mketelwa (Chair), Cllr Siphon Kaunda (vice-chair & eThekwini Exco member), Khanyi Gama (Chair: Finance & Investment Sub-committee), Sthembile Dlamini (Chair: Communications Sub-Committee), Vis Moodley (Chair: Legal, Admin, and Death Benefits Distribution Sub-Committee), Cllr Barbara Fortein (eThekwini Exco Member), Cllr William (eThekwini Speaker & Exco Member), Hugh Crichton (Retired Member), Paul Babudayal, Pretty De Bruin-Shange (Deferred Member), Xolani Gabele, Ricky Naidoo.

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21. Employee benefit obligations (continued)

Multi-Employer Retirement Benefit Plans:

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMPF), SALA, Multi Linked and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Two of the NJMPF retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund.

The last actuarial valuations of the two NJMPF Defined Benefit Funds (March 2017) showed both funds to be fully funded as regards pensions in payment. For the Retirement Fund the fund is underfunded as regards contributing members - thus the employers are paying a surcharge. For the Superannuation Fund the fund has sufficient assets to cover the basic liability as regards contributing members, but not any solvency reserves for the contributing members. A primary reason for the surcharge is that salaries have been increased at rates well in excess of inflation over the past number of years, which has increased the liabilities of the two Defined Benefit Funds. From 2016: surcharge updated to 21.65% for Retirement Fund and 9.5% for Superannuation Fund (please refer to valuation reports available from the Fund's website or the Director). The 2017 actuarial valuation reflected a higher required contribution rate in the Retirement Fund, which would result in a higher required surcharge to fund the deficit. However, the trustees were conscious of affordability and accordingly from January 2017 the surcharge for each local authority of 9.5% in the Superannuation Fund was reduced to offset the required increase in the local authority's surcharge to the Retirement Fund. In principle the increase in the surcharge to the Retirement Fund would not result in any local authority incurring additional costs. The total surcharge per local authority thus remains unchanged, but the split between the Superannuation Fund and Retirement Fund will be different for each local authority.

The three funds cater for employees of all municipalities in KZN. Each fund is treated as one fund and not as a collection of sub-funds for each participating municipality. In the DB funds any surplus or deficit is spread across all municipalities - each municipality pays the same rate of contribution and the same rate of surcharge. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner.

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Committee of Management levies a surcharge until the fund is in a sound financial condition, as is currently the case. In this way the Committee ensures that the funds are able to afford the promised benefits.

Durban Pension Fund:

The Durban Pension Fund is a closed defined benefit fund. With effect from the 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The statutory valuation as at 2016-01-01 revealed that the Fund was 106.5% funded. The value of assets amounted to R11.27 billion whilst the value of liabilities was determined to be R10.59 billion. The active member pool solvency reserve is 64.5% funded and the pensioner pool solvency reserve is 100% funded. Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 9.30% being required to be funded by the employer surplus account and 1.38% from the contribution stabilization reserve account with effect from 1 August 2016.

An interim valuation as at 1 January 2018 revealed that the Fund was 112.6% funded. The value of the assets amounted to R11.58 billion compared to the liabilities and reserves of R10.28 billion. As at 1 January 2018, the active solvency reserve was 89.6% funded and the pensioner solvency reserve was 100% funded.

In compliance with the Fund's rules the Council contributed an amount of R49.16 million for the year ended 31 December 2017 and an amount of R23.23 million was funded from the Employer Surplus Account.

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	2018	2017	2018	2017

21. Employee benefit obligations (continued)

The asset composition of the Durban Pension Fund is summarised below:

SA Equities	33.62 %	31.99 %	33.62 %	31.99 %
SA Bonds	41.54 %	43.64 %	41.54 %	43.64 %
SA Cash	1.55 %	1.45 %	1.55 %	1.45 %
SA Other	0.49 %	0.63 %	0.49 %	0.63 %
SA Property	4.80 %	4.81 %	4.80 %	4.81 %
Foreign	18.00 %	17.48 %	18.00 %	17.48 %
	100.00 %	100.00 %	100.00	100.00 %

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22. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Electricity Demand Side Management Grant	847	960	847	960
Department of Co-Operative Governance and Traditional Affairs	5,000	5,000	5,000	5,000
Department of Transport and Public Transport Infrastructure	306,583	-	306,583	-
Department of Environmental Affairs	7,838	8,338	7,838	8,338
Neighbourhood Development Partnership	28,850	28,154	28,850	28,154
Department of Arts and Culture	528,346	505,250	528,346	505,250
Grant Accreditation	4,913	11,929	4,913	11,929
Department of Human Settlements	138,110	83,735	138,110	83,735
European Union	5,659	2,077	5,659	2,077
Donations and Public Contributions	30,793	30,794	30,793	30,794
D Moss Interest and Land Sales	8,073	8,073	8,073	8,073
Infrastructure Skills grant	5,635	5,321	5,635	5,321
Department of Health	62,084	51,689	62,084	51,689
Sports and Recreation Grant	10,525	10,525	10,525	10,525
DPSA - Aquaponics Projects	-	1,461	-	1,461
DBSA	95,992	98,984	95,992	98,984
Other Grants and Subsidies	30,421	15,698	30,421	15,698
	1,269,669	867,988	1,269,669	867,988

These amounts are invested in a ring-fenced investment until utilised. See note 30 for more detail.

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	2018	2017	2018	2017

23. Provisions

Reconciliation of provisions - Group - 2018

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Staff Leave	502,223	159,560	(118,173)	-	543,610
Performance bonus	14,665	10,608	(10,648)	-	14,625
Long service awards	63,305	62,434	(56,749)	-	68,990
Non-current					
Environmental rehabilitation: Landfill sites	106,070	156,810	(1,017)	11,138	273,001
Long service awards	729,471	107,160	-	-	836,631
	1,415,734	496,572	(186,587)	11,138	1,736,857

Reconciliation of provisions - Group - 2017

	Opening Balance	Additions / (transfers)	Utilised during the year	Interest charged	Total
Current					
Staff Leave	466,703	138,162	(102,642)	-	502,223
Clearance of Alien Vegetation	19,820	(19,820)	-	-	-
Performance bonus	15,145	9,377	(9,857)	-	14,665
Long service awards	62,286	54,426	(53,407)	-	63,305
Non-current					
Environmental rehabilitation: Landfill sites	101,386	(409)	(5,553)	10,646	106,070
Clearance of Alien Vegetation	41,887	(41,887)	-	-	-
Long service awards	726,756	2,715	-	-	729,471
	1,433,983	142,564	(171,459)	10,646	1,415,734

Reconciliation of provisions - Municipality - 2018

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Staff Leave	497,537	158,462	(118,173)	-	537,826
Performance bonus	12,788	9,869	(10,648)	-	12,009
Long service awards	63,305	62,434	(56,749)	-	68,990
Non-current					
Environmental rehabilitation: Landfill sites	106,070	156,810	(1,017)	11,138	273,001
Long service awards	729,471	107,160	-	-	836,631
	1,409,171	494,735	(186,587)	11,138	1,728,457

Reconciliation of provisions - Municipality - 2017

	Opening Balance	Additions / (transfers)	Utilised during the year	Interest charged	Total
Current					
Staff Leave	461,580	138,162	(102,205)	-	497,537
Clearance of Alien Vegetation	19,820	(19,820)	-	-	-
Performance bonus	13,525	9,120	(9,857)	-	12,788
Long service awards	62,286	54,426	(53,407)	-	63,305
Non-current					
Environmental rehabilitation: Landfill sites	101,386	(409)	(5,553)	10,646	106,070
Clearance of Alien Vegetation	41,887	(41,887)	-	-	-
Long service awards	726,756	2,715	-	-	729,471
	1,427,240	142,307	(171,022)	10,646	1,409,171

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	2018	2017	2018	2017
23. Provisions (continued)				
Non-current liabilities	1,109,632	835,541	1,109,632	835,541
Current liabilities	627,225	580,193	618,825	573,630
	1,736,857	1,415,734	1,728,457	1,409,171

Environmental rehabilitation: Landfill sites

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which was 10.00% at 30 June 2018. The Municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs. The asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

The following assumptions were used to calculate the provision:

- Discount rate of 10.00% (June 2017: 10.50%);
- Inflation rate 4.60% (June 2017: 5.10%);
- Total area expected to be rehabilitated: 964 151 square metres (June 2017: 964 151 square meters);
- Rate per square metre: R404.93 (June 2017: R162.30) escalating every year by inflation rate;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasar	360,326	360,326
Marianhill	239,725	239,725
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	259,300	259,300
Lovu	50,000	50,000

During the current period there was a change in the assumptions used to calculate the provision for the rehabilitation of landfill sites, which resulted in a change in estimate of R156.8million, increasing the provision. This change is mainly attributable to a change in the cost per square meter used in the calculation of the total rehabilitation costs, the incorporation of a fixed lump sum component in the total cost calculation and the revision of the useful lives for the various sites. These changes resulted in a significant increase in the total cost to rehabilitate each of our landfill sites. The useful lives were revised due to less waste being dumped in the current period than what was originally anticipated resulting in an extension of the lives of these landfill sites. The costs were revised to incorporate the new changes to GRAP that are expected to come into effect in 2019.

The total rehabilitation can be reconciled as follows:

Name	Opening Balance	Expenditure	Interest	Change in Estimate	Closing Balance
Bisasar	57,608	(1,017)	6,049	82,649	145,289
Marianhill	37,005	-	3,886	56,576	97,467
Wyebank	4,057	-	426	6,843	11,326
Shallcross	3,239	-	340	5,750	9,329

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23. Provisions (continued)				
Buffelsdraai	1,327	-	139	1,995
Lovu	2,834	-	298	2,997
Totals	106,070	(1,017)	11,138	156,810
			273,001	

Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Manager.

Long service awards

Revised Conditions of Service for employees are currently being negotiated. The interim conditions of service for Employees are as follows:

Long Service Leave will accrue as follows:

Long Service Leave

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	6 Day Worker- No.of days p.a.	6 Day Worker- Accum per milestone
After 20 years	2	25	3	30
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation		75		90

Employees who achieve 25 years service receive a once off cash payment of R500 and upon achievement of 40 years service, employees receive a gold wrist watch or a comparable gift.

Employees who achieve 40 years service will be granted 20 days paid leave (once off) and a scroll duly signed by the Mayor in recognition of loyal service rendered to the Council. A long service allowance will accrue as follows:

- 2% of monthly salary at 15-19 years
- 3% of monthly salary at 20-24 years
- 4% of monthly salary at 25-29 years
- 5% of monthly salary at 30-34 years
- 6% of monthly salary at 35 years or more

The abovementioned is limited to a maximum of R1 505.23 (2017: R1 406.76).

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2018 (2017: 30 June 2017). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 9.36% (2017: 8.92%) was used based on internal rate of return.

Summary of economic assumptions (rates are per annum) and key demographic assumptions

Figures in Rand thousand	Municipality	
	2018	2017

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23. Provisions (continued)				
Gross discount rate			9.36 %	8.92 %
Salary inflation			7.43 %	6.72 %
Net discount rate			1.80 %	2.05 %
Number of trading days per year			252	252
Retirement age			63 years for males and females	63 years for males and females

Summary of membership data used in the valuation

Current employees	30 June 2018	30 June 2017
Number of current employees	24,093	22,925
Average age of employees	42.2	42.3
Average years of past service	11.2	11.4
Average annual salary (R)	213,855	200,820

Reconciliation of Defined Benefit Obligation

Opening Balance	792,776	789,042
Current Service cost	56,075	56,220
Interest cost	72,876	67,051
Actuarial losses (gains) - change in financial assumptions	100,395	(54,673)
Actuarial losses (gains) - experience variance	(51,401)	(4,205)
Cash movements - Benefit payments	(65,100)	(60,659)
	905,621	792,776

Pre-retirement mortality

Age	30 June 2018	30 June 2017
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%

Withdrawal assumption

Age	30 June 2017	30 June 2016
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55	0.00%	0.00%

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23. Provisions (continued)				
60+			0.00%	0.00%

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	2018	2017	2018	2017
24. Housing development fund				
Accumulated Surplus	(209,509)	(143,467)	(209,509)	(143,467)
Loans extinguished by Government on 1 April 1998	266,979	266,979	266,979	266,979
	-	-		
	57,470	123,512	57,470	123,512

The housing development fund is represented by the following assets and liabilities

Property, plant and equipment	66,875	65,567	66,875	65,567
Housing selling scheme loans	56,537	87,408	56,537	87,408
Housing rental Debtors	12,251	17,521	12,251	17,521
Housing other Debtors	33,459	31,659	33,459	31,659
Housing inventory	89	57	89	57
Investments	7,489	7,489	7,489	7,489
Investment properties	7,797	8,000	7,797	8,000
Grant accrual	226,784	276,420	226,784	276,420
Assets	411,281	494,121	411,281	494,121
Unspent Conditional Grants	82,570	32,199	82,570	32,199
Creditors	4,730	7,279	4,730	7,279
Bank Overdraft	254,488	319,334	254,488	319,334
Consumer Deposits	344	344	344	344
VAT payable	11,679	11,453	11,679	11,453
Liabilities	353,811	370,609	353,811	370,609
Total Housing Development Fund Assets and Liabilities	57,470	123,512	57,470	123,512

25. Service charges

Sale of electricity	12,226,261	12,033,470	12,259,055	12,066,088
Sale of water	3,337,148	3,066,369	3,349,018	3,076,876
Solid waste	654,434	558,976	656,372	560,964
Sewerage and sanitation charges	933,247	736,116	933,247	736,116
Other service charges	29,047	36,966	29,047	36,966
Total service charges	17,180,137	16,431,897	17,226,739	16,477,010

26. Rental of facilities and equipment

Sporting Bodies	244,420	64,026	244,420	64,026
Investment Properties	87,481	72,533	87,481	72,533
Business and Ancillary	147,386	144,600	147,386	144,600
Housing Rental	68,272	67,817	68,272	67,817
Other	212,482	229,753	136,547	135,564
	760,041	578,729	684,106	484,540

A decision was taken in the current financial year to include an analysis of rental income generated from rental of facilities and equipment as this information is considered to be useful for decision-making. Comparative disclosures have been provided.

The increase in sporting bodies rental is due to an increase in the value of properties rented by the sporting bodies following the valuation done in the current year in terms of the Property Rating Act. Rent for these properties are linked to the property values.

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27. Other income				
Sundry Income	538,313	521,455	299,363	263,052
Moses Mabhida	3,245	7,217	3,245	7,217
	541,558	528,672	302,608	270,269

Refer to Appendix D for a Statement of Financial Performance: Moses Mabhida Stadium.

28. Interest revenue

Interest earned - External Investments	598,038	664,334	573,161	636,556
Interest earned - Outstanding Debtors	306,623	135,433	306,623	135,433
	904,661	799,767	879,784	771,989

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29. Property rates				
Rates received				
Residential	2,637,209	2,242,441	2,637,209	2,242,441
Business / Commercial	2,607,807	2,192,823	2,624,189	2,206,687
Unauthorised / Illegal development	28,488	17,181	28,488	17,181
Development Phasing	1,820	1,756	1,820	1,756
Agricultural	9,653	8,155	9,653	8,155
Vacant land	514,056	433,496	514,056	433,496
Industrial	1,841,280	1,624,478	1,841,280	1,624,478
Public Service Infrastructure	33,036	30,945	33,036	30,945
Total Assessment Rates	7,673,349	6,551,275	7,689,731	6,565,139

Valuations

Residential	331,010,850	269,562,230	331,010,850	269,562,230
Business / Commercial	111,560,724	81,729,168	111,560,724	81,729,168
Unauthorised / Illegal development	385,494	286,356	385,494	286,356
Agricultural	3,712,822	2,718,205	3,712,822	2,718,205
Vacant land	11,484,190	8,724,761	11,484,190	8,724,761
Industrial	59,588,352	46,546,651	59,588,352	46,546,651
Public Service Infrastructure	18,151,479	15,108,014	18,151,479	15,108,014
Development Phasing Line	116,682	99,778	116,682	99,778
Total Property Valuations	536,010,593	424,775,163	536,010,593	424,775,163

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.01060 (2017: R0.01190); Agriculture - R0.00260 (2017: R0.00300); Vacant Land - R0.04730 (2017: R0.05340); Industrial - R0.03090 (2017: R0.03490); Business and Commercial - R0.02390 (2017: R0.02700); Public Service Infrastructure - R0.00260 (2017: R0.00300); Unauthorised / Illegal Development - R0.07390 (2017:R0.06000); Development Phasing line - R0.01560 (2017: R0.01760); Rural Residential R0.01060 (2017: R0.01190). In addition to the statutory reduction of R150 000, a further reduction of R105 000 was approved for property values exceeding R230 000. In addition to the R230 000, pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R4 035 p.a. The Senior Citizens rebate is restricted to a maximum limit of R3 million on the value of the property.

Valuations based on market values are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values as well as to adjust for valuation appeals where applicable.

There has been a reclassification of rates within the categories in the prior year. This is due to the use-apportionment in splitting these in the prior year which has been reassessed.

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
30. Government grants and subsidies				
Equitable Share	2,582,776	2,319,380	2,582,776	2,319,380
Expanded Public Works Programme Incentive	66,792	49,478	66,792	49,478
European Union	658	3,355	658	3,355
Primary Health Care Provincial Subsidy	233,279	111,836	233,279	111,836
Department of Transport and Public Transport infrastructure	610,567	950,078	610,567	950,078
Department of Environmental Affairs	500	6,140	500	6,140
Municipal Human Settlements Capacity Grant	-	14,342	-	14,342
Demand Side Management	14,153	3,357	14,153	3,357
Urban Settlement Development Grant	1,980,109	1,885,685	1,980,109	1,885,685
Other Grants	37,158	26,460	37,158	26,460
Public Contributions	1	8,457	1	8,457
Neighbourhood Development Partnership	21,824	31,799	21,824	31,799
Department of Human Settlements	58,171	75,779	58,171	75,779
Grant Accreditation	19,934	35,417	19,934	35,417
Department of Arts and Culture	49,467	40,248	49,467	40,248
DPSA - Aquaponics Projects	1,461	-	1,461	-
Intergrated City Development Grant	39,111	50,256	39,111	50,256
Electricity Capital Grant	35,000	31,000	35,000	31,000
DBSA Grant	5,355	15,398	5,355	15,398
Infrastructure Skills Grant	6,258	26,034	6,258	26,034
	5,762,574	5,684,499	5,762,574	5,684,499

Equitable Share

Current-year receipts	2,582,776	2,319,380	2,582,776	2,319,380
Conditions met - transferred to revenue	(2,582,776)	(2,319,380)	(2,582,776)	(2,319,380)
	-	-	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

D Moss Interest and Land Sales

Balance unspent at end of year	8,073	8,073	8,073	8,073
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Conditions still to be met - remain liabilities (see note 22).

