



***Dr Nkosazana Dlamini-Zuma Municipality***  
**Annual Financial Statements**  
**for the period 1 July 2017 - 30 June 2018**

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements  
for the period 01 July 2017 to 30 June 2018

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### **Abbreviations**

GRAP	Generally Recognised Accounting Practice
HOA	Housing Operating Account
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
mSCOA	Municipal Standard Chart of Accounts
AGSA	Auditor General of South Africa
SARS	South African Revenue Services

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## General Information

### Members of Council

Mayor	Cllr PN Mncwabe
Deputy Mayor	Cllr PP Shange
Speaker	Cllr M B Banda
Exco Member	Cllr KA Hadebe
Exco Member	Cllr ZP Mkhize
Exco Member	Cllr D Adam
Councillor	MT Zikode
Councillor	WN Magoso
Councillor	MV Phoswa
Councillor	WM Khumalo
Councillor	L Mncwabe
Councillor	ZA Mtolo
Councillor	VAT Mthembu
Councillor	SK Jaca
Councillor	Q Dlamini
Councillor	ZP Gcume
Councillor	BK Zondi
Councillor	T Ndlovu
Councillor	NM Dlamini
Councillor	NC Mbanjwa
Councillor	SJ Phakathi
Councillor	NG Dlamini
Councillor	BC Mncwabe
Councillor	WN Kheswa
Councillor	ST Shabane
Councillor	ST Dlamini
Councillor	DR Ngcamu
Councillor	SB Mqwambi
Councillor	SV Zulu

### Nature of entity and principle activities

Municipality

### Municipal demarcation code

KZN 436

### Grading of local authority

3

### Municipal Manager

Mr NC Vezi

### Chief Financial Officer

Mr KMB Mzimela

### Registered Office

Municipal Offices, Main Street, Creighton

### Physical address

Main Street  
Creighton  
3263

### Postal address

P O Box 62  
Creighton  
3263

### Bankers

First National Bank

### Auditors

Auditor General of South Africa

## **Dr Nkosazana Dlamini-Zuma Municipality**

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

I certify that salaries, allowances and benefits of councillors, as disclosed in the notes to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read in conjunction with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year ending 30 June 2018 and in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality has implemented National Treasury's Municipal Standard Chart of Accounts. The new chart is designed to enhance comparability between municipalities and therefore results in information disclosed being more understandable, relevant, reliable and comparable. Due to the implementation of the new chart, certain comparative figures needed restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts

The attached financial statements which were prepared on the going concern basis were approved on 31 August 2018 and are signed by :

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**Mr NC Vezi**  
**Municipal Manager**

**Dr Nkosazana Dlamini-Zuma Municipality**

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

**Statement of Financial Position as at 30 June 2018**

	Note	2018 R	Restated 2017 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>119 927 631</b>	<b>104 088 579</b>
VAT receivable	2	2 351 204	3 468 902
Receivables from non-exchange transactions	3	26 555 503	5 318 076
Receivables from exchange transactions	3	2 184 808	3 378 495
Cash and cash equivalents	4	88 836 116	91 923 107
<b>Non-Current Assets</b>		<b>351 501 923</b>	<b>309 752 566</b>
Investment property	5	20 064 000	20 064 000
Property, plant and equipment	6	331 372 297	289 592 787
Intangible assets	7	65 626	95 780
<b>Total Assets</b>		<b>471 429 555</b>	<b>413 841 145</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>36 521 823</b>	<b>53 646 735</b>
Finance lease obligation	8	357 281	566 593
Payables from exchange transactions	9	23 148 772	27 931 836
Unspent conditional grants	10	12 953 770	25 088 305
Post retirement health care benefits	11	62 000	-
Long service awards obligation	11	-	60 000
<b>Non Current Liabilities</b>		<b>16 740 682</b>	<b>15 036 281</b>
Finance lease obligation	8	451 002	73 441
Provision for landfill site rehabilitation	11	8 534 680	8 042 840
Long service awards obligation	11	2 489 000	2 064 000
Post retirement health care benefits	11	5 266 000	4 856 000
<b>Total Liabilities</b>		<b>53 262 505</b>	<b>68 683 016</b>
<b>Net Assets</b>		<b>418 167 050</b>	<b>345 158 130</b>
<b>TOTAL NET ASSETS</b>			
Housing Operating Account	12	4 260 997	3 593 014
Accumulated surplus		413 906 053	341 565 116
<b>Total Net Assets</b>		<b>418 167 050</b>	<b>345 158 130</b>

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Statement of Financial Performance

for the period ended 1 July 2017 to 30 June 2018

	Note	2018 R	Restated 2017 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	14	3 127 388	2 587 820
Licences and permits		1 201 367	1 044 918
Rental of facilities and equipment		1 201 961	675 973
Other income	15	1 110 797	1 010 835
<b>Revenue from non exchange transactions</b>			
Interest received	16	7 160 369	5 206 983
Property rates	17	33 204 718	18 345 342
Penalties on property rates	17	2 170 734	1 546 800
Government grants and subsidies	18	158 275 352	131 304 507
Fair value adjustment on investment property		-	4 829 000
adjustment to debtors provision		3 073 486	-
Assets donated		232 157	-
Traffic fines	20	997 730	472 850
<b>Total revenue</b>		<b>211 756 059</b>	<b>167 025 028</b>
<b>Expenditure</b>			
Employee related costs	21	50 499 161	45 569 738
Remuneration of councillors	22	10 754 630	8 084 739
Depreciation and amortisation	23	22 143 213	17 099 997
Finance costs	24	1 239 187	458 207
Debt impairment	25	-	3 896 563
Electrification Projects		1 737 377	9 257 567
Operational Costs	26	52 373 571	48 749 119
<b>Total expenditure</b>		<b>138 747 139</b>	<b>133 115 929</b>
Loss on disposal of assets		-	7 257 280
<b>Surplus for the period</b>		<b>73 008 920</b>	<b>26 651 819</b>

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Statement of Changes in Net Assets

For the period ended 30 June 2018

	Housing Operating Account	Revaluation surplus	Capital Replacement reserve	Accumulated Surplus	Total: Net Assets
	R				
<b>Balance at 10 August 2016</b>	-	-	-	-	-
Transfers from Ingwe and Kwa Sani Municipalities	3 411 463	3 084 207	582 658	311 246 675	318 325 004
Correction of prior year error	-	-	-	441 897	441 897
Transfers from Ingwe and Kwa Sani Municipalities (restated)	3 411 463	3 084 207	582 658	311 688 572	318 766 900
<b>Changes in net assets</b>					-
Surplus for the period (restated)	-	-	-	26 651 819	26 651 819
Transfer of interest to Housing Grant	-	-	-	(260 590)	(260 590)
Transfer Housing Operating Account interest on call	181 550	-	-	(181 550)	-
Transfer revaluation surplus and capital replacement reserve	-	(3 084 207)	(582 658)	3 666 865	-
<b>Total changes (restated)</b>	181 550	(3 084 207)	(582 658)	29 876 544	26 391 229
<b>Balance at 30 June 2017 (restated)</b>	<b>3 593 013</b>	-	-	<b>341 565 116</b>	<b>345 158 130</b>
<b>Changes in net assets</b>					-
Surplus for the period	-	-	-	73 008 921	73 008 921
Transfer Housing Operating Account interest on call	667 983	-	-	(667 983)	-
<b>Total changes</b>	667 983	-	-	72 340 937	73 008 921
<b>Balance at 30 June 2018</b>	<b>4 260 997</b>	-	-	<b>413 906 053</b>	<b>418 167 050</b>