The above relates to funding for the acquisition of D Moss land. Awaiting the finalisation of land purchase for D Moss.

Department of Environmental Affairs

Balance unspent at beginning of year	8,338	7,838	8,338	7,838
Current-year receipts	-	6,640	-	6,640
Conditions met - transferred to revenue	(500)	(6,140)	(500)	(6,140)
	7,838	8,338	7,838	8,338

Conditions still to be met - remain liabilities (see note 22).

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

30. Government grants and subsidies (continued)

Department of Transport and Public Transport Infrastructure

Current-year receipts	917,150	950,078	917,150	950,078
Conditions met - transferred to revenue	(610,567)	(950,078)	(610,567)	(950,078)
	306,583	-	306,583	-

Conditions still to be met - remain liabilities (see note 22).

The funds received and utilised relates to subsidy for Remant/ Alton Bus Operating subsidy and traffic and pedestrian planning. There were delays in the projects funded by this grant due to disruptions and delays in the construction of the Traffic Management Centre (TMC).

Neighbourhood Partnership Development

Balance unspent at beginning of year	28,154	261	28,154	261
Current-year receipts	50,674	59,953	50,674	59,953
Conditions met - transferred to revenue	(21,824)	(31,799)	(21,824)	(31,799)
Paid back	(28,154)	(261)	(28,154)	(261)
	28,850	28,154	28,850	28,154

Conditions still to be met - remain liabilities (see note 22).

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

European Union

Balance unspent at beginning of year	2,077	5,433	2,077	5,433
Current-year receipts	4,240	-	4,240	-
Conditions met - transferred to revenue	(658)	(3,356)	(658)	(3,356)
	5,659	2,077	5,659	2,077

Conditions still to be met - remain liabilities (see note 22).

The Municipality has an Area-based Management Programme that focuses on key areas of the council and enhances service delivery and stimulates job and income generation to these basic areas. The funds are also utilised for informal settlement housing upgrades. The R4.2m was only received late in the financial year and will be utilised during the 2018/19 financial year.

Other Grants and Subsidies

Balance unspent at beginning of year	15,698	16,668	15,698	16,668
Current-year receipts	51,881	25,490	51,881	25,490
Conditions met - transferred to revenue	(37,158)	(26,460)	(37,158)	(26,460)
	30,421	15,698	30,421	15,698

Conditions still to be met - remain liabilities (see note 22).

Other grants and subsidies were utilised during the year to fund various Council projects. Underspending was also due to part of the funding received late in the year.

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
30. Government grants and subsidies (continued)				
Department of Human Settlements				
Balance unspent at beginning of year	83,735	141,047	83,735	141,047
Current-year receipts	110,242	1,000	110,242	1,000
Conditions met - transferred to revenue	(58,171)	(75,779)	(58,171)	(75,779)
Accrued receipts	2,304	17,467	2,304	17,467
	138,110	83,735	138,110	83,735

Conditions still to be met - remain liabilities (see note 22).

The unspent grant is also due to funding for Social Housing and Housing Conveyancing received late in the year.

Funding is used for:

- * Administration of hostels in KZN;
- * Social housing and housing conveyancing;
- * R293 projects and Cornubia construction.

Grant Accreditation

Balance unspent at beginning of year	11,929	19,077	11,929	19,077
Current-year receipts	12,918	28,269	12,918	28,269
Conditions met - transferred to revenue	(19,934)	(35,417)	(19,934)	(35,417)
	4,913	11,929	4,913	11,929

Conditions still to be met - remain liabilities (see note 22).

These funds are for the administrative support provided for RDP houses.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at end of year	5,000	5,000	5,000	5,000
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Conditions still to be met - remain liabilities (see note 22).

These funds are used for implementing projects identified through the KZN Corridor Development Programme, supporting existing Council initiatives that require additional funding, and to unlock strategic economic development opportunities within the Northern Municipal Planning Region (NMPR) of the City.

The delay is due to the municipality awaiting commitment/ confirmation from National and Provincial government in respect of funding of the entire project for which this money was earmarked as it is currently insufficient to complete the project.

Donations and Public Contributions

Balance unspent at beginning of year	30,794	11,501	30,794	11,501
Current-year receipts	-	27,750	-	27,750
Conditions met - transferred to revenue	(1)	(8,457)	(1)	(8,457)
	30,793	30,794	30,793	30,794

Conditions still to be met - remain liabilities (see note 22).

The grants were received from various organisations to finance various developments. In the prior year this includes development of Nandi Drive and various roads in Hillcrest.

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
30. Government grants and subsidies (continued)				
Department of Arts and Culture				
Balance unspent at beginning of year	505,250	443,082	505,250	443,082
Current-year receipts	72,563	102,416	72,563	102,416
Conditions met - transferred to revenue	(49,467)	(40,248)	(49,467)	(40,248)
	528,346	505,250	528,346	505,250

Conditions still to be met - remain liabilities (see note 22).

The grant is for the capital and operating expenditure for the Libraries as well as the Museum. There have been challenges in the procurement process for the libraries as well as delays in the capital project of the Museum which has resulted in delays in the procurement of capital assets (computer, furniture, artworks etc.) for the Museum therefore resulting in under expenditure.

Electricity Demand Side Management Grant

Balance unspent at beginning of year	960	8,636	960	8,636
Current-year receipts	15,000	-	15,000	-
Conditions met - transferred to revenue	(14,153)	(3,357)	(14,153)	(3,357)
Paid back	(960)	(4,319)	(960)	(4,319)
	847	960	847	960

Conditions still to be met - remain liabilities (see note 22).

The grant is used to finance the gas-to-electricity capital project.

Infrastructure Skills Grants

Balance unspent at beginning of year	5,321	-	5,321	-
Current-year receipts	30,293	31,355	30,293	31,355
Grant transferred - Umgeni Water	(18,400)	-	(18,400)	-
Paid back	(5,321)	-	(5,321)	-
Conditions met - transferred to revenue	(6,258)	(26,034)	(6,258)	(26,034)
	5,635	5,321	5,635	5,321

Conditions still to be met - remain liabilities (see note 22).

This grant is used for the development of engineering and related technology graduates to equip themselves in achieving professional registration in water and wastewater related skills. The spending is lower due to a decrease in the number of students funded by this grant and the delay in the appointment of a mentor.

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

30. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	1,980,109	1,885,685	1,980,109	1,885,685
Conditions met - transferred to revenue	(1,980,109)	(1,885,685)	(1,980,109)	(1,885,685)
	-	-	-	-

This grant was utilised for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant.

Expanded Public Works Incentive Grant

Current-year receipts	66,792	49,478	66,792	49,478
Conditions met - transferred to revenue	(66,792)	(49,478)	(66,792)	(49,478)
	-	-	-	-

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
30. Government grants and subsidies (continued)				
Primary Health Care Provincial Subsidy				
Balance unspent at beginning of year	51,689	-	51,689	-
Current-year receipts	187,569	111,836	187,569	111,836
Stock Medicine	10,395	51,689	10,395	51,689
Conditions met - transferred to revenue	(233,279)	(111,836)	(233,279)	(111,836)
Accrued receipts	45,710	-	45,710	-
	62,084	51,689	62,084	51,689

Conditions still to be met - remain liabilities (see note 22).

Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services.

Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	-	26,450	-	26,450
Conditions met - transferred to revenue	-	(14,342)	-	(14,342)
Paid back	-	(12,108)	-	(12,108)
	-	-	-	-

This grant was used to build capacity in municipalities to deliver and subsidise the operational cost of administering human settlements programmes.

Department of Sports & Recreation

Balance unspent at end of year	10,525	10,525	10,525	10,525
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Conditions still to be met - remain liabilities (see note 22).

This grant is used for Durban Soccer Academy and this has been delayed due to litigation matters still in court.

DPSA - Aquaponics Projects

Balance unspent at beginning of year	1,461	-	1,461	-
Current-year receipts	-	1,461	-	1,461
Conditions met - transferred to revenue	(1,461)	-	(1,461)	-
	-	1,461	-	1,461

This grant was used for Aquaponics projects by the Department of Public Service and Administration.

DBSA

Balance unspent at beginning of year	98,984	19,686	98,984	19,686
Current-year receipts	2,363	94,696	2,363	94,696
Conditions met - transferred to revenue	(5,355)	(15,398)	(5,355)	(15,398)
	95,992	98,984	95,992	98,984

Conditions still to be met - remain liabilities (see note 22).

To be used for the various community reforestation projects and rehabilitation of the Palmiet River projects.

Electricity Capital Grant

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
30. Government grants and subsidies (continued)				
Current-year receipts	35,000	31,000	35,000	31,000
Conditions met - transferred to revenue	(35,000)	(31,000)	(35,000)	(31,000)
	-	-	-	-

This grant was used for the electrification programme of indigents.

Intergrated City Development

Current-year receipts	39,111	50,256	39,111	50,256
Conditions met - transferred to revenue	(39,111)	(50,256)	(39,111)	(50,256)
	-	-	-	-

The grant was used to provide financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

31. Levies

Fuel levy	2,211,611	2,185,002	2,211,611	2,185,002
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National Treasury shared revenue generated by the general fuel levy.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
32. Employee related costs				
Employee related costs - Salaries and Wages	5,562,847	5,071,290	5,409,810	4,930,837
Medical aid and Pension Benefits	2,080,218	1,774,686	2,080,218	1,774,686
UIF and Workmans Compensation	57,185	55,480	42,347	41,469
Contribution to Provisions (Leave Pay, Performance Bonus, Long Service Awards)	339,107	204,567	338,912	204,659
Travel, motor car, accommodation, subsistence and other allowances	401,427	368,714	401,427	368,714
Overtime payments	1,229,556	980,027	1,225,627	976,263
Housing benefits and allowances	45,801	41,718	45,801	41,718
Holiday Bonus (13th Cheque)	418,380	384,912	418,380	384,912
Other	22,148	25,509	21,934	25,509
Less: Employee costs relating to capitalisation and maintenance of PPE	(74,736)	(46,648)	(74,736)	(46,648)
	10,081,933	8,860,255	9,909,720	8,702,119

Remuneration of the Municipal Manager - Mr. S. Nzuzo (appointed 1 May 2017)

Annual Remuneration	2,912	456	2,912	456
Car Allowance	180	30	180	30
Other Allowances (Subsistence, Backpay)	91	-	91	-
Contributions to UIF and SDL	33	5	33	5
	3,216	491	3,216	491

Remuneration of the Chief Finance Officer - Mr. K. A. Kumar

Annual Remuneration	1,596	1,487	1,596	1,487
Car Allowance	553	515	553	515
Performance Bonuses	147	133	147	133
Holiday Bonus (13th cheque)	133	124	133	124
Market Allowance	242	242	242	242
Cellphone Allowance	18	18	18	18
Other Allowances (Subsistence)	11	20	11	20
Contributions to UIF, SDL, Medical and Pension Funds	372	349	372	349
	3,072	2,888	3,072	2,888

Economic Development and Planning - Mr. P. Sithole (appointed 1 January 2018 - internally)

Annual Remuneration	1,270	-	1,270	-
Car Allowance	392	-	392	-
Holiday Bonus (13th cheque)	94	-	94	-
Cellphone Allowance	10	-	10	-
Other Allowances (Subsistence, Leave Cashing, Acting)	265	-	265	-
Contributions to UIF, SDL, Medical and Pension Funds	371	-	371	-
	2,402	-	2,402	-

Health and Social Services - Dr. M. Gumede (resigned 31 July 2017)

Annual Remuneration	161	1,936	161	1,936
Car Allowance	10	120	10	120

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
32. Employee related costs (continued)				
Performance Bonuses	137	156	137	156
Cellphone Allowance	1	12	1	12
Other Allowances (Subsistence, Leave Cashing)	266	94	266	94
Contributions to UIF, SDL, and Medical Fund	8	58	8	58
	583	2,376	583	2,376
Governance - Mr. S. O. Cele				
Annual Remuneration	1,596	1,487	1,596	1,487
Car Allowance	553	515	553	515
Performance Bonuses	99	123	99	123
Holiday Bonus (13th cheque)	133	124	133	124
Market Allowance	121	121	121	121
Cellphone Allowance	12	12	12	12
Other Allowances (Subsistence, Leave Cashing)	85	38	85	38
Contributions to UIF, SDL, Medical and Pension Funds	360	339	360	339
	2,959	2,759	2,959	2,759
Trading Services - Mr. Mashoko				
Annual Remuneration	2,280	1,957	2,280	1,957
Car Allowance	108	99	108	99
Holiday Bonus (13th cheque)	192	171	192	171
Market Allowance	243	223	243	223
Cellphone Allowance	12	11	12	11
Other Allowances (Subsistence, Non-pensionable, Backpay)	118	63	118	63
Contributions to UIF, SDL and Pension Fund	556	474	556	474
	3,509	2,998	3,509	2,998
Head: City Integrity and Investigation - Mr. Ngcobo				
Annual Remuneration	1,078	1,002	1,078	1,002
Car Allowance	374	348	374	348
Performance Bonuses	-	93	-	93
Holiday Bonus (13th cheque)	90	85	90	85
Cellphone Allowance	9	9	9	9
Other Allowances (Subsistence, Leave Cashing, Backpay)	49	76	49	76
Contributions to UIF, SDL, Medical and Pension Funds	257	246	257	246
	1,857	1,859	1,857	1,859
Corporate and Human Resources - Mrs. D. P. Nene (contract expired 31 January 2018; temporary contract from 1 February 2018)				
Annual Remuneration	1,837	1,775	1,837	1,775
Car Allowance	108	108	108	108
Performance Bonuses	135	172	135	172
Holiday Bonus (13th cheque)	93	148	93	148
Cellphone Allowance	12	12	12	12
Other Allowances (Acting)	-	82	-	82
Contributions to UIF, SDL, and Medical Fund	59	56	59	56
	2,244	2,353	2,244	2,353

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
32. Employee related costs (continued)				
Human Settlement - Ms. B. Mphakathi (appointed 1 May 2018 - internally)				
Annual Remuneration	1,217	-	1,217	-
Car Allowance	339	-	339	-
Holiday Bonus (13th cheque)	94	-	94	-
Cellphone Allowance	10	-	10	-
Other Allowances (Subsistence, Backpay, Acting, Housing)	218	-	218	-
Contributions to UIF, SDL, Medical and Pension Funds	336	-	336	-
	2,214	-	2,214	-
Remuneration of the Municipal Manager - Mr. S. Sithole (contract expired 31 December 2016)				
Annual Remuneration	-	1,364	-	1,364
Car Allowance	-	103	-	103
Performance Bonuses	188	247	188	247
Contributions to UIF, Medical and Pension Funds	-	24	-	24
Other Allowances (Subsistence, Leave cashing, Backpay)	-	575	-	575
	188	2,313	188	2,313
Head: Internal Audit/Chief Audit Executive - Mr. P Ntsimane (resigned 31 August 2017)				
Annual Remuneration	184	1,018	184	1,018
Car Allowance	64	353	64	353
Performance Bonuses	121	107	121	107
Holiday Bonus (13th cheque)	-	85	-	85
Cellphone Allowance	1	9	1	9
Other Allowances (Subsistence, Non-pensionable, Leave Cashing)	43	155	43	155
Contributions to UIF, SDL, Medical and Pension Funds	44	241	44	241
	457	1,968	457	1,968
Head: Information Management Unit/ Chief Information Officer - Mr. R. Dhlamini				
Annual Remuneration	1,088	1,014	1,088	1,014
Car Allowance	377	351	377	351
Performance Bonuses	84	92	84	92
Holiday Bonus (13th cheque)	91	84	91	84
Cellphone Allowance	9	9	9	9
Other Allowances (Subsistence, Leave Cashing)	20	46	20	46
Contributions to UIF, SDL, Medical and Pension Funds	260	246	260	246
	1,929	1,842	1,929	1,842
Chief Strategic Officer - Mr. A. Peters				
Annual Remuneration	1,481	1,380	1,481	1,380
Car Allowance	510	475	510	475
Performance Bonuses	154	141	154	141
Holiday Bonus (13th cheque)	124	115	124	115
Market Allowance	524	524	524	524

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
32. Employee related costs (continued)				
Cellphone Allowance	12	12	12	12
Other Allowances (Subsistence, Entertainment)	83	71	83	71
Contributions to UIF, SDL, Medical and Pension Funds	335	297	335	297
	3,223	3,015	3,223	3,015

ICC Durban (Proprietary) Limited

Chief Executive Officer: L. Rakharebe	2,937	2,386	-	-
Finance and Commercial Director: M. Rambally	2,056	1,669	-	-
Sales and Marketing Director: M. Dorasamy - (resigned 31 July 2017)	229	1,364	-	-
Executive Chef: J. Moatshe	1,157	1,125	-	-
Operations Director: N. Elia-Beissel - (resigned 30 September 2016)	-	491	-	-
Facilities Director: J. Hurter - (terminated 28 August 2017)	246	1,416	-	-
Human Resources Director: M. Mokaba - (appointed 01 January 2017)	1,530	706	-	-
Operations Director: M. Ngubane - (appointed 09 May 2017)	1,192	168	-	-
Marketing, Sales and Events Director: S. Langley - (appointed 01 December 2017)	827	-	-	-
	10,174	9,325	-	-

Durban Marine Theme Park (State Owned Company) Limited

Chief Executive Officer: C.N. Khumalo	2,258	2,098	-	-
Chief Financial Officer: J.H. Dlamuka - (resigned 30 September 2017)	600	1,737	-	-
Chief Financial Officer: X. Hlongwane - (appointed 01 December 2017)	910	-	-	-
Chief Operating Officer: P.N. Pillay	1,704	1,556	-	-
Marketing Executive: N. Mthembu	1,093	1,043	-	-
Retail Executive: G.A. Jacobson	1,141	1,054	-	-
Food and Beverage Executive: M.A. Mokoena	1,137	1,003	-	-
Human Resources Executive: A. Ngubane	1,138	987	-	-
	9,981	9,478	-	-

33. Remuneration of councillors

Mayor	1,311	1,278	1,311	1,278
Deputy Mayor	1,064	1,044	1,064	1,044
Mayoral Committee Members	8,719	7,511	8,719	7,511
Speaker	1,063	1,062	1,063	1,062
Councillors	106,407	99,165	106,407	99,165
Traditional Leaders	780	874	780	874
Total Councillors' Remuneration	119,344	110,934	119,344	110,934

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and are provided with an office and secretarial support at the cost of the Council.

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

eThekweni Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
33. Remuneration of councillors (continued)				
Mayor (1)				
Remuneration Allowances	989	759	989	759
Travelling Allowance	81	170	81	170
Motor Vehicle Allowance	-	130	-	130
Cellphone allowance	41	48	41	48
Medical Aid	47	58	47	58
Pension Fund	153	113	153	113
	1,311	1,278	1,311	1,278
Deputy Mayor (1)				
Remuneration Allowances	832	653	832	653
Travelling Allowance	-	11	-	11
Motor Vehicle Allowance	63	238	63	238
Cellphone allowance	41	47	41	47
Medical Aid	-	5	-	5
Pension Fund	128	90	128	90
	1,064	1,044	1,064	1,044
Speaker (1)				
Remuneration Allowances	633	609	633	609
Travelling Allowance	-	52	-	52
Motor Vehicle Allowance	255	238	255	238
Cellphone allowance	41	40	41	40
Medical Aid	36	37	36	37
Pension Fund	98	86	98	86
	1,063	1,062	1,063	1,062
Mayoral Committee Members (9)				
Remuneration Allowances	5,768	4,447	5,768	4,447
Travelling Allowance	642	582	642	582
Motor Vehicle Allowance	678	1,309	678	1,309
Cellphone allowance	355	186	355	186
Medical Aid	380	342	380	342
Pension Fund	896	645	896	645
	8,719	7,511	8,719	7,511
Councillors (207)				
Remuneration Allowances	64,696	59,698	64,696	59,698
Travelling Allowance	4,212	6,809	4,212	6,809
Motor Vehicle Allowance	13,497	16,570	13,497	16,570
Cellphone allowance	8,453	4,679	8,453	4,679
Medical Aid	6,434	4,515	6,434	4,515
Pension Fund	9,115	6,894	9,115	6,894
	106,407	99,165	106,407	99,165
Traditional Leaders (13)				
Allowances	780	874	780	874

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
34. Finance costs				
Non-current borrowings	811,675	886,411	811,675	886,411
Trade and other payables	40,634	11,277	40,634	11,277
Other interest paid	11	271	7	271
	852,320	897,959	852,316	897,959

An amount of R3.0m (2017: R5.1m) relating to borrowing costs was capitalised to work-in-progress with 9% (2017: 9%) being the weighted average cost of funds borrowed generally by the Municipality. The capitalisation of interest is only applicable for qualifying assets that existed before the decision by council to expense all borrowing costs. For these assets, borrowing costs will be capitalised to work-in-progress until such a time the project is completed and capitalised. All other borrowing costs are expensed when incurred.

The accumulated borrowing costs that have been capitalised to work-in-progress at 30 June 2018 are R82.1m (30 June 2017: R79.1m).

As of 1 July 2016 (effective date) interest no longer accrued on consumer deposits (previously accrued at 3% p.a.). All interest that had accrued up to the effective date was added to the deposit held. Refer to Note 20: Consumer Deposits for further details on the cessation of interest on consumer deposits.

35. Bulk purchases (cost of sales)

Electricity	8,280,136	8,299,873	8,280,136	8,299,873
Water	2,153,514	1,799,135	2,153,514	1,799,135
	10,433,650	10,099,008	10,433,650	10,099,008

36. Contracted services

Consultants and Professional services	244,184	228,347	244,184	228,347
Engineering and other technical services	59,120	53,962	59,120	53,962
Legal expenses	38,138	34,936	38,138	34,936
Research and advisory	65,677	48,760	65,677	48,760
Project management	28,399	30,550	28,399	30,550
Other	52,850	60,139	52,850	60,139
Contractors	2,391,704	2,278,730	2,377,531	2,261,733
Repairs and Maintenance	2,138,345	1,988,004	2,138,345	1,988,004
Stage and sound crew	22,838	16,227	22,838	16,227
Catering services	47,415	39,356	47,415	39,356
Event promoters	33,004	41,618	33,004	41,618
Recycling	30,869	17,860	30,869	17,860
Artists and performers	38,503	51,310	38,503	51,310
Other	80,730	124,355	66,557	107,358
Outsourced services	1,797,129	1,456,128	1,797,129	1,456,128
Administrative and support staff	263,627	194,440	263,627	194,440
Clearing and grass cutting services	135,302	128,347	135,302	128,347
Hygiene services	111,949	68,794	111,949	68,794
Meter management	50,640	31,504	50,640	31,504
Refuse removal	333,855	255,755	333,855	255,755
External security	751,612	626,193	751,612	626,193
Cleaning services	74,273	70,216	74,273	70,216
Other	75,871	80,879	75,871	80,879
	4,433,017	3,963,205	4,418,844	3,946,208

A decision was taken in the current financial year to include an analysis of contracted services. This additional information is considered to be useful as it provides context in terms of the nature of expenses making up contracted services.

eThekwini Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
37. Grants and subsidies paid				
Grant Paid: Point Precinct Trust	1,956	2,173	1,956	2,173
Grant Paid: Sporting Organisations	244,343	64,026	244,343	64,026
Grant Paid: ICC Durban (Proprietary) Limited	-	-	8,153	-
Grant Paid: Durban Marine Theme Park (State Owned Company) Limited	-	-	70,390	66,615
Grant Paid: Playhouse Company	2,000	3,000	2,000	3,000
Grant Paid: Natal Philharmonic Orchestra	7,000	6,800	7,000	6,800
Grant Paid: SEDA eThekwini	5,610	4,773	5,610	4,773
Grant Paid: Other	129,517	125,396	129,517	128,396
Grant Paid: The Loerie Awards	3,475	3,657	3,475	3,657
Grant Paid: KZN Sharks (Pty) Ltd	4,000	6,375	4,000	6,375
	397,901	216,200	476,444	285,815
38. General expenses				
Advertising	147,134	131,962	144,510	129,963
Auditors remuneration	24,607	19,768	22,610	17,879
Bank charges	9,772	9,379	7,721	7,600
Cleaning	27,989	23,682	25,671	21,938
Commission paid	76,103	80,037	75,123	79,844
Information systems - Consulting and professional fees	214,293	268,519	211,303	264,662
Delivery expenses	1,996	2,099	1,996	2,099
Civic entertainment	574	523	422	432
Hire of facilities, plant and equipment	207,370	170,160	207,370	170,160
Insurance	44,808	43,954	44,753	43,888
Conferences and seminars	40,239	23,698	40,239	23,698
IT expenses	1,428	1,521	462	926
Marketing	27,463	18,579	5,951	4,361
Management fees	222,638	199,436	222,638	199,436
Levies	1,308	1,230	-	-
Magazines, books and periodicals	14,211	12,826	14,175	12,797
Medical requisites	5,648	5,661	5,648	5,661
Fuel and oil	278,518	236,685	278,464	236,647
Postage and courier	32,586	33,300	32,586	33,272
Printing and stationery	60,251	53,798	58,917	52,240
Promotions	37,071	42,447	37,071	42,447
Protective clothing	48,030	33,110	48,030	33,110
Project maintenance costs	31,196	23,077	31,196	23,077
Secretarial fees	38,592	45,121	35,688	41,061
Subscriptions and membership fees	20,045	19,974	19,719	19,581
Telephone and fax	49,784	48,663	48,468	47,338
Transport and freight	30,163	35,026	28,710	33,248
Training	78,837	87,568	78,001	87,489
Travel - local	22,748	29,871	22,415	29,364
Travel - overseas	6,141	5,846	6,141	5,846
Title deed search fees	824	823	824	823
Refuse bags	97,526	86,590	97,526	86,590
Small plant and tools	9,630	10,074	9,630	10,074
Alien vegetation removal	16,914	17,489	16,914	17,489
Other expenses	917,660	945,393	787,189	805,344
	2,844,097	2,767,889	2,668,081	2,590,384

eThekweni Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
39. Cash generated from operations				
Surplus	1,965,404	2,127,104	2,057,948	2,174,900
Adjustments for:				
Depreciation: PPE	2,137,755	2,001,013	2,072,179	1,933,397
Loss (gain) on disposal of PPE	4,619	(1,693)	4,619	(1,840)
Loss on Impairment: Investment Properties	1,756	1,390	1,756	1,390
Depreciation: Investment Properties	3,193	3,840	1,241	1,432
Share of Loss (Income) from Joint Venture	-	-	2,031	(21,151)
Impairment Loss: Intangible assets	-	576	-	576
Amortisation: Intangible assets	218,890	199,148	217,516	198,118
Contribution to provisions	321,123	44,625	319,286	44,805
Impairment PPE	-	3,700	-	3,700
Debt impairment	2,076,465	2,011,349	2,079,746	2,013,798
Reversal of Impairment: PPE	(4,016)	(3,733)	(4,016)	(3,733)
Movements in retirement benefit assets and liabilities	439,984	267,710	439,984	267,710
Reversal of Loss on impairment of investment in Municipal entity	-	-	(32,052)	-
Donations received: PPE	(857)	(9,397)	(857)	(9,397)
Deferred Income	38	3,967	-	-
Changes in working capital:				
Inventories	(112,350)	(92,314)	(125,118)	(105,379)
Receivables from exchange transactions	(80,716)	510,180	(80,450)	527,335
Consumer debtors	(1,986,311)	(2,006,577)	(2,001,565)	(2,015,582)
Other receivables from non-exchange transactions	(382,371)	(321,525)	(382,371)	(321,525)
Payables from exchange transactions	197,110	297,873	209,366	295,675
VAT	(160,856)	(342,299)	(176,080)	(343,465)
Transfers payable from non exchange transactions	11,520	-	11,520	-
Unspent conditional grants and receipts	401,681	144,711	401,681	144,711
Consumer deposits	123,730	218,136	124,387	235,295
	5,175,791	5,057,784	5,140,751	5,020,770

40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities	8,161,100	8,835,985	8,161,100	8,835,985
Used to finance property, plant and equipment – at cost	(7,817,703)	(8,307,899)	(7,817,703)	(8,307,899)
	343,397	528,086	343,397	528,086

The balance of R343.4million (2016/17:R528.1million) relates to the unspent portion of the R700million loan that was taken during the 2016/17 financial year to fund the capital expenditure for the Northern and Western Aqueduct Projects. Capital expenditure of R184.7million was incurred in the current year. The spending on these projects has been delayed due to poor performance by the contractor and service delivery protests as explained in Note 52: Budget Disclosure.

The unspent balance of the loan is ring-fenced and will be spent only on capital expenditure relating to the Northern and Western Aqueduct Projects.

eThekweni Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
41. Commitments				
Commitments in respect of capital expenditure				
Approved and contracted for				
• Infrastructure	3,710,201	2,444,336	3,710,201	2,444,336
• Community	135,688	58,997	135,688	58,997
• Land and Buildings	172,584	244,812	172,584	244,812
• Other	944,040	816,100	935,550	800,046
	4,962,513	3,564,245	4,954,023	3,548,191
Approved but not yet contracted for				
• Infrastructure	189,655	480,957	189,655	480,957
• Land and Buildings	56,630	53,413	56,630	53,413
• Other	160,000	14,336	160,000	14,336
	406,285	548,706	406,285	548,706
Total capital commitments				
Approved and contracted for	4,962,513	3,564,245	4,954,023	3,548,191
Approved but not yet contracted for	406,285	548,706	406,285	548,706
	5,368,798	4,112,951	5,360,308	4,096,897

Included in the Other Capital Commitments figure for Housing is Housing Agency commitments amounting to R650m (2017: R711.7m).

Operating leases - as lessor (income)

Minimum lease payments due

	-	-	-	-
- within one year	23,442	22,844	-	-
- in second to fifth year inclusive	44,160	37,374	-	-
	67,602	60,218	-	-

Durban Marine Theme Park Pty (Ltd): The operating leases relate to rental contracts derived from Ushaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 31 July 2023. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored except for tenants that have been in the Village Walk for more than 10 years. All contracts that are on a month to month basis have been excluded from the projected income. The rental escalation percentage varies from lease to lease, the average being approximately 6%.

Municipality: Rental income recognised from operating leases has not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;

Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

Durban ICC: The entity receives operating lease income for the use of the entity's premises. The period of the leases vary between 1 and 5 year terms and includes month to month leases. The annual escalation rates of the leases vary between 7% and 10%. Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection from leases.

Operating leases - as lessee (expenditure)

Minimum lease payments due

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
41. Commitments (continued)				
- within one year	105,879	70,878	105,879	70,878
- in second to fifth year inclusive	70,617	105,642	70,617	105,642
- later than five years	2,266	2,592	2,266	2,592
	178,762	179,112	178,762	179,112

Operating Commitments

Minimum payments due

- within one year	1,701,860	1,375,254	1,686,481	1,358,087
- within two to three years	327,623	1,243,928	327,623	1,243,928
- later than three years	23,180	41,477	23,180	41,477
	2,052,663	2,660,659	2,037,284	2,643,492

The prior year operating commitments figure (payable within one year) has increased by R255 thousand due to audit adjustments on ICC figures that were not previously considered on consolidation.

There are no operating commitments for External Security as the contract is on a month to month basis. The 3 year budget forecast is R705.4m, R813.4m and R870.9m respectively.

All commitments are stated exclusive of VAT.

42. Contingencies

Contracted Disputes	997,195	622,330	997,195	622,330
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Various departments within the Municipality have price disputes with certain contractors.

Self Insurance Reserve	750,125	350,365	752,558	350,365
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Various claims submitted to the Insurance department of the Municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	12,052	2,664	12,052	2,664
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	70,229	65,410	70,229	65,410
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These guarantee's are issued in favour of the following:

- S.A. Post Office: R76 000 (Nedbank Bank) dated 08 May 2017;
- S.A. Post Office: R1.900m (Nedbank Bank) dated 08 May 2017;
- Compensation Commissioner: R68.253m (2017: R62 885m) - (NedBank) dated 25 February 2016;

- ICC: R450 000 (Standard Bank) dated 28 September 1999 (prior year only)

- ICC: R98 611 (Standard Bank) dated 26 November 1999 (prior year only)

Legal Claims - Various	215,249	141,795	215,249	141,795
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

eThekwini Municipality and its Municipal Entities

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

42. Contingencies (continued)

Legal disputes relate to:

- Rates dispute: R5.6m (2017: R1.5m);
- Value of compensation in respect of expropriation of various properties: R75.9m (2017: R91.5m);
- Claims for damages - various: R111.1m (2017: R48.7m);
- Legal Insurance claims: R22.6m.

Claims - Bus Operator	132,050	632,476	132,050	632,476
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Bus Operator:

- There is currently a dispute with respect to the amount owing by the bus Operator, which is R236million disclosed in Other Receivables.
- The bus Operator has submitted a claim to the municipality which amounts to R632.5 million. Meetings to resolve the dispute are still ongoing.

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
43. Related parties				
Relationships				
Municipal Entities (refer to note 15)			Durban Marine Theme Park SOC Limited ICC Durban (Pty) Ltd	
Special Purpose Entity			EtheKwini Transport Authority	
Joint Ventures (refer to note 16)			Effingham Development Joint Venture Durban Point Development Company	
Related party balances				
Loan accounts - Owing (to) / by related parties				
Durban Point Development Company			171,054	164,256
Amounts included in trade receivables regarding related parties				
Durban Marine Theme Park SOC Limited			18,679	13,655
ICC Durban (Pty) Ltd			6,243	3,154
Effingham Development Joint Venture			6,500	-
Amounts included in trade payables regarding related parties				
Durban Marine Theme Park SOC Limited			718	4,167
ICC Durban (Pty) Ltd			6,605	7,110
Durban Point Development Company			10,104	3,396
EtheKwini Transport Authority			34,857	44,618
Consumer Deposits				
ICC Durban (Pty) Ltd			1,647	1,597
Amounts included in receivables from exchange regarding related parties				
Durban Marine Theme Park SOC Limited (Moses Mabhida - VAT)			10,997	10,997
Sales to related parties				
ICC Durban (Pty) Ltd:			-	-
Electricity			10,264	11,287
Water			1,996	1,567
Refuse			991	900
Rates			9,134	6,064
Insurance			5	39
Other			-	27
Durban Marine Theme Park SOC Limited:			-	-
Electricity			22,515	21,307
Water			9,874	8,940
Waste			947	1,088
Insurance			437	772
Rates			3,633	3,375
Durban Point Development Company:			-	-
Rates			3,399	3,337
Electricity and Water			14	15
Effingham Development Joint Venture:			-	-
Electricity and Water			1	9
Income from Joint Venture			2,862	24,767
Rates			216	303
Purchases from related parties				
ICC Durban (Pty) Ltd:			-	-
General Expenses			43,607	42,204

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
43. Related parties (continued)				
Grant-in-Aid			8,153	-
Durban Marine Theme Park SOC Limited:			-	-
General Expenses			6,942	8,344
Grant-in-Aid			70,390	66,615
Ethekwini Transport Authority:			-	-
General Expenses			2,730	3,106
Other			-	3,000

The Grant-in-Aid for Durban Marine Theme Park SOC Limited was previously disclosed only on Note 37: Grants and subsidies paid. For completeness of the related party disclosures, this Grant-in-Aid has also been included on this note.

There is an amount of R2.4million relating to an insurance claim by Durban Marine Theme Park SOC Limited. The claim has not yet been finalised and as a result a contingent liability has been disclosed in Note 42: Contingencies since the outcome of the claim is uncertain.

44. Prior year adjustments

The following adjustments all relate to corrections of prior-period misstatements and re-classifications.