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Cashflow Statement

For the period ended 30 June 2018

		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>R</b>	<b>R</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>		<b>202 709 116</b>	<b>171 096 910</b>
VAT refunds		9 403 835	15 922 797
Cash receipts from ratepayers and consumers		26 964 438	19 624 113
Cash receipts from grants		166 340 843	135 550 000
<b>Payments</b>		<b>126 983 991</b>	<b>117 463 522</b>
Cash payments to employees		49 816 607	41 541 662
Cash payments to councillors		10 754 630	8 084 739
Cash paid retentions		4 451 541	5 834 646
Cash payments to suppliers for goods and services		61 961 212	62 002 475
<b>Net cash flows from operating activities before interest</b>	28	<b>75 725 126</b>	<b>53 633 389</b>
Interest received		7 039 433	5 206 983
Interest paid		(1 239 187)	(458 207)
<b>Net cash flows from operating activities after interest</b>		<b>81 525 371</b>	<b>58 382 165</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(63 660 439)	(45 772 069)
<b>Net cash flows from investing activities</b>		<b>(63 660 439)</b>	<b>(45 772 069)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance leases		(751 924)	(437 590)
repayment of suppliers on behalf of the principal		(20 200 000)	(3 575 908)
Transfers to municipality		-	83 326 509
		<b>(20 951 924)</b>	<b>79 313 011</b>
Net increase in cash and cash equivalents		(3 086 992)	91 923 107
Net cash and cash equivalents at the beginning of the period		91 923 107	-
Net cash and cash equivalents at the end of the period	4	<b>88 836 116</b>	<b>91 923 107</b>



**Dr Nkosazana Dlamini-Zuma Municipality**

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

**Statement of Comparison of Budget and Actual amounts**

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	Note 38 reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
Revenue						
<b>Revenue from exchange transactions</b>						
Service charges	3 680 914	(133 761)	3 547 153	3 127 388	419 764	1
Rental of facilities and equipment	373 858	607 542	981 400	1 201 961	(220 561)	2
Licences and permits	1 031 428	107 473	1 138 902	1 201 367	(62 465)	
Other income	30 952 622	(29 958 758)	993 864	1 110 797	(116 933)	3
Interest received - investment	6 063 540	931 558	6 995 098	7 160 369	(165 271)	
<b>Total revenue from exchange transactions</b>	<b>42 102 362</b>	<b>-28 445 946</b>	<b>13 656 416</b>	<b>13 801 882</b>	<b>(145 466)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	31 826 698	-	31 826 698	33 204 718	(1 378 020)	4
Property rates - penalties	-	949 251	949 251	2 170 734	(1 221 483)	5
<b>Transfer revenue</b>						
Government grants and subsidies	155 459 000	16 214 000	171 673 000	158 275 352	13 397 648	6
Other	-	-	-	3 305 643	(3 305 643)	
Fines, penalties and forfeits	1 491 383	(1 043 983)	447 400	997 730	(550 330)	9
Gains on disposal of PPE	-	342 934	342 934	-	342 934	
<b>Total revenue from non-exchange transactions</b>	<b>188 777 081</b>	<b>16 462 202</b>	<b>205 239 283</b>	<b>197 954 176</b>	<b>7 285 106</b>	
<b>TOTAL REVENUE</b>	<b>230 879 443</b>	<b>(11 983 744)</b>	<b>218 895 699</b>	<b>211 756 059</b>	<b>7 139 640</b>	
<b>Expenditure</b>						
Employee related costs	54 927 923	1 232 974	56 160 897	50 499 161	5 661 736	10
Remuneration of councillors	10 559 799	163 287	10 723 086	10 754 630	(31 544)	
Depreciation and amortisation	20 344 225	-	20 344 225	22 143 213	(1 798 988)	7
Finance costs	377 389	100 000	477 389	1 239 187	(761 798)	11
Debt impairment	1 390 000	-	1 390 000	-	1 390 000	8
Electrification projects	-	-	-	1 737 377	(1 737 377)	
Operational costs	63 532 704	3 306 296	66 839 000	52 373 571	14 465 429	12
	151 132 040	4 802 557	155 934 597	138 747 139	17 187 458	
<b>Operating surplus</b>						
Loss on disposal of assets	-	-	-	-	-	
<b>Net Surplus</b>	<b>79 747 403</b>	<b>(16 786 301)</b>	<b>62 961 102</b>	<b>73 008 920</b>	<b>(10 047 818)</b>	

Actual amount on comparable basis presented in the Budget and Actual Comparative Statement

**Dr Nkosazana Dlamini-Zuma Municipality**

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**Statement of Comparison of Budget and Actual amounts**

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	Note 38 reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>Current Assets</b>	<b>101 673 735</b>	<b>12 535 478</b>	<b>114 209 213</b>	<b>93 372 128</b>	<b>(20 837 085)</b>	
VAT receivable				2 351 204	2 351 204	1
Receivables	20 868 889	27 339 769	48 208 658	2 184 808	(46 023 850)	2
Cash and cash equivalents	80 804 846	(14 804 291)	66 000 555	88 836 116	22 835 561	3
<b>Non-Current Assets</b>	<b>426 242 439</b>	<b>(46 058 036)</b>	<b>380 184 403</b>	<b>351 501 923</b>	<b>(28 682 480)</b>	
Investment property	4 120 000	15 944 000	20 064 000	20 064 000	-	
Property, plant and equipment	421 675 974	(61 622 665)	360 053 309	331 372 297	(28 681 012)	4
Intangible assets	446 465	(379 371)	67 094	65 626	(1 468)	5
<b>Total Assets</b>	<b>527 916 174</b>	<b>(33 522 558)</b>	<b>494 393 616</b>	<b>444 874 052</b>	<b>(49 519 564)</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>44 390 430</b>	<b>(8 211 981)</b>	<b>36 178 449</b>	<b>36 910 825</b>	<b>732 376</b>	
Borrowing	342 000	(342 000)	-	-	-	
Trade and other Payables	37 837 406	(1 718 957)	36 118 449	36 910 825	792 376	6
Provisions	6 211 024	(6 151 024)	60 000	-	(60 000)	
<b>Non Current Liabilities</b>	<b>6 252 000</b>	<b>8 886 000</b>	<b>15 138 000</b>	<b>16 289 680</b>	<b>1 151 680</b>	
Borrowing	342 000	(342 000)	-	-	-	
Provisions	5 910 000	9 228 000	15 138 000	16 289 680	1 151 680	
<b>Total Liabilities</b>	<b>50 642 430</b>	<b>674 019</b>	<b>51 316 449</b>	<b>53 200 505</b>	<b>1 884 056</b>	
<b>Net Assets</b>	<b>477 273 744</b>	<b>(34 196 577)</b>	<b>443 077 167</b>	<b>391 673 547</b>	<b>(51 403 620)</b>	
<b>TOTAL NET ASSETS</b>						
Housing Operating Account	7 078 328	(2 716 107)	4 362 221	4 260 997	(101 224)	
Accumulated surplus	470 195 414	(31 479 958)	438 715 456	413 906 053	(24 809 403)	
<b>Total Net Assets</b>	<b>477 273 742</b>	<b>(34 196 065)</b>	<b>443 077 677</b>	<b>418 167 050</b>	<b>(24 910 627)</b>	

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Statement of Comparison of Budget and Actual amounts

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	Note 38 reference
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Receipts</b>	<b>178 538 948</b>	<b>11 802 053</b>	<b>190 341 001</b>	<b>202 709 116</b>	<b>12 368 115</b>	
VAT refunds	-	-	-	9 403 835	9 403 835	
Cash receipts from ratepayers and consumers	23 079 948	8 088 053	31 168 001	26 964 438	(4 203 563)	
Cash receipts from grants	155 459 000	3 714 000	159 173 000	166 340 843	7 167 843	
<b>Payments</b>	<b>(150 754 651)</b>	<b>(20 150 243)</b>	<b>(170 904 894)</b>	<b>126 983 991</b>	<b>297 888 885</b>	
Cash payments to employees	-	-	-	49 816 607	49 816 607	
Cash payments to councillors	-	-	-	10 754 630	10 754 630	
Cash paid retentions	-	-	-	4 451 541	4 451 541	
Cash payments to suppliers for goods and services	(150 754 651)	(20 150 243)	(170 904 894)	61 961 212	232 866 106	
					-	
<b>Sub total</b>	<b>27 784 297</b>	<b>(8 348 190)</b>	<b>19 436 107</b>	<b>75 725 126</b>	<b>56 289 019</b>	
Interest received	6 063 540	931 558	6 995 098	7 039 433	44 335	
Interest paid	(377 389)	(100 000)	(477 389)	(1 239 187)	(761 798)	
<b>Net cash flows from operating activities</b>	<b>33 470 448</b>	<b>(7 516 632)</b>	<b>25 953 816</b>	<b>81 525 371</b>	<b>55 571 555</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(79 737 905)	(17 822 423)	(97 560 328)	(63 660 439)	33 899 889	
<b>Net cash flows from investing activities</b>	<b>(79 737 905)</b>	<b>(17 822 423)</b>	<b>(97 560 328)</b>	<b>(63 660 439)</b>	<b>33 899 889</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(342 015)	342 015	-	(751 924)	(751 924)	
	<b>(342 015)</b>	<b>342 015</b>	<b>-</b>	<b>(751 924)</b>	<b>(751 924)</b>	
Net increase in cash and cash equivalents	<b>(46 609 472)</b>	<b>(24 997 040)</b>	<b>(71 606 512)</b>	<b>17 113 008</b>	<b>88 719 520</b>	
Net cash and cash equivalents at the beginning of the period	<b>91 923 107</b>	<b>-</b>	<b>91 923 107</b>	<b>91 923 107</b>	<b>-</b>	
Net cash and cash equivalents at the end of the period	<b>45 313 635</b>	<b>(24 997 040)</b>	<b>20 316 595</b>	<b>109 036 115</b>	<b>88 719 520</b>	

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Accounting Policies

### 1. Presentation of annual financial statements

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

Assets, liabilities, revenues and expenses are not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management made estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Using available information and applying professional judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

#### Receivables

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

The provision for impairment of receivables exists due to the possibility that these debts will not be recovered. In assessing receivables for potential impairment debtors are assessed at individual level and on aggregate. Debtors with similar credit risk characteristics are collectively assessed for impairment.

#### Provisions

Management determines an estimate based on the information available.

#### Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets in accordance with Local Government Capital Asset Management Guideline of 2008. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

#### Effective interest rate

The municipality uses the ruling overdraft rate to discount future cash flows in the event of it being material.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Accounting Policies

### 1.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

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

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

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

Investment property is initially recognised at cost (transaction costs are included in the initial measurement).

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### 1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is depreciated on the straight line basis over expected useful lives to estimated residual value. Land is stated at cost and is not depreciated as it is deemed to have an indefinite useful life. The useful lives of items of property, plant and equipment have been assessed as follows:

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## Accounting Policies

Asset Class	Average useful life
Infrastructure:	
Streetlights	1 - 80 Years
Roads	1 - 50 Years
Pedestrian Footways	1 - 50 Years
Community Assets:	
Office buildings	1 - 30 Years
Cemeteries	1 - 30 Years
Community centres and halls	1 - 30 Years
Libraries	1 - 30 Years
Sports and related stadiums	1 - 30 Years
Golf courses	1 - 20 Years
Flood lighting	1 - 15 Years
Park homes	1 - 15 Years
Car wash	1 - 10 Years
Houses / hostels	1 - 30 Years
Taxi rank	1 - 15 Years
Other Assets:	
Office equipment	1 - 17 Years
Office machines	1 - 7 Years
Air conditioners	1 - 10 Years
Furniture and fittings	1 - 15 Years
Fire extinguishers	1 - 10 Years
Other firefighting equipment	1 - 15 Years
Computer equipment	1 - 13 Years
Security measures	1 - 20 Years
Train	1 - 30 Years
Engine	1 - 10 Years
Generator	1 - 10 Years
Boiler	1 - 10 Years
Loud hailer / Public Address System	1 - 10 Years
Fencing	1 - 20 Years
Motor vehicles:	
Truck and light delivery vehicles	1 - 7 Years
Mini-bus and delivery vehicles	1 - 7 Years
Tractors	1 - 7 Years
Fencing	1 - 5 Years
Plant and equipment	
Graders	1 - 20 Years
Lawn mowers	1 - 20 Years
Compressors	1 - 20 Years
Firearms	1 - 20 Years
Radio equipment	1 - 10 Years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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## Accounting Policies

### Assets under construction - Work in progress

Assets under construction are stated at historical cost . Depreciation only commences when the asset is available for use.

### Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### 1.6 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with fund conditions.

### 1.7 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably. The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

Item	Useful life
Computer software	3 - 12 Years

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in surplus or deficit when the asset is derecognised.

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## Accounting Policies

### 1.8 Financial instruments

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

A financial asset is cash, or a contractual right to receive cash or another financial asset from another entity or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition; or are held for trading.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:



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## Accounting Policies

### Type of Financial Asset

Receivables from non-exchange transactions  
Receivables from exchange transactions  
Cash and cash equivalents

### Classification in terms of GRAP 104

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

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

### Type of Financial Liability

Payables from exchange transactions  
Finance lease obligation  
External loan

### Classification in terms of GRAP 104

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

### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

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

### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

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

### Derecognition

#### Financial assets

The municipality derecognizes financial assets using trade date accounting. The entity derecognizes a financial asset only when:

• The contractual rights to the cash flows from the financial asset expire, are settled or waived;

#### Financial liabilities

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

### Presentation

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

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

# Dr Nkosazana Dlamini-Zuma Municipality

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## Accounting Policies

### 1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

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

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

Salaries, wages and social security contributions;

Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

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## Accounting Policies

Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### Defined contribution plans-KZN Joint Municipal Pension fund

The municipality has a defined contribution plan with Natal Joint Municipal Pension Fund .Payments to the defined contribution plan are charged as an expense as they fall due.