Consumer Deposits

Balance previously reported	-	2,173,402	-	2,148,852
Bank and Cash: Voucher refunds re-allocation	-	(5,376)	-	(5,376)
	-	2,168,026	-	2,143,476

Long-term receivables

Balance previously reported	-	84,749	-	84,749
Provision for Bad Debts adjustment - Wiggins Housing	-	(29,740)	-	(29,740)
Durban Point Development Company - elimination of rates liability	-	(42,895)	-	-
Durban Point Development Company - elimination of rates liability impairment	-	42,895	-	-
	-	55,009	-	55,009

Transfers payable from non-exchange transactions

Balance previously reported	-	-	-	-
Re-classification from Payables from exchange transactions	-	17,760	-	17,760
	-	17,760	-	17,760

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Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
44. Prior year adjustments (continued)				
Investments				
Balance previously reported	-	5,750,000	-	5,750,000
Re-classification of ICC Durban (Proprietary)	-	182,097	-	-
Limited Investments from call deposits				
	-	5,932,097	-	5,750,000
Call Investment deposits				
Balance previously reported	-	662,543	-	480,000
Re-classification of Durban Marine Theme Park (SOC) Limited call deposits from Bank	-	20,070	-	-
Re-classification of ICC Durban (Proprietary)	-	(182,097)	-	-
Limited Investments				
	-	500,516	-	480,000
Consumer Debtors				
Balance previously reported	-	4,022,047	-	4,041,640
Rates adjustments	-	(31,329)	-	(31,329)
Services charges adjustments	-	(74,922)	-	(74,922)
	-	3,915,796	-	3,935,389
Payables from exchange transactions				
Balance previously reported	-	5,994,119	-	5,942,640
Reversal of internal charges	-	(3,546)	-	(3,546)
Land sales adjustment	-	(2,293)	-	(2,293)
Stale cheques written off	-	(12,117)	-	(12,117)
Liability for refund of bail monies	-	2,214	-	2,214
Property, Plant and Equipment: Capital adjustments	-	(15,891)	-	(15,892)
Receivables from exchange: DOHS adjustment	-	2,794	-	2,794
Receivables from exchange transactions: Insurance adjustment	-	5,621	-	5,621
Accruals adjustments	-	16,503	-	16,503
Audit fee re-classification to operating account	-	(18,414)	-	(18,414)
Retention write-offs / adjustments	-	(54,525)	-	(54,525)
Reversal of duplicated expenditure	-	(2,150)	-	(2,150)
Re-classification to Transfers payables from non-exchange transactions	-	(17,760)	-	(17,760)
Durban Point Development Company - management fees	-	3,069	-	-
Durban Point Development Company - elimination of rates owed to eThekwini	-	(42,895)	-	-
	-	5,854,729	-	5,843,075
Intangible assets				
Balance previously reported	-	990,617	-	987,854
Re-classifications to Property, Plant and Equipment	-	(142,625)	-	(142,625)
Cost adjustments / transfers	-	10,393	-	10,394
Work-in-progress adjustments / transfers	-	(8,067)	-	(8,066)
Accumulated Depreciation adjustments	-	(4,328)	-	(4,328)
	-	845,990	-	843,229

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
44. Prior year adjustments (continued)				
Provisions				
Balance previously reported	-	1,485,921	-	1,479,358
Re-classification of Alien Species provision to operating account	-	(70,187)	-	(70,187)
	-	1,415,734	-	1,409,171
Investment Property				
Balance previously reported	-	292,120	-	231,867
Reversal of Impairment	-	1,144	-	1,147
	-	293,264	-	233,014
Property, Plant and Equipment				
Balance previously reported	-	46,908,288	-	45,992,269
VAT adjustments	-	(1,272)	-	(1,272)
Cost adjustments / transfers	-	2,009,868	-	2,009,868
Work-in-progress adjustments / transfers	-	(2,128,031)	-	(2,128,031)
Accumulated Depreciation adjustments	-	(46,716)	-	(46,716)
Accumulated Impairment reversal	-	5,562	-	5,562
Re-classifications from Intangible Assets	-	142,625	-	142,625
Depreciation reversals	-	400	-	400
Transfer to expenditure - work disruptions	-	(119,167)	-	(119,167)
	-	46,771,557	-	45,855,538

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
44. Prior year adjustments (continued)				
Accumulated Surplus				
Balance previously reported	-	38,994,571	-	38,621,386
Consumer Debtors: Rates adjustments - 2016/17	-	(18,843)	-	(18,843)
Consumer Debtors: Rates adjustments - prior to 2016/17	-	(12,486)	-	(12,486)
Consumer Debtors: Service charges adjustments - 2016/17	-	(74,612)	-	(74,612)
Payables from exchange transactions: Reversal of Internal charges - 2016/17	-	3,547	-	3,547
Payables from exchange transactions: Land Sales adjustment - 2016/17	-	2,082	-	2,082
Payables from exchange transactions: Land Sales adjustment - prior to 2016/17	-	211	-	211
Payables from exchange transactions: Stale cheques written off - prior to 2016/17	-	12,117	-	12,117
Payables from exchange transactions: Liability for refund of bail monies - prior to 2016/17	-	(2,214)	-	(2,214)
Receivables from exchange transactions: Reversal of prepayment - 2016/17	-	(12,858)	-	(12,858)
Property, Plant and Equipment: Other adjustments - 2016/17	-	(31,922)	-	(31,922)
Property, Plant and Equipment: Other adjustments - prior to 2016/17	-	(117,144)	-	(117,144)
Property, Plant and Equipment: Donations adjustment - 2016/17	-	35	-	35
Property, Plant and Equipment: Reversal of impairment - 2016/17	-	5,562	-	5,562
Property, Plant and Equipment: Disposals adjustments - prior to 2016/17	-	(66)	-	(66)
Provisions: Re-classification of Alien Species provision to operating account - 2016/17	-	8,480	-	8,480
Provisions: Re-classification of Alien Species provision to operating account - prior to 2016/17	-	61,707	-	61,707
Investment in Joint Venture: DPDC - Reversal of Impairment - prior to 2016/17	-	75,716	-	75,716
Investment in Joint Venture: DPDC - Loss - 2016/17	-	(3,616)	-	(3,616)
Investment Property: Reversal of Impairment - 2016/17	-	1,147	-	1,147
Bank and Cash: RMS / Ledger reconciliation adjustments - prior to 2016/17	-	(4,767)	-	(4,767)
VAT receivable: Bad Debts write-off adjustment - 2016/17	-	74,803	-	74,803
Inventory: Correction of reversal - 2016/17	-	(1,628)	-	(1,628)
Receivables from exchange transactions: RMS / Ledger reconciliation adjustment - prior to 2016/17	-	(52,294)	-	(52,294)
Receivables from exchange transactions: Maintenance costs correction - 2016/17	-	(430)	-	(430)
Receivables from exchange transactions: RMS / Ellipse adjustment - prior to 2016/17	-	(54,335)	-	(54,335)
Receivables from exchange transactions: Departmental Insurance adjustment - prior to 2016/17	-	23,989	-	23,989
Receivables from exchange transactions: Reversal of payments and interest - 2016/17	-	(40)	-	(40)

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	2018	2017	2018	2017
44. Prior year adjustments (continued)				
Receivables from exchange transactions:	-	(911)	-	(911)
Reversal of payments and interest - prior to 2016/17				
Intangible Assets: Accumulated Depreciation adjustments - 2016/17	-	(1,530)	-	(1,530)
Intangible Assets: Accumulated Depreciation adjustments - prior to 2016/17	-	(470)	-	(470)
Property, Plant and Equipment: Maintenance adjustments - 2016/17	-	31,464	-	31,464
Property, Plant and Equipment: Maintenance adjustments - prior to 2016/17	-	147	-	147
Payables from exchange transactions: Accruals adjustments - 2016/17	-	(16,333)	-	(16,333)
Payables from exchange transactions: Audit fee re-classification - 2016/17	-	4,967	-	4,967
Payables from exchange transactions: Audit fee re-classification - prior to 2016/17	-	13,447	-	13,447
Payables from exchange transactions: Retention write-offs - prior to 2016/17	-	29,502	-	29,502
Payables from exchange transactions: Reversal of duplicated expenditure - 2016/17	-	2,150	-	2,150
Long-term receivables: Provision for Bad Debts adjustment for Wiggins - 2016/17	-	(29,740)	-	(29,740)
Property, Plant and Equipment: Depreciation reversals - 2016/17	-	364	-	364
Property, Plant and Equipment: Depreciation reversals - prior to 2016/17	-	36	-	36
Property, Plant and Equipment: Work disruptions - 2016/17	-	(13,065)	-	(13,065)
Property, Plant and Equipment: Work disruptions - prior to 2016/17	-	(106,101)	-	(106,101)
Durban Point Development Company - reversal of impairment	-	(75,175)	-	-
Durban Point Development Company - elimination of impairment - 2016/17	-	2,689	-	-
Durban Point Development Company - elimination of impairment - prior to 2016/17	-	40,206	-	-
	-	38,758,359	-	38,417,454
Inventory				
Balance previously reported	-	598,623	-	452,837
Correction of reversal	-	(1,627)	-	(1,627)
	-	596,996	-	451,210
Investment in Joint Ventures				
Balance previously reported	-	-	-	72,993
Durban Point Development Company - Reversal of Impairment	-	75,716	-	75,716
Durban Point Development Company - Share of Loss	-	(3,616)	-	(3,616)
Elimination entry on Consolidation - Reversal of Impairment	-	(75,716)	-	-
Elimination entry on Consolidation - Share of Loss	-	3,616	-	-
	-	-	-	145,093

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017
44. Prior year adjustments (continued)				
Receivables from exchange transactions				
Balance previously reported	-	2,218,604	-	2,177,203
Reversal of prepayment	-	(12,858)	-	(12,858)
RMS / Ledger reconciliation adjustment	-	(52,294)	-	(52,294)
Maintenance costs correction	-	(430)	-	(430)
Property, Plant and Equipment: Electricity adjustments	-	17,378	-	17,378
RMS / Ellipse / Insurance adjustments	-	(54,334)	-	(54,334)
Departmental Insurance Adjustment	-	23,989	-	23,989
Payables from exchange transactions: Insurance adjustment	-	5,621	-	5,621
Payables from exchange transactions: DOHS adjustment	-	2,794	-	2,794
Payables from exchange transactions: DOHS retention adjustment	-	(5,496)	-	(5,496)
Reversal of payments and interest	-	(641)	-	(641)
	-	2,142,333	-	2,100,932
VAT receivable				
Balance previously reported	-	211,855	-	204,242
Property, Plant and Equipment: Capital adjustments	-	(1,268)	-	(1,268)
Payables from exchange transactions: Accruals	-	39	-	39
Bad Debts write-off adjustment	-	74,803	-	74,803
Payables from exchange transactions: Retention adjustments	-	(2,734)	-	(2,734)
	-	282,695	-	275,082
Bank and Cash				
Balance previously reported	-	184,807	-	85,458
Consumer Deposits: Voucher refunds re-allocation	-	(5,376)	-	(5,376)
RMS / Ledger reconciliation adjustments	-	(4,766)	-	(4,766)
Re-classification of Durban Marine Theme Park (SOC) Limited call deposits	-	(20,070)	-	-
	-	154,595	-	75,316

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Figures in Rand thousand	Group		Municipality	
	2018	2017	2018	2017

44. Prior year adjustments (continued)

The reasons for the various adjustments are summarised below:

Consumer Debtors:

Rates adjustments relating to prior periods.
Water service charges reversals due to incorrect billing.

Payables from exchange transactions:

Reversal of Internal charges.
Land Sales creditor adjustments.
Stale cheques written off.
Creation of liability for refund of bail monies erroneously paid to eThekwini by Justice Department.
Capitalisation of items not accrued for in previous reporting periods.
Re-classification of transfers payable from non-exchange transactions.
Audit fee re-classification to operating account.
Retention write-offs / adjustments.

Property, Plant and Equipment:

Capitalisation of assets received in prior periods but not capitalised due to documents not being available.
Depreciation adjustments due to changes in useful lives.
Re-classification from Intangible assets.
Re-classification of VAT that was capitalised to Work in Progress.

VAT:

Bad Debts write-off adjustment relating to service charges.
VAT element of PPE items received in prior periods but not accrued for.

Receivables from exchange transactions:

Correction of reversal of prepayment incorrectly accounted for.
RMS / Ledger reconciliation adjustment relating to migration of balances.
Insurance adjustments relating to departmental claims incorrectly accounted for.
DOHS adjustments relating to retention issues.

Intangible assets:

Re-classifications to Property, Plant and Equipment and Work-in-progress adjustments.

Investment Property:

Reversal of Impairment.

Inventory:

Correction of reversal relating to stores items.

Investment in Joint Venture:

Durban Point Development Company - Impairment reversal and loss adjustment.

Bank and Cash:

Consumer Deposits voucher refunds adjustment that had previously been incorrectly allocated.
RMS / Ledger reconciliation adjustments.

Consumer Deposits:

Voucher refunds allocation that had previously been incorrectly allocated.

Provisions:

Re-classification of Alien species provision to operating account.

Transfers payable from non-exchange transactions:

Re-classification of transfers payable from exchange to non-exchange.

Long-term Receivables:

Bad Debt provisions adjustment relating to Wiggins Housing projects.

Investments and Call investment deposits:

Re-classification of Ushaka and ICC call deposits and investments.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	13,500	12,550	13,500	12,550
Amount paid - current year	(13,500)	(12,550)	(13,500)	(12,550)
	-	-	-	-

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	2018	2017	2018	2017
45. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Audit fees				
Opening balance - previous year fees	2,030	1,921	1,079	1,036
Current year audit fees	24,500	19,661	22,610	17,879
Amount paid for current year	(23,459)	(17,631)	(22,451)	(16,800)
Amount paid for previous year	(2,030)	(1,921)	(1,079)	(1,036)
	1,041	2,030	159	1,079
PAYE, UIF and SDL				
Current year payroll deductions	1,548,722	1,317,567	1,527,068	1,299,803
Amount paid - current year	(1,548,722)	(1,317,567)	(1,527,068)	(1,299,803)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year expenditure	2,233,769	2,014,840	2,209,357	2,002,002
Amount paid - current year: Defined Benefit Pension Funds	(209,271)	(211,629)	(209,271)	(211,629)
Amount paid - current year: Defined Contribution Pension Funds	(1,178,968)	(1,039,594)	(1,163,473)	(1,035,266)
Amount paid - current year: Medical Aid	(845,530)	(763,617)	(836,613)	(755,107)
	-	-	-	-
VAT				
VAT received for the year	361,733	232,909	298,530	216,049
VAT paid	(106,680)	(143,309)	(65,934)	(123,642)
	255,053	89,600	232,596	92,407

VAT output payables and VAT input receivables are shown in note 6.

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

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Figures in Rand thousand	Group		Municipality	
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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial year ended June 30, 2018:

June 30, 2018		Amount outstanding (Rands)	Month
Councillor A. Mbele	-	229	Mar-18
Councillor A. Rampersad	-	68	Mar-18
Councillor B. Majola	-	2,967	Oct-17
Councillor B. Mngwengwe	-	52	Jun-18
Councillor E. Mngadi	-	330	May-18
Councillor M. David	-	92	Apr-18
Councillor M. Gwala	-	734	Jun-18
Councillor M. Mkhize	-	1,486	Dec-17
Councillor MB. Mjadu	-	152	Oct-17
Councillor MBR. Zuma	-	963	Mar-18
Councillor MH. Zwane	-	242	Jun-18
Councillor MM. Mthembu	-	822	Jun-18
Councillor N. Biyela	-	311	Jun-18
Councillor N. Hlomuka	-	14,572	Nov-17
Councillor N. Nxumalo	-	39,510	Apr-18
Councillor SG. Dlamini	-	14	Feb-18
Councillor TJT. Cibane	-	911	Dec-17
Councillor TM. Mthethwa	-	361	Feb-18
Councillor TT. Nzuza	-	551	Dec-17
Councillor ZD. Gushu	-	2	Feb-18
Councillor ZM. Mncwango	-	7,863	Dec-17
	-	72,232	

June 30, 2017		Amount outstanding (Rands)	Month
Councillor A. Ramkissoon	-	2,763	Jun-17
Councillor B. Majola	-	1,372	Jun-17
Councillor B. Mngwengwe	-	190	May-17
Councillor B. Mpanza	-	100	Sep-16
Councillor B. Mthimude	-	100	Sep-16
Councillor B. Ntshangase	-	822	Feb-17
Councillor BO. Zondo	-	2,956	Jul-16
Councillor BP. Ndlela	-	825	Sep-16
Councillor CN. Beata	-	20	Jul-16
Councillor C. Dlamini	-	1,403	Jun-17
Councillor E. Mngadi	-	2,036	Jun-17
Councillor G. Govender	-	292	Feb-17
Councillor GDA. Pullan	-	165	Sep-16
Councillor H. Khubisa	-	100	Sep-16
Councillor HE. Dube	-	3,284	Jul-16
Councillor LM. Meyer	-	1,317	Jun-17
Councillor LN. Mngwengwe	-	219	Jun-17
Councillor M. Sibiya	-	77	Jul-16
Councillor MJ. Ntshangase	-	760	Jul-16
Councillor MB. Mjadu	-	2,569	Sep-16
Councillor MBR. Zuma	-	72,446	Mar-17
Councillor M. Mthembu	-	72	Apr-17
Councillor MH. Khan	-	1,206	Sep-16

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	2018	2017	2018	2017
45. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Councillor MH. Zwane	-	-	5	Jun-17
Councillor M. Bhengu	-	-	118	Jul-16
Councillor MM. Ngiba	-	-	153	Sep-16
Councillor MP. Dlomo	-	-	1,412	Sep-16
Councillor MS. Mhlongo	-	-	9,481	Jun-17
Councillor N. Rampersad	-	-	2,068	Jun-17
Councillor NE. Mnguni	-	-	316	Apr-17
Councillor N. Nyanisa	-	-	1,725	Jun-17
Councillor NP. Ngwane	-	-	14,572	Jun-17
Councillor O. Ngcobo	-	-	25	Jul-16
Councillor PM. Sibiyi	-	-	25	Jul-16
Councillor PN. Sikhosane	-	-	100	Sep-16
Councillor R. Gokool	-	-	1,152	May-17
Councillor S. Bhanprakash	-	-	5,343	Mar-17
Councillor S. Brijmohan	-	-	2,533	Sep-16
Councillor S. Moonsamy	-	-	3,472	Oct-16
Councillor SE. Mhlongo	-	-	2,700	May-17
Councillor SG. Dlamini	-	-	115	Nov-16
Councillor S. Gumede	-	-	4,890	Sep-16
Councillor SN. Khwela	-	-	2,994	Oct-16
Councillor S. Buthelezi	-	-	906	Apr-17
Councillor TM. Mthethwa	-	-	118	Dec-16
Councillor TT. Nzuzi	-	-	15,477	Sep-16
Councillor Y. Govender	-	-	1,468	Oct-16
Councillor ZM. Mncwango	-	-	2,180	Jun-17
Councillor ZRT. Gumede(Water leak and outstanding Insurance Claim)	-	-	14,506	Sep-16
Councillor Biyela	-	-	162	Apr-17
Councillor Mkhize	-	-	291	Apr-17
Councillor Khuzwayo	-	-	2,398	Jun-17
Councillor Madiba	-	-	105	Jun-17
	-	-	185,904	

46. Comparative figures

Certain comparative figures have been restated (refer note 44 for details).

eThekweni Municipality and its Municipal Entities

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47. Deviation from supply chain management regulations

Municipality: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R665.8 million (2017: R767.1million).