### Other employee benefits

The municipality provides long service awards to qualifying employees after the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

The present value of the defined benefit obligation at the reporting date;  
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

current service cost;

interest cost;

the expected return on any plan assets and on any reimbursement right recognised as an asset;

actuarial gains and losses, which shall all be recognised immediately;

past service cost, which shall all be recognised immediately; and

The effect of any curtailments or settlements.

## 1.11

### Provisions and contingencies

Provisions are recognised when:

the municipality has a present obligation as a result of a past event;

It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;

and, a reliable estimate can be made of the obligation.

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes and are reviewed at reporting date .

The municipality has an obligation to rehabilitate its landfill site in terms of its licence stipulations .The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation.

# Dr Nkosazana Dlamini-Zuma Municipality

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## Accounting Policies

<b>1.12</b>	<p><b>Revenue from exchange transactions</b></p> <p>Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.</p> <p>An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.</p> <p>Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</p> <p><b>Measurement</b></p> <p>Revenue is measured at the fair value of the consideration received or receivable..</p> <p><b>Rendering of services</b></p> <p>When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:</p> <ul style="list-style-type: none"><li>the amount of revenue can be measured reliably;</li><li>it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;</li><li>the stage of completion of the transaction at the reporting date can be measured reliably; and</li><li>the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.</li></ul> <p>When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.</p> <p>When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.</p> <p><b>Rentals</b></p> <p>Revenue arising from the use by others of entity assets yielding rentals is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably.</p> <p>Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the appropriate tariff. This includes the issuing of licences, permits and the sale of tender documents.</p>
<b>1.13</b>	<p><b>Service charges</b></p> <p>Waste removal is based on bin size and the number of collections. Waste removal services are billed on a monthly basis.</p>

# Dr Nkosazana Dlamini-Zuma Municipality

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## Accounting Policies

### 1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Transfers

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

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

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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## Accounting Policies

### Fines

Revenue from the issuing of traffic fines is recognised when it is probable that economic benefits associated with a transaction will flow to the municipality and can be measured reliably. Revenue from traffic fines is initially recognised at fair value and subsequently tested for impairment. The revenue from traffic fines is subject to judicial process which is beyond the municipality's control.

### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.15 Investment income

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

### 1.16 Unauthorised expenditure

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

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

### 1.17 Fruitless and wasteful expenditure

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

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

### 1.18 Irregular expenditure

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

### 1.19 Housing Operating Account

The Housing Operating Account 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.

# Dr Nkosazana Dlamini-Zuma Municipality

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## Accounting Policies

- 1.20 Conditional grants and receipts**  
Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has 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.
- 1.21 Events after reporting date**  
Events after reporting dates that are classified as adjusting events are accounted for in the annual financial statements. Events after reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.
- 1.22 Budget information**  
The annual budget is prepared on a basis which is consistent with the annual financial statements. The budget and actual amounts are included in a separate financial statement, Statement of Comparison of Budget and Actual amounts. Explanatory comments are provided in the notes to the financial statements giving reasons for variances from budget.
- 1.23 Related parties**  
Individuals as well as their close family members and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and /or operating decisions. Management is regarded as a related party and comprises the Councillors, the Mayor, the Executive Committee Members, the Municipal Manager, the Chief Financial Officer and all managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
- 1.24 Commitments**  
Commitments are future expenditure items of both an operating and capital nature; in respect of which the Municipality has committed funds which on execution will result in an outflow of resources embodying economic benefits. Commitments are neither recognised in the Statement of Financial Position as liabilities nor recognised in the Statement of Financial Performance as expenditure but are disclosed as future commitments in the notes to the annual financial statements. Commitments are disclosed in respect of:  
approved and contracted commitments, where expenditure has been approved and contracts have been awarded at reporting date, where the disclosure is required by the specific standard of GRAP.  
Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.  
Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the annual financial statements.
- 1.25 Value added tax**  
The municipality accounts for Value Added Tax on a payment basis for purchases and receipts basis for revenue.
- 1.26 Merger**  
The municipality recognised all the assets acquired and liabilities assumed in the 10 August 2016 merger. The assets acquired and liabilities assumed are initially measured at their carrying amounts. Assets and liabilities assumed are subsequently adjusted to conform to the municipality's own accounting policies.
- 1.27 Implementation of mSCOA**  
The municipality has implemented National Treasury's Municipal Standard Chart of Accounts. The new chart is designed to enhance comparability between municipalities and therefore results in information disclosed being more understandable, relevant, reliable and comparable. Due to the implementation of the new chart, certain comparative figures needed restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.
- 1.28 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. A heritage asset shall be recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. The municipality subsequently measures heritage assets using the cost model, cost less accumulated impairment losses.

## Dr Nkosazana Dlamini-Zuma Municipality

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### Accounting Policies

#### 1. Presentation of annual financial statements

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

**Standards issued but not yet effective as the finance Minister has not determined the date.**

Standard	Description	Effective Date	Expected Impact
GRAP 20	Related Party Disclosures	Date not determined	Minimal impact.
GRAP 32	Service Concession Arrangements: Grantor	Date not determined	Not applicable
GRAP 34	Separate Financial Statements	Date not determined	Not applicable
GRAP 35	Consolidated Financial Statements	Date not determined	Not applicable
GRAP 36	Investments in Associates and Joint Ventures	Date not determined	Not applicable
GRAP 37	Joint Arrangements	Date not determined	Not applicable
GRAP 38	Disclosure of Interests in Other Entities	Date not determined	Not applicable
GRAP 108	Statutory Receivables	Date not determined	Minimal impact
GRAP 110	Living and Non-living Resources	Date not determined	Minimal impact
IGRAP 17	Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	Date not determined	Not applicable
IGRAP 18	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.	Date not determined	Minimal impact
IGRAP 19	Liabilities to Pay Levies	Date not determined	Minimal impact



## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the annual financial statements