Details of the awards are summarised in the tables below:

Durban Marine Theme Park: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1 393 456 (2017: R70 033).

ICC (Proprietary) Limited: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R452 398 (2017: R1.2 million).

Group - 2018 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	19	16.67 %	239,101	35.82 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	25	21.93 %	79,432	11.90 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	5	4.39 %	1,664	0.25 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	52	45.61 %	347,192	52.00 %
Minor deviation from the standard process	36(1)(b)	13	11.40 %	193	0.03 %
		114		667,582	

Group - 2017 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	12	10.91 %	7,802	1.02 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	29	26.36 %	25,191	3.28 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	4	3.64 %	447	0.06 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	62	56.36 %	732,535	95.33 %
Minor deviation from the standard process	36(1)(b)	3	2.73 %	2,385	0.31 %
		110		768,360	

Municipality - 2018 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	14	15.05 %	238,950	35.89 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	16	17.20 %	79,033	11.87 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	5	5.38 %	1,664	0.25 %

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47. Deviation from supply chain management regulations (continued)					
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	45	48.39 %	345,923	51.96 %
Minor deviation from the standard process	36(1)(b)	13	13.98 %	193	0.03 %
		93		665,763	

Municipality - 2017 : Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	4	5.56 %	7,410	0.96 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	8	11.11 %	24,611	3.21 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	4	5.56 %	447	0.06 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	54	75.00 %	732,291	95.46 %
Minor deviation from the standard process	36(1)(b)	2	2.77 %	2,352	0.31 %
		72		767,111	

During the year there were contracts that were awarded for more than R2 000 to persons who is a spouse, child or parent of a person in service of the Municipality. Refer to note 59 for further details.

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48. Financial Instruments

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the Municipality's operations.

Financial risk management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

As part of managing the Municipality's liquidity risk, promissory notes have been issued to facilitate the timely repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

Carrying amount

Investments	5,880,431	5,932,097	5,700,000	5,750,000
Long-term receivables	99,825	97,853	99,825	97,853
Consumer debtors	4,542,656	3,915,796	4,577,457	3,935,389
Receivables from exchange transactions	2,065,880	2,142,333	2,030,876	2,100,932
Receivables from non-exchange transactions	81,845	254,584	81,845	254,584
Long-term liabilities	8,161,100	8,835,985	8,161,100	8,835,985
Payables from exchange transactions	6,051,839	5,854,729	6,052,441	5,843,075
Transfers payable from non-exchange transactions	29,280	17,760	29,280	17,760

Fair value

Investments	5,880,431	5,932,097	5,700,000	5,750,000
Long-term receivables	99,825	97,853	99,825	97,853
Consumer debtors	4,542,656	3,915,796	4,577,457	3,935,389
Receivables from exchange transactions	2,065,880	2,142,333	2,030,876	2,100,932
Receivables from non-exchange transactions	81,845	254,584	81,845	254,584
Long-term liabilities	8,161,100	8,835,985	8,161,100	8,835,985
Payables from exchange transactions	6,051,839	5,854,729	6,052,441	5,843,075
Transfers payable from non-exchange transactions	29,280	17,760	29,280	17,760

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48. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter in raising funds to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The following are details of the contractual maturities of financial liabilities:

Nedbank:

Ethekwini Municipality - Primary Overdraft	20,000
Ethekwini Municipality - Letters of Credit:	1,500
Ethekwini Municipality - Performance Letters of Guarantees:	80,000
Ethekwini Municipality - Derivatives	70,000
Ethekwini Municipality - Fleet Management	15
Ethekwini Municipality - Secondary Overdraft Facility	580,000

The total of these facilities amount to	751,515
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Group

At June 30, 2018	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,161,100	8,161,100	874,388	7,286,712
Trade and other payables	6,081,119	6,081,119	6,081,119	-
At June 30, 2017	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,835,985	8,835,985	793,528	8,042,457
Trade and other payables	5,872,489	5,872,489	5,872,489	-

Municipality

At June 30, 2018	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,161,100	8,161,100	874,388	7,286,712
Trade and other payables	6,081,721	6,081,721	6,081,721	-
At June 30, 2017	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,835,985	8,835,985	793,528	8,042,457
Trade and other payables	5,860,835	5,860,835	5,860,835	-

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48. Financial Instruments (continued)

Group

At June 30, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,880,431	-		
• Call deposits	242,036	-		
At June 30, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,932,097	-		
• Call deposits	500,516	-		

Municipality

At June 30, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,700,000	-		
• Call deposits	200,000	-		
At June 30, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,750,000	-		
• Call deposits	480,000	-		

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the eThekwini Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the eThekwini Municipality's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus (deficit). All long-term debt is at fixed rates.

The Municipality's income and operating cash are substantially independent of changes in market rates. The Municipality has no significant interest bearing assets.

Cash flow interest rate risk

Swap Cash flow Sensitivity

Credit Quality Investments	Long Term Ratings: AA+	Long Term Ratings: AA	Long Term Ratings: AA-	ShortTerm Ratings: A1+	Short Term Ratings: A1	Short Term Ratings: A2
Domestic Banks	2	3	2	5	1	1
Counterparty Class	Exposure Limits	Cash Deposits	Medium / Short term Deposits	Long term Deposits		
Domestic Banks	15,375,000	200,000	5,700,000	-		

eThekweni Municipality and its Municipal Entities

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48. Financial Instruments (continued)

Valuation of Financial Instruments

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Municipality has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Risk committee.

The Municipality measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (ie. as prices) or indirectly (ie. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active ; or other valuator techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Municipality uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest swaps that use only observable market data and require little management, judgement and / or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2018: Financial Assets at Fair Value through profit or loss - Group	Level 1	Level 2	Level 3	Total
Investments	5,880,431	-	-	5,880,431
Cash on hand	31,777	-	-	31,777
Net Bank Balance	232,463	-	-	232,463
Call Investment Deposits	242,036	-	-	242,036
Long-term Receivables	-	99,825	-	99,825
Consumer Debtors	-	4,542,656	-	4,542,656
Receivables from Exchange	-	2,065,880	-	2,065,880
Receivables from Non Exchange	-	81,845	-	81,845
Long-term Liabilities	-	8,161,100	-	8,161,100
Payables from Exchange	-	6,051,839	-	6,051,839
Transfers payable from non-exchange transactions	-	29,280	-	29,280
	6,386,707	21,032,425	-	27,419,132

30 June 2017: Financial Assets at Fair Value through profit or loss - Group	Level 1	Level 2	Level 3	Total
Investments	5,932,097	-	-	5,932,097

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48. Financial Instruments (continued)

Cash on hand	18,548	-	-	18,548
Net Bank Balance	136,047	-	-	136,047
Call Investment Deposits	500,516	-	-	500,516
Long-term Receivables	-	97,853	-	97,853
Consumer Debtors	-	3,915,796	-	3,915,796
Receivables from Exchange	-	2,142,333	-	2,142,333
Receivables from Non Exchange	-	254,584	-	254,584
Long-term Liabilities	-	8,835,985	-	8,835,985
Payables from Exchange	-	5,854,729	-	5,854,729
Transfers payable from non-exchange transactions	-	17,760	-	17,760
	6,587,208	21,119,040	-	27,706,248

Group

FINANCIAL INSTITUTION	Fixed Investments - Group		Fixed Investments - Municipality	
	2018	2017	2018	2017
ABSA	849,874	868,322	800,000	850,000
FNB	1,350,000	1,700,000	1,350,000	1,700,000
NEDBANK	2,904,161	2,304,584	2,850,000	2,250,000
STANDARD BANK	550,000	34,630	550,000	-
INVESTEC	203,584	1,003,341	150,000	950,000
GRINDROD BANK	22,812	21,220	-	-
TOTAL	5,880,431	5,932,097	5,700,000	5,750,000

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48. Financial Instruments (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents 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. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts. The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- reviewing the Municipality's Credit Control Policy annually to ensure that it is updated for current practices that enhance revenue collection.

Long term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

Financial instrument

Consumer Debtors	4,542,656	3,915,796	4,577,457	3,935,389
Receivables from exchange transactions	2,065,880	2,142,333	2,030,876	2,100,932
Receivables from non-exchange transactions	81,845	254,584	81,845	254,584
Cash and Cash Equivalents	6,386,707	6,587,208	6,098,226	6,305,316

The ageing of trade receivables at the reporting date was as follows:

Consumer Debtors:

Gross

0 - 30 days	2,922,482	2,461,086	2,958,358	2,480,633
31 - 120 days	937,677	729,117	936,602	729,117
More than 120 days	5,339,521	4,034,950	5,339,521	4,034,950
Less: Provision for Bad Debts	(4,657,024)	(3,309,357)	(4,657,024)	(3,309,311)
Net Consumer Debtors	4,542,656	3,915,796	4,577,457	3,935,389

Movement in the provision for Bad Debts:

Consumers

Balance at beginning of year	3,309,357	3,007,526	3,309,311	3,007,526
Contribution	1,359,451	926,029	1,359,497	925,984
Bad debts written off	(11,784)	(624,198)	(11,784)	(624,199)
Balance at year end	4,657,024	3,309,357	4,657,024	3,309,311

Movement in the provision for Bad Debts:

Other (Exchange and Non Exchange)

Balance at beginning of year	5,453,047	4,571,109	5,453,047	4,571,109
Contribution	720,249	1,087,814	720,249	1,087,814
Bad debts written off	(1,401,502)	(205,876)	(1,401,502)	(205,876)
Balance at year end	4,771,794	5,453,047	4,771,794	5,453,047

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49. Material losses

Water:

The Water Design and Non-Revenue Water (WDNRW) Branch is responsible for monitoring the Non-Revenue Water (NRW) situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. These various initiatives and targets are as per the adopted Water Conservation Water Demand Management (WCWDM) 10 year strategic plan and these initiatives are being executed by the WDNRW, Water Operations, Customer Services and Auxiliary Services departments collectively. The key initiatives undertaken impact the reduction of NRW by either promoting the increase of the Billed Metered Consumptions or the reduction of the System input volume. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2023.

The success of the NRW programme has improved after the drought conditions have been alleviated as result of the substantial rainfall and dam levels improving to acceptable levels. There has been a significant increase in the billed metered consumption volumes which assisted in the decreasing of the NRW%.

The key results for the year to date are:

- Bulk water System Input Volume increased by 42.5 Ml/day as compared to 2016/17 FY from an average of 837.9 Ml/day to 880.4 ML/day in 2017/18 FY.
- Consumer sales increased by 40.8 Ml/day as compared to 2016/17 FY from an average of 541.3 Ml/day to 582.1ML/day in 2017/18 FY.
- NRW by Volume has therefore improved by 2.8% from 35.5 % in 2016/17 FY to 32.7% in 2017/18 FY.

Water losses of 105,219,913 kl (2016/2017: 108,825,996kl) occurred during the FY under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R714m (2016/2017: R645.9m) were due mainly to losses as a result of ageing and deteriorating infrastructure as well as illegal connections

In line with the current WCWDM Strategic Plan, EWS is implementing a number of initiatives, the highlights of which for the period under review is as follows:

1. During the period 2321 Pressure Reducing Valves (PRV's) were maintained to ensure that it operated at its designed minimum pressure setting. There was however a delay in the installation of new PRV's as a result of the key supply contracts for control valves being delayed as a result of local content issues not resolved with the DTI.
2. The Leak Detection and Repair Strategy with a total of up to 16 Category B plumbers in formal and informal areas has proved extremely successful and a total of 10080 primarily non-visible leaks were repaired at mid June.
3. The programme for the installation of meters in the Rural Areas (ITB land) was executed with a total of 1699 out of a targeted 1900 meters been achieved.
4. In terms of the programme for meter replacement for domestic consumers a total of 499 out of a target of 1350 has been achieved. The underachievement was attributed to no stock conditions and an appeal on the meter supply contract which caused further delays.
5. The program for the replacement of Institutional, Commercial and Industrial (ICI) meters was successfully executed with a total of 480 out of the targeted 319 meters been achieved.

The adoption of the WCWDM Business plan has been instrumental in managing the task of reducing the NRW%, as a result of the joint efforts and cooperation from all branches within the Unit. There has been significant improvements made in reducing the NRW% to 32.7% for the 2017/18 FY.

eThekwini Municipality and its Municipal Entities

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Electricity:

Estimated Electricity losses of 783 506 861 kWh (2017: 844 488 772 kWh) occurred during the year under review which resulted in revenue losses to the Municipality. These estimated kWh losses amounted to R590m (2017: R632m). The national norm for electricity losses ranges from 5% to 12%. The loss incurred by the Municipality is 7.1% (2017: 7.58%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Note: The kWh sales for Residential Business customers has been based on daily averages (RDA) as opposed to the actual meter reading per cycle. This adjustment was implemented to mitigate carrying over sales figures from the previous year, as there has been a migration to a new billing system in June 2016 and the meter reading upload cycles were affected.

Bad Debts written off:

Debt of R1 413m (2017: R830m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, services, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on debt that can still be recovered.

Included in the bad debts written off figure is an amount of R 1 400m relating to traffic fines following a directive issued by the National Prosecuting Authority to write off traffic fines in respect of summons not served within eighteen months from the date of the offence and withdrawal of warrants not executed within two years from date of issue.

eThekwini Municipality and its Municipal Entities

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50. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Cases reported during the 2017/18 year are included below:	2018	2017	2018	2017
Irregular expenditure arising through finalised investigations	159,401	32,666	159,401	32,666
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	146,921	21,584	146,921	21,584
Non-compliance with MFMA - Section 116(3)	301,735	38,623	301,735	38,623
Non-compliance with MFMA - Section 116(1)	-	5,315	-	5,315
Non-compliance with MFMA - Section 116(2)	-	2,614	-	2,614
Non-compliance with MFMA - Section 15(b)	-	78	-	78
Non-compliance with MFMA - Section 112	6,976	5,444	6,976	5,444
Non-compliance with MFMA - Section 110	8,888	148	8,888	148
Non-compliance with MFMA - Section 36	96,499	-	96,499	-
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini Municipality	1,895	1,801	1,895	1,801
Awards made to entities whose directors / members / principal shareholders / stakeholders were close family members of persons in the service of eThekwini Municipality	6,507	2,528	6,507	2,528
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	3,741	2,620	3,741	2,620
Non-compliance with S.C.M - Supplier declarations not received	-	11,273	-	11,273
Non-compliance with S.C.M - Splitting of orders	-	3,464	-	3,464
Non-compliance with S.C.M - No valid tax clearance certificate submitted	-	385,568	-	385,568
Fruitless and Wasteful expenditure - Municipality	29,496	-	29,496	-
Durban Marine Theme Park SOC Limited: Non-compliance with SCM - various	11,898	1,166	-	-
Durban Marine Theme Park SOC Limited: Fruitless and Wasteful Expenditure	32	-	-	-
ICC Durban (Pty) Ltd: Fruitless and Wasteful Expenditure	4	-	-	-

Investigations are still in progress regarding 758 cases. 377 cases were completed during the 2017/2018 financial year.

An amount of R37million disclosed in the irregular expenditure arising through finalised cases is recommended for recovery. The outcome of this will be finalised through the appropriate human resource processes.

Irregular expenditure reconciliation	2018	2017	2018	2017
Opening balance	601,997	215,198	600,722	154,874
Irregular expenditure current year	585,060	485,556	573,162	484,390
Prior year irregular expenditure arising through finalised investigations / non-compliance	159,401	29,336	159,401	29,336
Amount written off as irrecoverable	(50,001)	(128,093)	(50,001)	(67,878)
Irregular expenditure awaiting condonement	1,296,457	601,997	1,283,284	600,722

A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

eThekwini Municipality and its Municipal Entities

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50. Unauthorised, irregular, fruitless and wasteful expenditure disallowed (continued)

The amounts above are inclusive of VAT.

Fruitless and Wasteful expenditure reconciliation	2018	2017	2018	2017
Municipality: Fruitless and Wasteful expenditure current year (interest and penalties)	29,496	-	29,496	-
Durban Marine Theme Park SOC Limited: Fruitless and Wasteful Expenditure	32	-	-	-
ICC Durban (Pty) Ltd: Fruitless and Wasteful Expenditure	4	-	-	-
	29,532	-	29,496	-

The fruitless and wasteful expenditure for eThekwini Municipality relates mainly to interest from an out-of-court settlement due to a contractual dispute with a supplier engaged by the roads provision department.

eThekwini Municipality and its Municipal Entities

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51. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2018	June 30, 2018	June 30, 2017	June 30, 2017
1107821231 Nedbank -Main Expenditure	9,284	(660,134)	118,358	(730,386)
1107821010 - Nedbank - Main Expenditure EFT	(513)	(1,418,648)	(4,633)	(2,276,559)
1107821061 - Nedbank - Direct Deposit Account	12,266	44,813	13,049	245,788
1107821126 - Nedbank - Electronic Deposit Account	101,491	164,932	70,943	1,195,782
1107821134 - Nedbank - Cashiers Deposit Account	(14,150)	270,166	(99,719)	8,317
1107821002 - Nedbank - Government Deposit Account	7,791	51,241	4,893	105,152
1107821398 - Nedbank - Electricity Income Account	(1,006)	10,154	583	5,516
1107821401 - Nedbank - Electricity Prepaid Vendor Deposits	3,513	133,432	96,030	202,006
1107821304 - Nedbank - SARS E-Filing Account	124,662	191,503	421	10,573
1107821282 - Nedbank - Dishonoured Cheques Account	(36)	(170)	(176)	(176)
1107821088 - Nedbank - Direct Debit Collections Account	(387)	(6,628)	69,902	77,136
1107821096 - Nedbank - Transwitch Deposit Account	-	53,982	-	52,619
1107821118 - Nedbank - Agents Deposit Account	14,091	25,910	10,483	118,049
1107821169 - Nedbank - Metro Police Deposit Account	-	4,196	-	5,128
1107821150 - Nedbank - Metro Police Transwitch Deposit Account	-	230	-	2,791
1107821177 - Nedbank - Parks, Recreation and Culture Deposit Acc.	(3)	3,163	11	3,819
1107821185 - Nedbank - City Engineers Account	6,351	8,768	15,533	16,802
1107821193 - Nedbank - Durban Tourism Deposit Account	-	60	-	78
1107821347 - Nedbank - Central Foreign Rand Account	-	(9,949)	-	(5,556)
1107821207 - Nedbank - Virginia Airport Account	-	257	-	245
1107821215 - Nedbank - Department of Housing Account	-	205	-	6,991
1107821290 - Nedbank - Wages Sundry PAYE Account	177	177	310	309
1107821312 - Nedbank - Cash Payments Account	174	(1,357)	-	(2,554)
1107821266 - Nedbank - Refunds Expenditure Account	-	94	26	5,862
1107821029 - Nedbank - Salaries Account	503	(629,721)	434	(485,255)
1107821371 - Nedbank - Durban Fresh Produce Market Account	29,390	29,361	23,767	23,742
1107821339 - Nedbank - CIFAL Durban Account	-	-	-	2
1107821320 - Nedbank - General Bank Account	(115,948)	1,870,843	(267,017)	1,261,811
1107821487 - Nedbank - E- Ticketing Account	(258)	2,405	(457)	2,374
1107821274 - Nedbank - Bank Charges Account	626	(998)	314	(641)
1107821223 - Nedbank - Moses Mabihda Stadium Deposit Account	-	746	-	7,725
1107821460 - Nedbank - Pay at Deposit Account	(14,391)	13,656	(7,698)	197,426
1107821444 - Nedbank - Consolidated Investment Fund	(236,098)	(236,098)	158	158
1107821452 Nedbank - Consolidated Investment Fund (EFT)	236,269	236,269	-	(1)

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51. Bank balances (continued)

1107821479 - Nedbank - Syntell Deposit Account	-	41	4	81
1107821509 - Nedbank - Reforestation Project Account	3,755	12,108	10,253	25,515
1107821517 - Nedbank - Moses Mabhida Expenditure Account	-	-	1,546	(12,872)
1107821525- Nedbank - Bremen - Durban Ocean Project	-	2,256	-	-

Totals: ETHEKWINI MUNICIPALITY

Bank balances	550,343	3,130,968	437,018	3,581,797
	(382,790)	(2,963,703)	(379,700)	(3,514,000)

The following accounts had nil balances at year end:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821495 - Nedbank - Auctions Account; 1107821533 - Nedbank - ETK Tertiary Student Relief Account; 050073117 - Standard Bank - Main Expenditure Bank.

During the year management took a decision to disclose bank balances on a net basis based on the set-off agreement with Nedbank. The intention of the agreement is to set-off favourable and unfavourable bank balances and as a result interest is calculated on a net basis. Comparative figures have been adjusted (refer to note 10).

The Municipality operates on a Cash Management set-off agreement with Nedbank. This means that although the individual expenditure accounts would run in overdraft on a daily basis (due to ongoing payments to suppliers, employees, refunds etc.), the overall cash flow position is based on the daily net balance of all the bank accounts. This profile with the bank is called "notional pooling" which enables the bank to aggregate the daily balances of all the bank accounts (which is always favourable). Due to extremely high volumes of transactions processed through the various bank accounts, it is necessary to operate multiple bank accounts which allows for ease of reconciliations. Bank accounts are reconciled daily with all funds for the month being swept just after month end into the main eThekwini bank account. This process of sweeping is controlled via the bank reconciliation process via online bank transfers.

Durban Marine Theme Park (State Owned Company) Limited:

1100443362451/453 - Investec Bank	-	-	7,795	7,795
1107821045 - Nedbank	23	23	6	6
1108788564 - Nedbank	47	47	6	6
1107821606 - Nedbank	23	23	24	24
1107821592 - Nedbank	35	35	30	30
1108788556 - Nedbank	1	1	3	3
1107821584 - Nedbank	4,156	4,156	765	765
ICC Durban (Proprietary) Limited:	37,652	37,652	28,904	28,827
1107821541 - Nedbank	-	-	1	1
1107821568 - Nedbank	-	-	1	1
1107821576 - Nedbank	2,921	2,921	1,728	1,758
Bank Balances (Effingham Development Joint Venture)	19,647	-	39,252	-
Bank Balances (Durban Point Development Company)	405	-	215	-

Totals: MUNICIPAL ENTITIES

Bank balances	64,910	44,858	78,729	39,215
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51. Bank balances (continued)

Totals: GROUP				
Bank balances	615,253	3,175,826	515,747	3,621,012
Bank overdraft	(382,790)	(2,963,703)	(379,700)	(3,514,000)

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52. Budget disclosure

Differences between budget and actual amounts basis of preparation and presentation

Variances above 20% are considered material. The following are reasons provided for material variances:

Debt Impairment - There has been a decline in the average collection rate in the current year compared to the same period in the previous year. This is caused by the inability of many consumers to pay their bills due to the prevailing unfavorable economic conditions. There has also been an increase in traffic infringements where as there is poor collection rate thus resulting in a higher contribution to the provision required.

Total Capital Expenditure - Spending in the current year was slower than anticipated due to delays in the awarding of the contract for the northern Aqueduct. The funding received is planned to be spent in the next three years on the Northern and Western Aqueduct projects. Other contracts have also been delayed due to poor performance by contractors, procurement and legal challenges / delays on four road projects, appeals processes on some projects and work stoppages due to the strikes and business forums challenges.

Internally generated funds - There has been less spending of internally generated funds because of reduced total expenditure for reasons mentioned above as well the use of loan funding for Northern and Western Aqueduct projects. There was a balance of R528m of loan that was not utilised in the prior year that had to be used on these projects due to the conditions of the loan.

Cash flow: The following material expenditure items resulted in the erosion of cash reserves during the year:

Legal Settlements of approximately R160 million, which relates to road rehabilitation. Higher Security costs of R80million due to rates being above the market. Excessive expenditure on EPWP costs. Excessive overtime at Metro Police. Payments to Durban Transport (Tansnat) in excess of the subsidy.

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants for the year were R3.1billion and capital grants were R2.6billion

A comparison of the budget and actual information has been disclosed in the Appropriation Statement and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

An adjustments budget is the mechanism to amend an approved budget under certain conditions and is legislated in terms of Section 28 of the MFMA of 2003 and the Municipal Budgeting and Reporting Regulations. The main reasons for the adjustments to the budget are as follows:

- reallocation of budgets between votes to ensure operational efficiencies;
- adjustments in respect of grant funding to the Municipality;
- re-prioritisation of capital projects for various reasons.

53. Events after the reporting date

External Borrowings:

In terms of Council resolution taken on 26 April 2018 authority was granted for an amount of R1billion to be borrowed from Nedbank in order to finance future capital expenditure. The actual proceeds of the loan were received in July 2018.

Condonement of Irregular Expenditure:

In terms of Council resolution taken on 30 August 2018 authority was granted for the condonement of irregular expenditure totalling R627.9million.

54. Material reclassification on Repairs and Maintenance

During the current financial year management took a decision to amend the disclosure for repairs and maintenance. The costs of repairing and maintaining assets are now disclosed on the capital notes, rather than as a separate line item on the statement of financial performance, which is in line with the requirements of GRAP.

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54. Material reclassification on Repairs and Maintenance (continued)

Management has always disclosed the cost of repairs and maintenance on the face of the statement of financial performance since these costs were considered to be relevant and useful to the users in terms of knowing how much is spent to repair and maintain assets so as to prevent disruptions in service delivery due to insufficient funds set aside for such repairs and maintenance. Management also took into account the requirements of National Treasury's MFMA Circular 71 on Uniform Financial Ratios and Norms, which requires a calculation of the ratio of repairs and maintenance to the carrying value of capital assets.

However, due to current developments and debates regarding the appropriateness of disclosing repairs and maintenance on the face of the statement of financial performance, management has taken the decision to componentize the costs of repairs and maintenance based on the nature of the cost incurred (materials issued, contracted services, labour, etc.). This follows further research taken by management on the appropriateness of disclosing contracted services as expenditure by nature since this disclosure alone didn't provide the users with more information in terms of what the contracted service related to.

As a result, management resolved to further provide an analysis of contracted services to address this concern and componentize the costs of repairs and maintenance by the nature of the expense.

This is considered to be a reclassification and not an error since the basis of disclosing the cost of repairs and maintenance was justified and based on best practice (refer to note 36 for an analysis of contracted services).

Repairs and Maintenance

Repairs and maintenance previously reported in 2016/17	-	2,502,097	-	2,487,235
Reclassification to:	-	-	-	-
- Contracted services	-	(2,084,755)	-	(2,084,755)
- General expenses - other	-	(327,848)	-	(312,986)
- General expenses - fuel and oil	-	(331)	-	(331)
- General expenses - IT expenses	-	(160)	-	(160)
- General expenses - consulting and professional fees	-	(89,003)	-	(89,003)
	-	-	-	-

55. Taxation

Current tax for the year recognised in surplus or deficit - ICC	(435)	(3,216)	-	-
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No provision has been made for the taxation of Durban Marine Theme Park SOC Limited as they have an assessed loss of R369.5million (2017: R364.7million) which is available for set-off against future taxable income. No deferred tax asset has been raised.

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NOTE 56: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2018

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-17 R 000's	RECEIVED DURING THE PERIOD R 000's	REDEEMED DURING THE PERIOD R 000's	BALANCE AT 30-Jun-18 R 000's
INCA/IVUZI 15 Years	9.52%	1/66	6/30/2020	161,889.57		(49,031.71)	112,858
Nedbank R900m 15 Years	8.47%	1/67	3/31/2021	360,851.21		(79,274.55)	281,577
DBSA Ph 1 20 Years	13.50%	P1	3/31/2019	53,710.76		(49,906.15)	3,805
DBSA Ph 3 15 Years	12.90%	P3	3/31/2018	60,420.20		(60,419.79)	0
DBSA Ph 4 15 Years	10.40%	P4	6/30/2019	132,714.69		(25,376.92)	107,338
DBSA Ph 5 15 Years	8.90%	P5	9/30/2020	110,491.29		(28,202.50)	82,289
DBSA Ph 6 15 Years	8.75%	P6	6/30/2022	385,409.78		(16,045.74)	369,364
DBSA Ph 7 20 Years	8.30%	P7	6/30/2028	2,138,919.64		24,881.24	2,163,801
DBSA Ph 8 15 Years	9.85%	P8	6/30/2029	1,344,959.60		(62,627.86)	1,282,332
DBSA - IIPSA 50%	11.31%	IIPSA	12/31/2031	338,333.33		(23,235.73)	315,098
RMB R 1b 15 Years	10.28%	1/72	6/30/2025	709,394.86		(60,864.01)	648,531
ABSA 7 Years	8.73%	1/73	9/29/2017	94,939.06		(94,938.80)	0
ABSA 15 Years	10.19%	1/74	6/30/2026	763,226.64		(55,193.39)	708,033
AFD Callyon 12 Years	9.52%	1/68	12/31/2018	9,790.00		(6,525.81)	3,264
RMB R1B 20 Years	9.53%	1/75	6/30/2032	891,238.10		(28,639.19)	862,599
NEDBANK R1bn 15 YEARS	10.58%	1/76	6/30/2030	938,217.60		(35,933.66)	902,284
AFD - IIPSA 50%	11.31%	IIPSA	11/30/2031	341,478.44		(23,550.24)	317,928
Total Annuity Loans				8,835,985	0	-674,885	8,161,100
TOTAL EXTERNAL LOANS				8,835,985	0	-674,885	8,161,100

NOTE 57 (a): ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - GROUP

Details	Cost / Revaluation					Accumulated					Carrying Value R'000		
	Opening Balance R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000		Transfers R'000	Closing Balance R'000
Biological assets	36	—	—	—	—	—	36	—	—	—	—	(4)	32
Computer Equipment	971,766	5,124	72,581	949	(6,307)	992	1,045,105	5,892	—	—	(577)	(845,934)	199,171
Furniture & Office Equipment	368,330	—	22,849	—	(2,608)	(604)	387,966	2,512	—	—	405	(303,677)	84,289
Infrastructure Community	7,763,822	358,071	131,535	87,744	(496)	25,150	8,365,825	429	(13)	554	(6,291)	(2,376,045)	5,989,780
Infrastructure Coastal	2,493	16,395	17,011	56,934	—	—	92,833	—	—	—	—	607,351	700,183
Infrastructure Electricity	7,464,298	955,155	124,570	658,323	(22,299)	—	9,180,046	—	—	—	—	(3,136,962)	6,043,085
Infrastructure Info & Communic	142,432	(5,340)	18,247	25,410	—	1,581	182,330	—	—	—	—	(93,784)	88,547
Infrastructure Other Assets	5,914,999	649,492	67,061	173,722	(6)	11,651	6,816,919	3	—	3,475	(1,297)	(1,952,189)	4,864,730
Infrastructure Roads	12,438,077	3,488,229	1,434,104	(381,862)	—	(0)	16,978,548	—	—	—	(4,696)	(4,658,705)	12,319,844
Infrastructure Sanitation	7,294,648	1,533,288	22,925	457,840	—	—	9,308,701	—	—	—	—	(1,217,217)	8,091,484
Infrastructure Storm Water	1,720,144	57,335	225,887	84,357	—	23,135	2,110,859	—	—	—	(5,468)	(1,076,931)	1,033,927
Infrastructure Solid Waste	279,825	19,954	156,811	10,293	—	—	466,883	—	—	—	—	(119,420)	347,463
Infrastructure Water Supply	5,557,635	2,101,576	111,879	377,491	—	(23,526)	8,125,154	—	—	—	384	(1,085,096)	7,040,058
Land - Electricity	131,572	677,695	—	74	—	—	809,341	—	—	—	—	—	809,341
Library Material	170,040	—	23,386	82,346	—	—	193,426	—	—	—	—	(148,428)	44,999
Machinery & Equipment	1,913,569	45,815	127,856	82,346	(3,453)	590	2,166,723	2,830	—	—	(424)	(1,457,192)	709,531
Non Biological Animals	556	—	—	—	—	—	556	—	—	—	—	(565)	—
Transport Assets	3,031,470	14,057	303,904	10,607	(84)	(136)	3,359,819	—	—	—	9	(2,571,585)	788,234
Total	55,165,712	9,916,945	2,860,604	1,644,229	(35,253)	38,832	69,591,071	26,421	(13)	4,029	(17,956)	(20,436,373)	49,154,698

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Note 57 (b): ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018 - MUNICIPALITY

Details	Cost / Revaluation				Accumulated						Carrying Value R'000	
	Opening Balance R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000		Closing Balance R'000
Computer Equipment	962,214	5,124	72,581	949	(6,307)	992	1,035,653	—	—	(577)	(686,515)	197,038
Furniture & Office Equipment	307,906	—	19,116	—	(2,608)	(604)	323,809	2,512	(13)	405	(251,813)	71,996
Infrastructure Community	7,763,169	358,071	131,535	88,397	(496)	25,150	8,365,825	429	554	(6,291)	(2,376,045)	5,989,780
Infrastructure Coastal	2,493	16,395	17,011	56,934	—	—	92,833	—	—	—	607,351	700,183
Infrastructure Electricity	7,464,298	955,155	124,570	658,323	(22,299)	—	9,180,046	14,655	—	(1,297)	(3,136,962)	6,043,085
Infrastructure Info & Communic	142,432	(5,340)	18,247	25,410	—	1,581	182,330	—	—	(1,297)	(93,784)	88,547
Infrastructure Other Assets	4,554,982	649,492	56,566	173,722	(6)	11,651	5,446,407	3	3,476	(4,696)	(1,388,139)	4,058,268
Infrastructure Roads	12,438,075	3,488,229	1,434,105	(381,862)	—	(0)	16,978,547	—	—	—	(4,666,705)	12,312,843
Infrastructure Sanitation	7,294,648	1,533,288	22,925	457,840	—	—	9,308,701	—	—	—	(1,217,217)	8,091,484
Infrastructure Storm Water	1,720,144	57,335	225,887	84,357	—	23,135	2,110,859	—	—	(5,468)	(1,076,931)	1,033,927
Infrastructure Solid Waste	279,825	19,954	156,811	10,293	—	—	466,883	—	—	—	(119,420)	347,463
Infrastructure Water Supply	5,557,635	2,101,676	111,879	377,491	—	(23,526)	8,125,154	—	—	384	(1,065,096)	7,040,058
Land - Electricity	131,572	677,695	—	74	—	—	809,341	—	—	—	—	809,341
Library Material	170,040	—	23,386	—	—	—	193,426	—	—	—	(148,428)	44,999
Machinery & Equipment	1,735,076	45,815	117,154	82,346	(3,453)	455	1,977,393	2,930	—	(424)	(1,320,974)	656,419
Non Biological Animals	556	—	—	—	—	—	556	—	—	—	(556)	1
Transport Assets	3,028,876	14,057	303,732	10,607	—	(0)	3,357,272	—	—	9	(2,569,815)	787,458
Total	53,553,941	9,916,945	2,835,504	1,844,882	(35,169)	38,832	67,954,936	26,421	(13)	(17,956)	(19,875,046)	48,279,890

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Note 58 (b): ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018 - MUNICIPALITY

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance Cost R'000	Opening Balance Capital Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000		Transfers R'000	Closing Balance R'000
RMS	698,663	0	0	0	0	0	698,647	-149,952	-128,855	0	0	-278,807	419,840
Services	57,134	1,633	13	2,538	0	0	61,318	0	0	0	0	0	61,318
Computer Software	613,019	98,161	149,256	42,956	-7	-1,799	901,586	-475,430	-88,661	7	1,349	-562,735	338,851
Total	1,368,816	99,795	149,268	45,478	(7)	(1,799)	1,661,551	(625,382)	(217,516)	7	1,349	(841,542)	820,009

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Note 59: Awards to close family members of person in service of municipality

The details of total awards (17) to close family members amounting to R6 507 000.00 that transacted with the municipality are as follows:

NO	SUPPLIER	SPOUSE NAME	EMPLOYEE	R'000
1	SIBUZE GROUP(PTY) LTD	NOKUTHULA REVIVAL	SBUSISO ZONDI	330
2	VELEMU CONTRACTORS CC	DUMISANI SAMSON	VERONICA NTANZI	55
3	SIBAZI TRADING CC	SIYANDA DAWN INNOCENT	NOKWAZI NYIDE	15
4	USAPHO'LUHLE TRADING ENTERPRIS	WINNIE DUMILE	NKOSINATHI ZONDI	178
5	BAYEZA CLEANING AND MULTI PURPOSE CO -	NOMBUSO PEACEFUL	ENOCK HLOPHE	296
6	ISIQUBULO PRIMARY CO-OPERATIVE LIMITED	NOZIPOH ANNACETTA	XOLANI NGCOBO	707
7	IZIMANGALISO BUSINESS SOLUTIONS (PTY)LTD	NOKULUNGA	ROBERT MKHIZE	50
8	MAHEGENE CONTRACTING AND SERVICES	VERONICA ZANDILE	DUMISANI DLADLA	170
9	NYANDAYOMKHONTO TRADING ENTERPRISE	GUGU ANGELINE	ZITHA MCHUNU	209
10	OPIFLASH PTY LTD	LINDIWE VIRGINIA	MDUDUZI MASIKANE	158
11	SQUNGESIHLE SERVICES	NCENGANI TERESSA	MUSAWENKOSI CELE	115
12	MVIFELO TRADING CC	NOMBULELO MBALI	SIBUSISO BUTHHELEZI	3,118
13	VENI YENI MULTIPURPOSE PRIMARY CO -	NOSIPHO CHARITY	NKULULEKO MOSIA	303
14	ATTITUDE GURU	ABBIEY REAGAN	THANDEKA MEYIWA	83
15	AUTO SPORTS PANELBEATERS	MEGANATHAN	JAGATHAMBAL NAIDOO	380
16	BIG FUZE PLUMBING (PTY) LTD	KHULEKANI LUCAS	SANELISIWE NGCOBO	111
17	NGEDE TRADING	JOSEPH MBHEKENI	THABILE MAKHANYA	229
			TOTAL	6,507

APPENDIX A (Aa): SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - GROUP

	COST											Accumulated Depreciation			Carrying Value R'000	
	Restated Opening Balance cost R'000	Restated Opening WIP R'000	Additions R'000	Under Construction R'000	Disposals R'000	Impairments R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000		Closing Balance R'000
Vote 1 - Office of the City Manager	624,796	74,849	49,513	89,982	(483)	—	1,485	840,142	(464,593)	(58,506)	390	—	—	67	(522,643)	317,499
OCM-City Manager's Office	528	—	—	—	—	—	(12)	515	(226)	(35)	—	—	—	9	(252)	264
OCM-Internal Audit & Risk Mgmt	5,335	—	52	—	—	—	1,093	6,480	(2,029)	(659)	—	—	—	(820)	(3,507)	2,973
OCM-Information Management	617,190	74,849	47,740	89,982	(467)	—	(188)	829,106	(461,366)	(57,388)	376	—	—	1,103	(517,275)	311,831
OCM-City Integrity & Investiga	1,743	—	1,722	—	(16)	—	592	4,041	(973)	(425)	14	—	—	(225)	(1,609)	2,431
Vote 2 - City Manager's Operations	174,178	2,766	3,074	455	(165)	—	247	180,555	(73,120)	(8,318)	148	(0)	—	(106)	(81,397)	99,158
CMO-Metropolitan Police	99,167	2,680	840	455	(7)	—	43	103,178	(43,800)	(35)	7	—	—	(503)	(48,640)	54,539
CMO-Legal Services	10,482	—	84	—	(8)	—	(318)	10,240	(3,510)	(371)	8	(0)	—	(291)	(3,583)	6,657
CMO-Area Based Management	62,759	—	177	—	(150)	—	522	63,308	(24,838)	(2,860)	133	—	—	(382)	(27,926)	35,382
CMO-Performance Monitor & Eval	1,769	86	1,973	—	(0)	—	0	3,828	(972)	(276)	0	—	(0)	—	(1,248)	2,580
Vote 3 - Finance	2,347,708	663,058	214,167	38,986	(3,374)	—	(39,922)	3,220,624	(1,655,328)	(165,370)	3,211	—	—	9,653	(1,807,834)	1,412,790
FIN-Deputy City Manager	1,012	—	112	—	(49)	—	(218)	857	(697)	(75)	49	—	—	122	(602)	255
FIN-Expenditure	20,283	—	570	—	(567)	—	941	21,226	(14,032)	(973)	553	—	—	(503)	(14,955)	6,271
FIN-Income	199,433	514,015	1,142	25	(879)	—	(6,511)	707,225	(158,476)	(9,403)	816	—	—	2,327	(164,736)	542,489
FIN-Finance & Major Projects	826	—	25	—	(48)	—	59	862	(678)	(94)	48	—	—	(12)	(736)	126
FIN-Internal Control & Bus Sys	198,940	4,855	9,176	(1,416)	(1,343)	—	99	210,412	(79,977)	(8,163)	1,295	—	—	(71)	(86,917)	123,495
FIN-Real Estate	94,732	338	484	136	(180)	—	80	95,590	(30,473)	(3,362)	175	—	—	(70)	(33,730)	61,860
FIN-City Fleet	1,033,493	127,595	201,850	48,159	(6)	—	4,902	1,415,995	(778,379)	(73,852)	6	—	—	(543)	(852,768)	563,227
FIN-Durban Energy Office	39,584	11,583	—	(10,808)	—	—	(39,581)	777	(6,684)	—	—	—	—	8,568	1,884	2,661
FIN-Bus Operations	720,045	450	34	—	—	—	(3)	720,526	(560,486)	(66,661)	—	—	—	3	(627,144)	93,382
FIN-Miscellaneous	28,454	—	—	—	—	—	—	28,454	(19,711)	(1,671)	—	—	—	—	(21,382)	7,072
FIN-Supply Chain Management	10,906	4,123	773	2,891	(302)	—	310	18,701	(5,736)	(1,115)	270	—	—	(168)	(6,749)	11,952
Vote 4 - Office of the Strategic Management	4,724	3	32	—	(11)	—	351	5,099	(2,563)	(305)	11	—	—	(320)	(3,178)	1,921
OSM-City Research & Policy Adv	4,724	—	30	—	(11)	—	(1)	4,742	(2,563)	(271)	11	—	—	0	(2,822)	1,920
OSM-Chief Strategy Officer	—	—	2	—	—	—	352	354	(35)	(35)	—	—	—	(321)	(356)	(2)
OSM-Sustainable City Initiativ	—	3	—	—	—	—	—	3	—	—	—	—	—	—	—	3
Vote 5 - Governance	365,417	32,732	8,438	14,357	(2,639)	—	2,146	420,449	(142,679)	(16,363)	2,469	—	—	(1,133)	(157,706)	262,743
GOV-Deputy City Manager	122	—	—	—	(121)	—	(121)	1	(59)	(0)	—	—	—	75	16	17
GOV-City Hall Admin & Secreat	211,923	26,362	3,328	14,266	(2,392)	—	1,175	254,663	(84,763)	(10,688)	2,256	—	—	(735)	(93,931)	160,732
GOV-Communications	3,718	25	655	—	(138)	—	(18)	4,242	(2,358)	(466)	121	—	—	17	(2,687)	1,555
GOV-Sizakala Centres	135,963	3	1,746	36	(47)	—	1,111	138,812	(49,320)	(3,781)	38	—	—	(493)	(53,555)	85,256
GOV-Comm Partic & Action Supp	12,205	6,342	2,126	55	(43)	—	(18)	20,667	(5,170)	(1,244)	42	—	—	4	(6,369)	14,298
GOV-Int & Governance Relation	716	—	60	—	(3)	—	16	789	(599)	(58)	3	—	—	(1)	(655)	134
GOV-Mayoral Parlour	770	—	523	—	(17)	—	—	1,276	(409)	(125)	9	—	—	—	(524)	751
Vote 6 - Corporate and Human Resources	31,857	10,331	4,723	3,402	(26)	—	972	51,260	(19,937)	(3,204)	25	—	—	(69)	(23,184)	28,076
CHR-Deputy City Manager	825	—	23	—	(19)	—	2	850	(431)	(79)	19	—	—	(2)	(512)	338
CHR-Human Resources	22,212	9,199	3,415	3,246	(461)	—	969	39,022	(14,281)	(2,025)	19	—	—	(67)	(16,354)	22,668
CHR-Occupation Health & Safety	3,159	470	350	(461)	—	—	5	3,523	(1,487)	(457)	—	—	—	(4)	(1,948)	1,575
CHR-Mgmt. Services & Org. Devel	2,184	119	271	8	(7)	—	(3)	2,579	(971)	(300)	—	—	—	3	(1,268)	1,312
CHR-Skills Development	3,477	543	664	609	(7)	—	—	5,286	(2,768)	(342)	7	—	—	—	(3,102)	2,184
Sub-total (carried forward)	3,548,679	783,739	279,946	147,182	(6,698)	—	(34,719)	4,718,129	(2,358,221)	(252,067)	6,254	(0)	—	8,091	(2,595,942)	2,122,187

APPENDIX A (i)(b): SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - GROUP (cont.)

	Restated Opening Balance cost R'000	Restated Opening WIP R'000	COST					Accumulated Depreciation					Carrying Value R'000			
			Additions R'000	Under Construction R'000	Disposals R'000	Impairments R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000		Impairments Reversal R'000	Transfers R'000	Closing Balance R'000
Sub-total (brought forward)	3,548,679	783,739	279,946	147,182	(6,698)	-	(34,719)	4,718,129	(2,358,221)	(252,067)	6,254	(0)	-	8,091	(2,595,942)	2,122,187
Vote 7 - Economic Development & Planning	1,781,449	379,945	84,613	198,205	(651)	-	39,635	2,483,196	(454,527)	(69,605)	620	-	-	(8,645)	(632,157)	1,951,039
EDP-Deputy City Manager	217	-	6,002	-	(33)	-	(19)	6,199	(63)	(33)	-	-	15	(102)	6,097	
EDP-Economic Dev & Facilitatio	801,177	315,895	13,049	119,985	(420)	-	(219)	1,249,466	(147,997)	(26,021)	394	-	156	(173,468)	1,075,999	
EDP-City Enterprises	4,937	-	-	-	-	-	-	4,937	(4,917)	(7)	-	-	-	(4,924)	13	
EDP-Business Support	158,725	6,296	-	4,271	-	-	310	189,391	(62,609)	(5,906)	-	-	(283)	(68,798)	120,593	
EDP-Retail Markets	74,312	-	245	-	-	-	-	74,557	(34,762)	(2,181)	-	-	-	(36,943)	37,614	
EDP-Markets	139,566	2,736	1,866	1,201	(48)	-	-	145,320	(43,300)	(4,760)	48	-	-	(48,011)	97,310	
EDP-Airport	3,078	-	168	-	-	-	-	3,246	(1,075)	(133)	-	-	-	(1,208)	2,038	
EDP-Develop Planning & Mgmt	98,257	13,338	11,850	15,397	(78)	-	39,609	178,374	(10,659)	(3,809)	77	-	(8,573)	(22,964)	155,409	
EDP-Urban Renewal	497,950	41,658	31,592	57,374	(105)	-	(44)	628,530	(146,489)	(26,480)	100	-	40	(172,929)	455,601	
EDP-Tourism	3,230	22	52	(22)	(2)	-	(2)	3,174	(2,635)	(274)	-	-	0	(2,809)	365	
Vote 8 - Community and Emergency Services	6,716,097	166,316	135,795	62,885	(1,201)	-	20,060	7,099,951	(2,163,724)	(250,375)	1,100	(13)	4,029	(10,998)	4,879,970	
CEs-Deputy City Manager	10,775	113	122	(28)	(2)	-	(28)	10,981	(7,075)	(608)	1	-	26	(7,856)	3,125	
CEs-Emergency Services	385,036	14,616	23,140	436	-	-	1,164	424,392	(167,865)	(16,047)	-	-	(401)	(163,937)	240,455	
CEs-Disaster Mgmt & Emerg Cont	203,974	6,070	1,152	9,357	(466)	-	(6)	220,082	(124,600)	(19,734)	388	-	(9)	(143,955)	76,127	
CEs-Security Management	24,570	-	326	-	(4)	-	(4)	24,892	(2,235)	(1,003)	-	-	4	(3,234)	21,657	
CEs-Safer Cities	2,047	-	71	-	-	-	(21)	2,098	(1,911)	(101)	-	-	20	(1,780)	319	
CEs-Health	272,920	6,399	10,053	2,396	(324)	-	92	291,536	(97,416)	(10,102)	317	-	(63)	(103,612)	187,924	
CEs-Parks, Recr, Cem & Culture	2,453,603	139,116	93,567	50,696	(126)	-	17,282	2,754,138	(911,604)	(88,580)	117	(13)	(9,277)	(1,009,357)	1,744,782	
CEs-MMS & Stadia	3,363,171	-	7,364	-	(284)	-	1,581	3,371,833	(851,320)	(113,910)	277	-	(1,297)	(966,250)	2,405,583	
Vote 9 - Human Settlements and Infrastructure	16,713,941	3,914,209	1,752,758	(250,266)	(1,589)	-	18,297	22,147,351	(4,522,122)	(611,571)	1,488	-	-	(6,763)	17,008,383	
HSI-Deputy City Manager	1,284	-	229	-	(86)	-	(86)	1,427	(558)	(195)	-	-	(5)	(758)	668	
HSI-Metro Housing & Hostels	1,252,043	507,346	2,424	365,034	(164)	-	(7)	2,126,676	(425,430)	(43,010)	156	-	3	(468,282)	1,658,394	
HSI-Formal Housing	128,560	2,627	519	2,338	(568)	-	-	133,476	(65,571)	(1,482)	500	-	-	(66,553)	66,924	
HSI-Engineering	13,123,861	1,312,110	544,822	240,206	(857)	-	11,465	15,231,605	(3,643,476)	(469,018)	832	-	(4,520)	(4,116,182)	11,115,423	
HSI-ETK Transport Authority	2,208,194	2,092,126	1,204,764	(857,843)	(857)	-	6,926	4,654,166	(387,086)	(97,866)	-	-	(2,240)	(487,192)	4,166,974	
Vote 10 - Trading Services	24,793,777	4,672,736	582,390	1,486,876	(25,030)	-	(4,441)	31,506,309	(8,116,757)	(888,558)	16,958	-	-	359	(8,987,998)	22,518,311
TRC-Deputy City Manager	116	-	119	-	-	-	333	569	(4)	(76)	-	-	(178)	(258)	311	
TRC-Electricity	8,358,351	1,084,063	161,757	692,119	(22,423)	-	101	10,273,969	(3,380,136)	(315,647)	14,778	-	544	(3,681,005)	6,592,964	
TRC-Water	9,231,561	2,140,828	148,017	373,122	(46)	-	(4,896)	11,888,387	(1,944,157)	(248,846)	38	-	-	(2,192,422)	9,695,965	
TRC-Sanitation	5,989,230	1,424,806	22,631	405,530	(2,555)	-	18	7,439,660	(1,683,046)	(234,209)	2,139	-	(4)	(1,915,120)	5,524,540	
TRC-Cleaning and Solid Waste	1,482,348	22,704	249,866	14,076	(6)	-	3	1,768,990	(1,076,516)	(88,304)	4	-	(3)	(1,164,819)	604,171	
TRC-Gas to Electricity	132,171	535	-	2,028	-	-	-	134,734	(32,898)	(1,477)	-	-	-	(34,375)	100,359	
ICC	950,002	-	13,762	-	-	-	-	963,763	(371,402)	(36,824)	-	-	-	(408,226)	555,538	
USHAKA	661,768	-	11,339	(653)	(84)	-	-	672,370	(324,348)	(28,753)	-	-	-	(353,101)	319,270	
Total	55,165,711	9,916,945	2,860,604	1,644,229	(35,253)	-	38,832	69,591,069	(18,311,099)	(2,137,753)	26,421	(13)	4,029	(17,956)	49,154,698	

APPENDIX A (ii)(a): SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - MUNICIPALITY