	2018	Restated 2017
	R	R
<b>2 Vat receivable</b>		
Vat receivable	<u>2 351 204</u>	<u>3 468 902</u>
Vat represents net input tax receivable from the South African Revenue Services		
<b>3 Receivables</b>		
<b>Receivables from non-exchange transactions</b>		
<i>Gross balances</i>		
Rates	43 356 417	29 401 259
Traffic fines	916 056	2 260 384
Suppliers deposits	230 540	204 267
Other receivables	1 035 532	710 689
	<u>45 538 545</u>	<u>32 576 599</u>
<b>Bad debts written off</b>	2 883 123	-
<b>Less: Allowance for impairment</b>	(21 866 164)	(27 258 523)
<b>Net balances for receivables</b>	<u>26 555 503</u>	<u>5 318 076</u>
<b>Receivables from exchange transactions</b>		
<i>Gross balances</i>		
Refuse	4 508 475	4 217 723
Rental	412 591	297 960
VAT on amounts receivable	710 300	320 357
Sundry debtors	627 130	335 076
	<u>6 258 496</u>	<u>5 171 116</u>
<b>Bad debts written off</b>	-	-
<b>Less: Allowance for impairment</b>	(4 073 688)	(1 792 621)
<b>Net balances for receivables</b>	<u>2 184 808</u>	<u>3 378 495</u>
There were no receivables from non-exchange transactions that were pledged as security. The age analysis of various categories of debtors are detailed below:		
<b>Rates</b>		
Current (0 - 30 days)	2 195 448	886 488
31 - 60 days	2 052 324	606 684
61 - 90 days	1 694 455	884 159
> 121 days	37 414 190	27 368 426
	<u>43 356 417</u>	<u>29 745 756</u>

**Dr Nkosazana Dlamini-Zuma Municipality**

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

**Notes to the annual financial statements**

	2018	Restated 2017
	R	R
<b>Refuse</b>		
Current (0 - 30 days)	286 867	268 537
31 - 60 days	209 461	53 763
61 - 90 days	167 657	143 723
91 - 120 days	149 678	112 625
> 121 days	4 368 553	3 811 545
	<b>5 182 216</b>	<b>4 390 192</b>
<b>Rental</b>		
Current (0 - 30 days)	13 148	15 731
31 - 60 days	15 535	18 118
61 - 90 days	15 535	18 118
91 - 120 days	15 535	18 118
> 121 days	361 890	186 205
	<b>421 643</b>	<b>256 290</b>
<b>Sundry debtors</b>		
Current (0 - 30 days)	<b>41 168</b>	<b>265 342</b>
<b>Summary of key debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 - 30 days)	793 713	1 421 193
31 - 60 days	677 808	261 479
61 - 90 days	437 505	411 334
91 - 120 days	386 874	202 376
121 - 365 days	12 678 401	5 851 072
	<b>14 974 301</b>	<b>8 147 454</b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	503 005	(29 585)
31 - 60 days	382 242	97 771
61 - 90 days	292 055	128 133
91 - 120 days	270 603	55 926
121 - 365 days	7 815 698	2 995 614
	<b>9 263 603</b>	<b>3 247 859</b>
<b>National and Provincial Government</b>		
Current (0 - 30 days)	419 912	(34 206)
31 - 60 days	606 925	104 103
61 - 90 days	594 346	148 628
91 - 120 days	589 439	100 085
121 - 365 days	10 260 241	8 600 224
	<b>12 470 863</b>	<b>8 918 834</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the period	(29 051 144)	-
Transfer to municipality	-	(24 864 491)
Bad debt written off	2 883 123	-
(Contribution to the impairment) / reversal of impairment	3 111 292	(4 186 653)
	<b>(23 056 729)</b>	<b>(29 051 144)</b>

Provision for impairment is based on the payment record of debtors. No provision is made on state debtors.

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the financial statements

	2018	2017
	R	R
<b>4 Cash and cash equivalents</b>		
Bank balances	3 713 121	7 091 703
Short-term deposits	85 121 616	84 828 796
	<b>88 834 737</b>	<b>91 920 499</b>
Cash on hand	1 379	2 608
	<b>88 836 116</b>	<b>91 923 107</b>

Cash and cash equivalents held by the entity that are available for use .

For the purpose of statement of financial position and the cash flow statement, cash and cash equivalents includes cash on hand and cash at bank net of outstanding overdraft.

The municipality does not have overdrawn current account facilities with its banker and therefore does not incur overdrawn current account . Interest is earned at different rates per annum on favourable balances.

#### The Municipality has the following bank accounts:

	Cashbook balances 30 June 2018	Bank statement balances 30 June 2018	Cashbook balances 30 June 2017	Bank statement balances 30 June 2017
FNB Money market-62008452071	26 775 099	26 775 099	18 653 978	18 653 978
Investec bank - 1100540834-450	20 011 852	20 011 852	-	-
Investment Nedbank - 03/7881098635/000020	12 318 160	12 318 160	11 636 662	11 636 662
Nedbank - 03/7881098635/000018	11 776 040	11 776 040	11 124 534	11 124 534
Housing Operating Account -62544297436	5 365 119	5 365 119	5 185 121	5 185 121
Housing operating acc-62544294987	3 950 907	3 950 907	3 594 495	3 594 495
FNB business call account - 62235619197	2 836 105	2 836 105	2 696 018	2 696 018
FNB - Primary Bank account - 62026224999	2 245 247	2 245 247	6 915 888	6 915 888
FNB - Primary Bank account - 52551036969	1 164 344	1 164 344	95 541	95 541
FNB 32 day -74165605518	790 699	790 699	754 378	754 378
Nedcor term investment - 9010975386	661 417	661 417	621 979	621 979
Investec Bank - 442026-501	449 361	449 361	19 011 498	19 011 498
FNB - Salaries bank account - 62051076688	303 529	303 529	80 274	80 274
FNB commercial nstd call(bcsc) - 62550105011	99 171	99 171	7 912 097	7 912 097
Std old joint water scheme - 52070336	87 686	87 686	78 073	78 073
FNB DBSA - 62116486087	-	-	615 502	615 502
FNB CR Reserve - 62090279029	-	-	903 852	903 852
Investec Bank - 125677	-	-	254 944	254 944
FNB Planning - 62192429928	-	-	219 169	219 169
Std bank investment - 458459445-002	-	-	11 321	11 321
FNB Global inform system FNB - 62134476672	-	-	376 383	376 383
FNB Anti-corruption - 62088816677	-	-	215 695	215 695
Stanlib - 551130458	-	-	625 805	625 805
FNB Mig - 62195706208	-	-	337 290	337 290
	<b>88 834 737</b>	<b>88 834 737</b>	<b>91 920 499</b>	<b>91 920 499</b>

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the financial statements

	2018			2017		
	R			R		
<b>5 Investment property</b>						
	<b>Cost /</b>	<b>2018</b>		<b>2017</b>		
	<b>Valuation</b>	<b>Additions/Fair</b>	<b>Carrying Value</b>	<b>Additions/Fair</b>	<b>Carrying Value</b>	
		<b>value</b>		<b>value</b>		
		<b>adjustments</b>		<b>adjustments</b>		
Investment property	20 064 000	-	20 064 000	15 235 000	4 829 000	20 064 000

#### Reconciliation of investment property - 30 June 2018

	Opening	Transfer to	Additions/Fair	Disposals	Total
	balance	Municipality	value		
			adjustments		
Investment property	20 064 000	-	-	-	20 064 000

#### Reconciliation of investment property - 30 June 2017

	Opening	Transfer to	Additions/Fair	Disposals	Total
	balance	Municipality	value		
			adjustments		
Investment property	-	15 235 000	4 829 000	-	20 064 000

#### Pledged as security:

No investment property is pledged as security.

Investment property consists of land held for an undeterminable future use and land and buildings held to earn rentals.

#### Details of valuation

Investment property mainly vacant stands and land and buildings are stated at fair values, which have been determined based on valuations by an independent valuer who is registered as a Professional Valuer in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer. The valuation was arrived at by reference to the comparable sales approach. The valuation was performed as of 30 June 2018

### 6 Property, plant and equipment

	2018			2017		
	Cost /	Accumulated	Carrying Value	Cost /	Accumulated	Carrying Value
	Valuation	depreciation		Valuation	depreciation	
		and			and	
		accumulated			accumulated	
		impairment			impairment	
Infrastructure	135 408 407	(19 120 220)	116 288 186	106 120 475	(8 317 834)	97 802 641
Community Assets	156 773 351	(11 199 183)	145 574 168	127 146 127	(5 064 551)	122 081 576
Library buildings	1 337 115	(141 175)	1 195 940	2 171 674	(66 605)	2 105 069
Machinery and Equipment	9 261 489	(1 339 077)	7 922 413	9 030 900	(527 506)	8 503 394
Transport	25 214 895	(3 925 357)	21 289 538	29 335 578	(1 515 741)	27 819 836
Furniture and Office Equipment	2 044 064	(646 465)	1 397 599	2 098 670	(418 895)	1 679 774
Leased Assets	1 915 529	(790 434)	1 125 095	995 355	(309 409)	685 946
Computer equipment	1 848 750	(677 395)	1 171 354	1 257 033	(265 142)	991 891
Other assets	36 521 895	(1 113 894)	35 408 001	29 034 388	(489 735)	28 544 653
	<b>370 325 495</b>	<b>(38 953 201)</b>	<b>331 372 294</b>	<b>307 190 200</b>	<b>(16 975 419)</b>	<b>290 214 780</b>

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the Financial statements

#### 6 Property, plant and equipment (cont.)

##### Reconciliation of property, plant and equipment - 30 June 2018

	Repairs and maintenance	Previously reported balance	correction of error	Opening balance (restated)	Demarcation transfers	Additions	Disposals / Write offs	Work in progress	Depreciation and impairments	Total
	R	R	R	R	R	R	R	R	R	R
Infrastructure	1 012 933	98 637 047	(253 905)	98 383 143	-	17 032 885	-	11 659 852	(10 787 693)	116 288 186
Community Assets	3 787 282	137 151 598	(219 123)	136 932 474	-	23 502 050	-	(8 726 372)	(6 133 985)	145 574 168
Library buildings	657 136	1 270 662	-	1 270 662	-	-	-	-	(74 722)	1 195 940
Machinery and Equipment	227 068	8 503 394	-	8 503 394	-	128 292	-	102 298	(811 571)	7 922 413
Transport	1 178 138	12 749 815	-	12 749 815	-	10 949 339	-	-	(2 409 615)	21 289 538
Furniture and Office Equipment	-	1 679 774	(150 465)	1 529 309	-	246 324	-	-	(378 035)	1 397 599
Leased Assets	-	685 946	-	685 946	-	920 173	-	-	(481 025)	1 125 095
Computer equipment	-	991 891	-	991 891	-	591 716	-	-	(412 253)	1 171 354
Other assets	266 931	28 544 653	1 500	28 546 153	-	13 679 210	-	(6 193 203)	(624 159)	35 408 001
	<b>7 129 487</b>	<b>290 214 780</b>	<b>(621 993)</b>	<b>289 592 788</b>	<b>-</b>	<b>67 049 989</b>	<b>-</b>	<b>(3 157 425)</b>	<b>(22 113 058)</b>	<b>331 372 296</b>

##### Analysis of work in progress - 30 June 2018

	Demarcation transfers	Additions	Disposals / Write offs	Work in progress	Depreciation and impairments	Total
Infrastructure Assets	834 324	-	834 324	28 692 737	(17 032 885)	12 494 177
Community Assets	15 070 022	(213 516)	14 856 506	14 134 989	(22 861 361)	6 130 134
Machinery and Equipment	-	-	-	102 298	-	102 298
Other assets	6 209 703	(16 500)	6 193 203	7 339 970	(13 533 173)	-
	<b>22 114 050</b>	<b>(230 016)</b>	<b>21 884 034</b>	<b>50 269 994</b>	<b>(53 427 418)</b>	<b>18 726 609</b>

Reconciliation of property, plant and equipment - 30 June 2017

	Repairs and maintenance	Previously reported balance	correction of error	Transfers to municipality	Demarcation transfers	Additions	Disposals / Write offs	Work in progress	Depreciation and impairments	Total
	R	R	R	R	R	R	R	R	R	R
Infrastructure	213 667	-	-	84 766 065	-	(498 778)	34 758 764	(12 056 477)	(8 332 527)	98 637 047
Community Assets	350 065	-	-	131 941 271	-	(5 082 839)	21 691 058	(6 332 694)	(5 065 198)	137 151 598
Library buildings	2 194 891	-	-	1 337 115	-	-	-	-	(66 453)	1 270 662
Machinery and Equipment	108 087	-	-	7 597 183	(24 243)	-	1 900 325	(442 364)	(527 506)	8 503 394
Transport	1 096 336	-	-	12 588 062	(961 823)	-	2 639 317	-	(1 515 741)	12 749 815
Furniture and Office Equipment	-	-	-	1 645 195	(27 965)	-	330 975	-	(268 430)	1 679 774
Leased Assets	-	-	-	995 355	-	-	-	-	(309 409)	685 946
Computer equipment	-	-	-	968 962	(66 506)	-	354 577	-	(265 142)	991 891
Other assets	-	-	-	22 495 264	-	-	345 921	6 193 203	(489 735)	28 544 653
	<b>3 963 046</b>	<b>-</b>	<b>-</b>	<b>264 334 473</b>	<b>(1 080 538)</b>	<b>(5 581 617)</b>	<b>62 020 937</b>	<b>(12 638 332)</b>	<b>(16 840 143)</b>	<b>290 214 780</b>

Analysis of work in progress - 30 June 2017

	Transfers to municipality	Additions	Disposals / Write offs	Transfers	Adjustment to remaining useful lives	impairments	Total
Infrastructure Assets	12 890 802	22 662 767	-	(34 719 244)	-	-	834 324
Community Assets	21 402 715	15 358 364	-	(21 691 058)	-	-	15 070 022
Machinery and Equipment	442 364	361 919	-	(804 283)	-	-	0
Other assets	16 500	6 193 203	-	-	-	-	6 209 703
	<b>34 752 381</b>	<b>44 576 253</b>	<b>-</b>	<b>(57 214 585)</b>	<b>-</b>	<b>-</b>	<b>22 114 050</b>

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

### 7 Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and impairment	Carrying Value
Computer software	172 465	(106 839)	65 626	172 465	(76 686)	95 780

#### Reconciliation of intangible assets - 30 June 2018

	Opening balance	Transfer to municipality	Additions	Amortisation	Impairment loss	Carrying value
Computer software	95 780	-	-	(30 154)	-	65 626

#### Reconciliation of intangible assets - 30 June 2017

	Opening balance	Transfer to municipality	Additions	Amortisation	Impairment loss	Carrying value
Computer software	-	172 465	-	(76 686)	-	95 780

#### Restricted title:

All computer software are issued under licence and are restricted to the condition under which each licence is issued.