	COST										Accumulated Depreciation				Carrying Value R'000
	Restated Opening Balance cost R'000	Restated Opening WIP R'000	Additions R'000	Under Construction R'000	Disposals R'000	Impairments R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000	
Note 1 - Office of the City Manager	624,796	74,849	49,513	89,982	(483)	—	1,485	(464,593)	(59,506)	390	—	—	—	67	(522,643)
OCM-City Manager's Office	528	—	—	—	—	—	(12)	(226)	(35)	—	—	—	—	9	(252)
OCM-Internal Audit & Risk Mgmt	5,335	—	52	—	—	—	1,093	(2,029)	(659)	—	—	—	—	(820)	(3,507)
OCM-Information Management	617,190	74,849	47,740	89,982	(467)	—	(188)	(461,366)	(57,388)	376	—	—	—	1,103	(517,275)
OCM-City Integrity & Investiga	1,743	—	1,722	—	(16)	—	592	(973)	(425)	14	—	—	—	(225)	(1,609)
Note 2 - City Manager's Operations	174,178	2,766	3,074	455	(165)	—	247	(73,120)	(8,318)	148	(0)	—	—	(106)	(81,397)
CWO-Metropolitan Police	99,167	2,680	840	455	(7)	—	43	(43,800)	(4,511)	7	—	—	—	(35)	(46,640)
CWO-Legal Services	10,482	—	84	—	(8)	—	(318)	(3,510)	(371)	8	(0)	—	—	291	(3,583)
CWO-Area Based Management	62,759	—	177	—	(150)	—	522	(24,838)	(2,860)	133	—	—	—	(362)	(27,926)
CWO-Performance Monitor & Eval	1,769	86	1,973	—	(0)	—	0	(972)	(276)	0	—	—	—	(0)	(1,248)
Note 3 - Finance	2,347,708	663,058	214,167	38,986	(3,374)	—	(39,922)	(1,655,328)	(165,370)	3,211	—	—	—	9,653	(1,807,834)
FIN-Deputy City Manager	1,012	—	112	—	(49)	—	(218)	(697)	(75)	49	—	—	—	122	(602)
FIN-Expenditure	20,283	—	570	—	(567)	—	941	(14,032)	(973)	553	—	—	—	(503)	(14,955)
FIN-Income	199,433	514,015	1,142	25	(879)	—	(6,511)	(158,476)	(9,403)	816	—	—	—	2,327	(164,736)
FIN-Finance & Major Projects	826	—	25	—	(48)	—	59	(678)	(94)	48	—	—	—	(12)	(736)
FIN-Internal Control & Bus Sys	198,940	4,955	9,176	(1,416)	(1,343)	—	99	(79,977)	(8,163)	1,295	—	—	—	(71)	(86,917)
FIN-Real Estate	94,732	338	484	136	(180)	—	80	(30,473)	(3,362)	175	—	—	—	(70)	(33,730)
FIN-City Fleet	1,033,493	127,595	201,850	48,159	(6)	—	4,902	(778,379)	(73,852)	6	—	—	—	(543)	(852,768)
FIN-Durban Energy Office	39,584	11,593	34	(10,808)	—	—	(39,581)	(6,684)	(6,684)	—	—	—	—	8,568	1,884
FIN-Bus Operations	720,045	450	34	—	—	—	(3)	(560,486)	(1,671)	28,454	—	—	—	3	(627,144)
FIN-Miscellaneous	28,454	—	—	—	—	—	—	(19,711)	(1,115)	270	—	—	—	—	(21,382)
FIN-Supply Chain Management	10,906	4,123	773	2,891	(302)	—	310	(5,736)	(1,115)	—	—	—	—	(168)	(6,749)
Note 4 - Office of the Strategic Management	4,724	3	32	—	(11)	—	351	(2,563)	(305)	11	—	—	—	(320)	(3,178)
OSM-City Research & Policy Adv	4,724	—	30	—	(11)	—	4,742	(2,563)	(271)	11	—	—	—	0	(2,822)
OSM-Chief Strategy Officer	—	—	2	—	—	—	352	—	(35)	—	—	—	—	(321)	(356)
OSM-Sustainable City Initiative	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Note 5 - Governance	365,417	32,732	8,438	14,357	(2,639)	—	2,146	(142,679)	(16,363)	2,469	—	—	—	(1,133)	(157,706)
GOV-Deputy City Manager	122	—	—	—	—	—	(121)	(59)	(0)	—	—	—	—	75	16
GOV-City Hall Admin & Secreat	211,923	26,362	3,328	14,266	(2,382)	—	1,175	(84,763)	(10,688)	2,256	—	—	—	(735)	(93,931)
GOV-Communications	3,718	25	655	—	(138)	—	(18)	(2,358)	(466)	121	—	—	—	17	(2,687)
GOV-Sizakala Centres	135,963	3	1,746	36	(47)	—	1,111	(49,320)	(3,781)	38	—	—	—	(483)	(53,555)
GOV-Comm Partic & Action Supp	12,205	6,942	2,126	55	(43)	—	(18)	(5,170)	(1,244)	42	—	—	—	4	(6,389)
GOV-Int & Governance Relation	716	—	60	—	(3)	—	16	(99)	(58)	3	—	—	—	(1)	(655)
GOV-Mayoral Parlour	770	—	523	—	(17)	—	—	(409)	(125)	9	—	—	—	—	(524)
Note 6 - Corporate and Human Resources	31,857	10,331	4,723	3,402	(26)	—	972	(19,937)	(3,204)	25	—	—	—	(69)	(23,184)
CHR-Deputy City Manager	825	—	23	—	—	—	2	(431)	(79)	—	—	—	—	(2)	(512)
CHR-Human Resources	22,212	9,199	3,415	3,246	(19)	—	969	(14,281)	(2,025)	19	—	—	—	(67)	(16,364)
CHR-Occupation Health & Safety	3,159	470	350	(461)	—	—	5	(1,467)	(457)	—	—	—	—	(4)	(1,946)
CHR-Mgmt Services & Org. Devel	2,184	119	271	8	(7)	—	(3)	(971)	(300)	—	—	—	—	3	(1,268)
CHR-Skills Development	3,477	543	664	609	(7)	—	—	(2,768)	(342)	7	—	—	—	—	(3,102)
Sub-total (carried forward)	3,548,679	783,733	279,946	147,182	(6,698)	—	(34,719)	(2,358,221)	(252,067)	6,254	(0)	—	—	8,091	(2,595,942)
															2,122,187

APPENDIX A(i)(b): SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - MUNICIPALITY (cont.)

	COST										Accumulated Depreciation				Carrying Value R'000	
	Restated Opening Balance cost R'000	Restated Opening WIP R'000	Additions R'000	Under Construction R'000	Disposals R'000	Impairments R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000		Closing Balance R'000
Sub-total (brought forward)	3,548,679	763,739	279,946	147,182	(6,698)	—	(34,719)	4,718,129	(2,356,221)	(252,067)	6,254	(0)	—	8,091	(2,595,942)	2,125,187
Vote 7 - Economic Development & Planning	1,761,449	379,945	84,613	198,205	(651)	—	39,635	2,483,196	(454,527)	(69,605)	620	—	—	(8,645)	(532,157)	1,951,039
EDP-Deputy City Manager	217	—	6,002	—	—	—	(19)	6,199	(63)	(33)	—	—	—	15	(102)	6,097
EDP-Economic Dev & Facilitatio	801,177	315,895	13,049	119,985	(420)	—	(219)	1,249,466	(147,997)	(26,021)	394	—	—	156	(173,468)	1,075,989
EDP-City Enterprises	4,937	—	—	—	—	—	—	4,937	(4,917)	(7)	—	—	—	—	(4,924)	13
EDP-Business Support	158,725	6,296	19,790	4,271	—	—	310	189,391	(62,609)	(5,906)	—	—	—	(283)	(66,798)	120,593
EDP-Retail Markets	74,312	—	245	—	—	—	—	74,557	(34,762)	(2,181)	—	—	—	—	(36,943)	37,614
EDP-Markets	139,566	2,736	1,866	1,201	(48)	—	—	145,320	(43,300)	(4,760)	48	—	—	—	(46,011)	97,310
EDP-Airport	3,078	—	168	—	—	—	—	3,246	(1,075)	(133)	—	—	—	—	(1,208)	2,038
EDP-Develop Planning & Mgmt	13,338	—	—	—	—	—	38,609	178,374	(10,659)	(3,809)	77	—	—	(8,573)	(22,964)	155,409
EDP-Urban Renewal	487,950	41,658	31,592	57,374	(78)	—	(44)	628,530	(146,489)	(26,480)	—	—	—	40	(172,929)	455,601
EDP-Tourism	3,230	22	52	(22)	(105)	—	(2)	3,174	(2,635)	(274)	100	—	—	0	(2,809)	365
Vote 8 - Community and Emergency Services	6,716,097	166,316	135,795	62,885	(1,201)	—	20,060	7,099,951	(2,163,725)	(250,375)	1,100	(13)	4,030	(10,998)	(2,419,981)	4,679,970
CES-Deputy City Manager	10,775	113	122	—	(2)	—	(28)	10,961	(7,075)	(608)	1	—	—	26	(7,866)	3,125
CES-Emergency Services	385,036	14,616	23,140	436	(466)	—	1,164	424,392	(167,865)	(16,047)	—	—	376	(401)	(183,937)	240,455
CES-Disaster Mgmt & Emerg Cont	203,974	6,070	1,152	9,357	(466)	—	(6)	220,092	(124,600)	(19,734)	388	—	—	(9)	(143,955)	76,127
CES-Security Management	24,570	—	326	—	—	—	(4)	24,892	(2,235)	(1,003)	—	—	—	4	(3,234)	21,657
CES-Safer Cities	2,047	—	71	—	—	—	(21)	2,098	(1,609)	(191)	—	—	—	20	(1,780)	319
CES-Health	272,920	6,399	10,053	2,396	(324)	—	92	291,536	(97,417)	(10,102)	317	—	3,653	(63)	(103,612)	187,924
CES-Parks, Recr, Cem & Culture	2,453,603	139,116	93,567	50,696	(126)	—	17,282	2,764,138	(911,604)	(88,580)	117	(13)	—	(9,277)	(1,009,357)	1,744,782
CES-IMMS & Stadia	3,363,171	—	7,364	—	(284)	—	1,581	3,371,833	(851,320)	(113,910)	277	—	—	(1,287)	(966,250)	2,405,583
Vote 9 - Human Settlements and Infrastructure	16,713,940	3,914,209	1,752,759	(250,266)	(1,589)	—	18,297	22,147,351	(4,522,122)	(611,571)	1,488	—	—	(6,763)	(5,138,968)	17,008,383
HSI-Deputy City Manager	1,284	—	229	—	—	—	(86)	1,427	(558)	(195)	—	—	—	(5)	(758)	668
HSI-Metro Housing & Hostels	1,252,043	507,346	2,424	365,034	(164)	—	(7)	2,126,676	(425,430)	(43,010)	156	—	—	3	(468,282)	1,658,394
HSI-Formal Housing	128,560	2,627	519	2,338	(688)	—	—	133,476	(65,571)	(1,482)	500	—	—	—	(66,553)	66,924
HSI-Engineering	13,123,861	1,312,110	544,822	240,206	(857)	—	11,465	15,231,605	(3,643,476)	(469,018)	832	—	—	(4,520)	(4,116,192)	11,115,423
HSI-ETK Transport Authority	2,208,193	2,092,126	1,204,765	(857,843)	—	—	6,926	4,654,166	(387,086)	(97,866)	—	—	—	(2,240)	(487,192)	4,166,974
Vote 10 - Trading Services	24,793,777	4,672,736	582,390	1,486,876	(25,030)	—	(4,441)	31,506,309	(8,116,754)	(888,561)	16,958	—	—	3,359	(8,987,998)	22,518,311
TRC-Deputy City Manager	116	—	—	—	—	—	333	1,116	(4)	(76)	—	—	—	(176)	(258)	311
TRC-Electricity	8,358,351	1,084,063	161,757	692,119	(22,423)	—	101	10,273,989	(3,380,133)	(315,650)	14,778	—	—	—	(3,681,005)	6,592,984
TRC-Water	9,231,561	2,140,628	1,480,177	373,122	(46)	—	(4,896)	11,888,387	(1,944,157)	(248,846)	36	—	—	544	(2,192,422)	9,695,965
TRC-Sanitation	5,589,230	1,424,806	22,631	405,530	(2,555)	—	18	7,439,690	(1,683,046)	(234,209)	2,139	—	—	(4)	(1,915,120)	5,524,540
TRC-Cleaning and Solid Waste	1,482,348	22,704	249,866	14,076	(6)	—	3	1,768,990	(1,076,516)	(88,304)	4	—	—	(3)	(1,164,819)	604,171
TRC-Gas to Electricity	132,171	535	—	2,028	—	—	—	134,734	(32,898)	(1,477)	—	—	—	—	(34,375)	100,359
Total	53,553,941	9,916,945	2,835,504	1,644,882	(35,169)	—	38,832	67,954,936	(17,615,348)	(2,072,179)	26,421	(13)	4,030	(17,956)	(19,675,046)	48,279,890

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APPENDIX B: ETHEKWINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018 - GROUP

30-Jun-17 Actual Income R'000	30-Jun-17 Actual Expenditure R'000	30-Jun-17 Surplus/ (Deficit) R'000	30-Jun-18 Actual Income R'000	30-Jun-18 Actual Expenditure R'000	30-Jun-18 Surplus/ (Deficit) R'000
9,441	(550,515)	(541,074)	Executive & Council	(872,191)	(836,692)
13,275,904	(5,147,124)	8,128,780	Finance & Admin	(5,708,211)	9,430,421
251,136	(891,060)	(639,924)	Planning & Development	(738,387)	(511,654)
115,160	(480,341)	(365,181)	Health	(533,789)	(286,615)
79,371	(614,962)	(535,592)	Community & Social Services	(671,295)	(570,598)
810,418	(1,390,133)	(579,715)	Housing	(1,144,712)	(417,828)
450,871	(2,314,804)	(1,863,932)	Public Safety	(2,824,199)	(2,315,100)
100,553	(1,384,673)	(1,284,119)	Sport & Recreation	(1,538,254)	(1,426,593)
18,367	(240,642)	(222,275)	Environmental Protection	(225,859)	(220,548)
3,307,397	(3,263,594)	43,803	Waste Management	(3,491,971)	134,537
1,847,617	(2,809,934)	(962,317)	Road Transport	(2,965,069)	(1,237,742)
4,997,260	(5,493,485)	(496,225)	Water	(7,009,298)	(1,177,913)
13,583,207	(12,002,041)	1,581,166	Electricity	(12,455,115)	1,698,493
112,344	(218,479)	(106,135)	Other	(191,489)	(156,259)
261,437	(279,445)	(18,008)	Durban Marine Theme Park (Pty) Ltd	(276,709)	(71,637)
150,484	(177,326)	(26,842)	ICC Durban (Pty) Ltd	(192,118)	(57,535)
3,877	(10,783)	(6,906)	Ethekeeni Transport Authority	(13,467)	(12,495)
34,916	(9,835)	25,081	Effingham / Link Road Joint Venture	(2,663)	3,079
1,114	(1,378)	(264)	Durban Point Development Company	(3,139)	(1,481)
39,410,875	(37,280,555)	2,130,320	Sub Total	(40,857,936)	1,965,839
(6,015,596)	6,015,596	0	Less Inter-Dep charges	7,123,926	0
	(3,216)		Taxation	(435)	
33,395,279	(31,268,175)	2,127,104	Total	(33,734,445)	1,965,404

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APPENDIX C - DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2018 IN TERMS OF SECTION 123 MFMA, 56 OF 2003

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA, 56 OF 2003

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS					TOTAL R'000	QUARTERLY PAYMENTS					TOTAL R'000	GRANTS AND SUBSIDIES DELAYED/WITHHELD / PAID BACK / ACCRUED				REASONS FOR DELAYS OF FUNDS	MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE GRANT	REASON FOR NON COMPLIANCE
		SEPT R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000		SEP R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000		Dec R'000	Mar R'000	Jun R'000	Jun R'000			
EQUITABLE SHARE	NATIONAL TREASURY	1,076,157	860,925	645,694	-	2,582,776	1,076,157	860,925	645,694	0	2,582,776						Yes	N/A		
URBAN SETTLEMENT DEVELOPMENT GRANT	HUMAN SETTLEMENTS	495,027	693,038	792,044	-	1,980,109	220,262	302,211	294,387	1,163,249	1,980,109						Yes	N/A		
FINANCIAL MANAGEMENT GRANT	NATIONAL TREASURY	1,050	-	-	-	1,050	1,050	-	-	1,050							Yes	N/A		
INTEGRATED CITIES DEVELOPMENT	NATIONAL TREASURY	19,566	19,566	-	-	39,111	10,591	13,312	7,492	7,716	39,111						Yes	N/A		
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	14,000	-	16,293	-	30,293	1,725	1,375	1,951	1,207	6,258	8,000	5,321			TRF Unmgment 10,400 & Paid Back	Yes	N/A		
NRF - SAASTA	NATIONAL RESEARCH FOUNDATION	-	4,866	-	-4,651	215	-	-	-	-	-						Yes	N/A		
GOVERNMENT HEALTH SUBSIDY	KZN DEPT OF HEALTH	-	139,752	47,817	-	187,569	-	139,752	47,817	45,710	233,279					Accrued 45,710 Receipt	Yes	N/A		
PTCG	NATIONAL DEPARTMENT OF TRANSPORT	229,288	229,288	458,574	-	917,150	130,341	195,621	128,410	156,195	610,567					Withheld & Paid Back	Yes	N/A		
NEIGHBOUR HOOD DEVELOPMENT GRANT	NATIONAL TREASURY	14,062	17,035	19,577	-	50,674	1,275	6,754	4,336	9,459	21,824					Withheld & Paid Back	Yes	N/A		
EXPANDED PUBLIC WORKS PROGRAMME - EPWP	DEPARTMENT OF PUBLIC WORKS	16,698	30,056	20,038	-	66,792	34,492	32,300	-	-	66,792					Accrued Receipt	Yes	N/A		
DEPARTMENT OF HUMAN SETTLEMENTS - DOH	DEPARTMENT OF HUMAN SETTLEMENTS	-	-	108,246	1,996	110,243	5,384	17,865	14,023	21,200	58,171					Accrued Receipt	Yes	N/A		
DEAT	DEPARTMENT OF ENVIRONMENTAL AFFAIRS	-	-	-	-	0	-	162	-	338	500						Yes	N/A		
GRANT ACCREDITATION	DEPARTMENT OF HUMAN SETTLEMENTS	3,983	1,229	3,228	4,479	12,918	4,529,47	4,075	4,332,15	6,997	19,934						Yes	N/A		
NATIONAL ELECTRIFICATION PROGRAMME	DEPARTMENT OF MINERALS AND ENERGY	17,000	18,000	-	-	35,000	9,793	6,188	-17	19,037	35,000						Yes	N/A		
DEPARTMENT OF MINERAL AND ENERGY (EEDSM)	DEPARTMENT OF MINERALS AND ENERGY	-	5,000.00	10,000	-	15,000	-	1,173	-	12,980	14,153	960				Paid Back	Yes	N/A		
DEPARTMENT OF ARTS AND CULTURE	KZN DEPARTMENT OF ARTS AND CULTURE	-	-	300	72,263	72,563	11,449	13,528	2,615	21,875	49,467						Yes	N/A		
DPSA - AQUAPONICS PROJECTS	NATIONAL DEPARTMENT	-	-	0	0	0	-	672	-	788	1,461									
GRAND TOTAL		1,886,821	2,018,744	2,121,811	74,087	6,101,463	1,507,048	1,595,613	1,151,098	1,466,751	5,720,452									

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APPENDIX D: MOSES MABHIDA STATEMENT OF FINANCIAL PERFORMANCE

	2018 R'000	2017 R'000
REVENUE		
Rental of facilities and equipment	43,012	63,990
Rent Bowl & Non Bowl Events	30,039	32,796
Rent Shops	6,902	8,816
Suites & Business Clubs	1,016	5,891
Hire Hall/Civic/Rec Cnt	4,594	15,866
Rent Parking Bays	461	621
Other income	3,253	3,657
Adventure Walk	120	176
Other Attractions-Income	0	0
People's Park	0	0
Skycar	2,117	2,535
Sponsorships	0	0
Stadium Tours	1,008	946
Sundry Income	8	0
Total operating revenue	46,265	67,647
EXPENDITURE		
Bad Debts	0	1,120
Bad Debts Provision	0	1,120
Depreciation - Property, Plant and Equipment	114,293	113,205
Depreciation	114,293	113,205
General expenses	98,984	99,675
Electricity	11,288	18,406
Fuel & Oil : Vehicles	143	147
Refuse Removal	0	0
Stadium Operational Costs	82,832	78,226
Hire Of City Fleet	389	349
Water	4,332	2,547
Total operating expenditure	213,277	214,000
DEFICIT FOR THE YEAR	-167,012	-146,353