### 8 Finance lease obligation

	2018	2017
Minimum lease payments due		
- Within one year	528 504	705 979
- In second to fifth year inclusive	521 733	74 824
	1 050 237	780 802
Less: Future finance charges	(241 953)	(140 768)
<b>Present value of minimum lease payments</b>	<b>808 284</b>	<b>640 034</b>
<b>Present value of minimum lease payments due:</b>		
- Within one year	357 281	566 593
- In second to fifth year inclusive	451 002	73 441
	<b>808 284</b>	<b>640 034</b>
Non-current liabilities	451 002	73 441
Current liabilities	357 281	566 593
	<b>808 284</b>	<b>640 034</b>

The average lease term is 5 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate is 9%, which is subject to a 7.5% - 15% escalation per annum. The leases have fixed repayment terms. The agreements do not provide for contingent rental payments.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
<b>9 Payables from exchange transactions</b>		
Trade payables	4 872 555	11 569 619
Retention creditors - contracts	7 612 911	6 555 322
Staff leave accrual	3 768 442	4 077 390
13th cheque provision	1 371 519	1 195 187
Sundry payables	5 523 345	4 534 319
	<b>23 148 772</b>	<b>27 931 836</b>
<b>10 Unspent conditional grants</b>		
Municipal Demarcation Transition Grant	7 040 390	2 529 507
Department of Human Settlements grant	5 185 121	5 185 121
GIS grant	292 621	292 621
Work study exercise	244 500	700 000
Anti-corruption grant	171 343	171 343
Consolidation & migration of records	19 796	200 000
Municipal Infrastructure Grant	-	-
Financial Management Grant	-	-
Expended Public Works Programme	-	-
Department of Minerals and Energy - Electrification Grant	-	8 424 092
Arts & culture - library grant	-	569 020
PMS grant	-	48 364
Promulgation of municipal by-laws	-	200 000
Bulwer community service centre	-	6 768 237
	<b>12 953 770</b>	<b>25 088 305</b>
<b>Movement during the period</b>		
Balance at the beginning of the period	25 088 305	-
Transfer to municipality	-	23 572 965
Portion of rollover not approved	(2 224 092)	-
Additions during the period	70 432 000	57 236 589
Income recognised during the period	(80 342 442)	(55 721 250)
<b>Balance as at 30 June 2017</b>	<b>12 953 770</b>	<b>25 088 305</b>
<b>Conditional grants reconciliation</b>		
<b>Anti Corruption Grant</b>		
Balance at the beginning of the period	171 343	-
Transfer to municipality	-	171 343
Additions during the period	-	-
Income recognised during the period	-	-
	<b>171 343</b>	<b>171 343</b>
This grant is to fund anti-corruption activities. Unspent portion included in current liabilities.		
<b>Financial Management Grant</b>		
Balance at the beginning of the period	-	-
Transfer to municipality	-	-
Additions during the period	3 800 000	3 650 000
Income recognised during the period	(3 800 000)	(3 650 000)
	<b>-</b>	<b>-</b>
This grant is used to finance sound financial management and to pay salaries for the interns. Conditions of the grants have been met.		
<b>Department of Sports and Recreation (Kilmon and Nkwezela)</b>		
Balance at the beginning of the period	-	-
Transfer to municipality	-	93 049
Additions during the period	-	-
Income recognised during the period	-	(93 049)
	<b>-</b>	<b>-</b>
This grant was used to subsidise the cost of running sports fields. Unspent portion included in current liabilities.		



## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the Financial statements

	2018	2017
	R	R
<b>Expanded Public Works Programme</b>		
Balance at the beginning of the period	-	-
Transfer to municipality	-	-
Additions during the period	1 877 000	2 191 000
Income recognised during the period	(1 877 000)	(2 191 000)
	<u>-</u>	<u>-</u>
<p>The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes. Unspent portion included in current liabilities.</p>		
<b>KZN Department of Arts and Culture - Librarian subsidy</b>		
Balance at the beginning of the period	569 020	-
Transfer to municipality	-	144 317
Additions during the period	2 409 000	2 294 000
Income recognised during the period	(2 978 020)	(1 869 296)
	<u>-</u>	<u>569 020</u>
<p>This grant was used to subsidise the cost of running the library. Unspent portion included in current liabilities.</p>		
<b>Municipal Infrastructure Grant</b>		
Balance at the beginning of the period	-	-
Transfer to municipality	-	1 300 003
Additions during the period	40 066 000	29 513 000
Income recognised during the period	(40 066 000)	(30 813 003)
	<u>-</u>	<u>-</u>
<p>This grant was used to subsidise the cost of building infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.</p>		
<b>Department of Minerals and Energy - Electrification Grant</b>		
Balance at the beginning of the period	8 424 092	-
Transfer to municipality	-	-
Portion of rollover not approved	(2 224 092)	-
Amounts received during the period from principle	14 000 000	12 000 000
Amount utilised in accordance with the binding arrangement	(20 200 000)	(3 575 908)
	<u>-</u>	<u>8 424 092</u>
<p>The municipality receives funding from INEP to fund the electrification of the areas within the municipal demarcation on</p>		
<b>Demarcation Transition Grant</b>		
Balance at the beginning of the period	2 529 507	-
Transfer to municipality	-	3 363 859
Additions during the period	8 280 000	5 828 000
Income recognised during the period	(3 769 117)	(6 662 352)
	<u>7 040 390</u>	<u>2 529 507</u>
<p>This grant to be used to finance the transition process on the amalgamation of Ingwe and KwaSani Municipalities to form the Dr Nkosazana Dlamini-Zuma Municipality. Unspent portion included in current liabilities.</p>		
<b>GIS Grant</b>		
Balance at the beginning of the period	292 621	-
Transfer to municipality	-	292 621
Additions during the period	-	-
Income recognised during the period	-	-
	<u>292 621</u>	<u>292 621</u>
<p>This grant to be used to finance key obstacles to the successful implementation of Geographical Information System</p>		
<b>PMS Grant</b>		
Balance at the beginning of the period	48 364	-
Transfer to municipality	-	48 364
Additions during the period	-	-
Income recognised during the period	(48 364)	-
	<u>-</u>	<u>48 364</u>

This grant to be used to finance the implementation of the performance management system

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018 R	2017 R
<b>Bulwer Community Service Centre</b>		
Balance at the beginning of the period	6 768 237	-
Transfer to municipality	-	13 234 879
Additions during the period	-	-
Income recognised during the period	(6 768 237)	(6 466 642)
	<u>-</u>	<u>6 768 237</u>

This grant to be used to finance the construction of the Bulwer Community Services Centre

<b>Department of Human Settlements grant</b>		
Balance at the beginning of the period	5 185 120	-
Transfer to municipality	-	-
Additions during the period	-	4 924 531
Interest capitalised	-	260 589
	<u>5 185 120</u>	<u>5 185 120</u>

This grant is to be used in the implementation of the Department of Housing projects, previously the grant was classified as payables from non exchange in the KwaSani Municipality on the 9 August 2016.

### CONSOLIDATION & MIGRATION OF RECORDS

Balance at the beginning of the period	200 000	-
Transfer to municipality	-	-
Additions during the period	-	200 000
Income recognised during the period	(180 204)	-
	<u>19 796</u>	<u>200 000</u>

This grant to be used to finance the consolidation and migration of records from the former municipalities

### DEVELOPMENT OF 4TH GENERATION IDP

Balance at the beginning of the period	-	-
Transfer to municipality	-	-
Additions during the period	-	400 000
Income recognised during the period	-	(400 000)
	<u>-</u>	<u>-</u>

This grant to be used to finance Development of the Integrated development plan that will provide the municipality with a blue print.

### PROMULGATION OF MUNICIPAL BY-LAWS

Balance at the beginning of the period	200 000	-
Transfer to municipality	-	-
Additions during the period	-	200 000
Income recognised during the period	(200 000)	-
	<u>-</u>	<u>200 000</u>

This grant to be used to finance the promulgation of municipal by-laws.

### WORK STUDY EXERCISE

Balance at the beginning of the period	700 000	-
Transfer to municipality	-	-
Additions during the period	-	700 000
Income recognised during the period	(455 500)	-
	<u>244 500</u>	<u>700 000</u>

This grant to be used to finance the work study exercise to be performed by the municipality

## 11 Provisions

	Transferred to Municipality post adjustments	Contributions to provision	Closing balance
<b>11 Reconciliation Provision for landfill site rehabilitation - 30 June 2018</b>			
Environmental rehabilitation - landfill site	<u>(8 042 840)</u>	<u>(491 840)</u>	<u>(8 534 680)</u>
<b>30 June 2017</b>			
Environmental rehabilitation - landfill site	<u>(7 559 771)</u>	<u>(483 070)</u>	<u>(8 042 840)</u>

The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites. The municipality operates two landfill sites, one at Creighton and the other at Bulwer. Both these landfill sites are relatively new each with a 10 year licence issued on the 15 of September 2015 and the 26 of October 2015 respectively. Taking into account the estimated landfill site capacity the average refuse disposal per month on each landfill site; in addition to the fact that each of them has their respective licences valid till the second-half of 2025. The provision made represents the present value of estimated future rehabilitation costs for these relatively new landfill sites.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017																																																																																										
	R	R																																																																																										
<b>11 Long service awards obligation</b>																																																																																												
Balance at the beginning of the period	2 124 000	-																																																																																										
Transferred to Municipality		1 115 942																																																																																										
Current service cost	221 000	246 000																																																																																										
Interest cost	246 000	221 000																																																																																										
Benefits paid	(42 000)	(174 028)																																																																																										
Actuarial gains and losses	(60 000)	715 086																																																																																										
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Current liabilities	-	60 000																																																																																										
Non current liabilities	2 489 000	2 064 000																																																																																										
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<p>The municipality offers certain employees leave awards that may be exchanged for cash on certain anniversaries of commencing service determined by the length of service.</p> <p>The most recent actuarial valuation of plan assets of long service awards and the present value of the defined benefit obligation were carried out at 30 June 2018 by a fellow of the Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p><b>The principal assumptions used for the purpose of actuarial valuations are as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Discount rate</td> <td style="width: 20%; text-align: center;">Yield Curve</td> <td style="width: 20%; text-align: center;">Yield Curve</td> </tr> <tr> <td></td> <td style="text-align: center;">Difference between</td> <td style="text-align: center;">Difference between</td> </tr> <tr> <td></td> <td style="text-align: center;">nominal and real yield</td> <td style="text-align: center;">nominal and real yield</td> </tr> <tr> <td></td> <td style="text-align: center;">curves</td> <td style="text-align: center;">curves</td> </tr> <tr> <td>Consumer Price Index (CPI)</td> <td style="text-align: center;">CPI +1%</td> <td style="text-align: center;">CPI +1%</td> </tr> <tr> <td>Normal salary increase rate</td> <td style="text-align: center;">Yield curve based</td> <td style="text-align: center;">Yield curve based</td> </tr> <tr> <td>Net effective discount rate</td> <td></td> <td></td> </tr> </table> <p><b>The amount recognised in the Statement of Financial Position is as follows:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Present value of unfunded obligations</td> <td style="width: 20%; 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# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018 R	2017 R
<p>The municipality provides certain post-retirement health care benefits liability by funding the medical aid contribution of qualifying retired members of the municipality . According to the rules of the Medical Aid Funds , with which the municipality is associated , a member (who is on the current Conditions of service ) is entitled to remain a continued member of such medical aid fund on retirement , in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operate an unfunded defined benefit plan for these qualifying employees.</p>		
<p>The most recent actuarial valuations of plan assets and present value of the unfunded defined benefit obligation were carried out at 30 June 2017 by a fellow of the Faculty of Actuaries and Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation , and the related current service costs and past service costs were measured using the Projected Unit Credit Method.</p>		
<p><b>The members of the post-employment benefit plan are made up as follows:</b></p>		
Pensioners	1	0
In-service members	86	88
<p><b>The liability in respect of past service has been estimated as follows:</b></p>		
In-service members	5 328 000	4 856 000
<p><b>The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</b> Key Health, Samwumed and LA Health.</p>		
<p><b>11 Post retirement health care benefits obligations (cont.)</b></p>		
<p><b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b></p>		
Discount rate	Yield Curve	Yield Curve
Expected inflation	Difference between nominal and real yield curves	Difference between nominal and real yield curves
Health care cost inflation	CPI +1,5%	CPI +1,5%
Net discount rate	Relationship between discount rate and health care inflation rate	Relationship between discount rate and health care inflation rate
<p><b>The amount recognised in the statement of financial position is as follows:</b></p>		
Present value of unfunded obligations	5 328 000	4 856 000
<p><b>The amount recognised in the statement of financial performance is as follows:</b></p>		
Actuarial losses / (gains)	(231 000)	2 484 000
<b>Total included in employee related costs</b>	<b>(231 000)</b>	<b>2 484 000</b>
<p><b>Movements in the present value of the defined benefit obligation were as follows:</b></p>		
Balance at the beginning of the period / year	4 856 000	-
Transferred to the municipality	-	2 010 000
Current service cost	277 000	149 000
Interest cost	505 000	213 000
medical contributions subsidies for continuation pensioners	(79 000)	-
Actuarial gains and losses	(231 000)	2 484 000
	<b>5 328 000</b>	<b>4 856 000</b>
Current liabilities	62 000	-
Non current liabilities	5 266 000	4 856 000
	<b>5 328 000</b>	<b>4 856 000</b>
<p><b>12 Housing operating account</b></p>		
<p><b>Movement in the current period / year:</b></p>		
Opening balance	3 593 013	-
Transfer to Municipality	-	3 411 463
Add: Interest received and further advances	667 983	181 550
Closing balance	<b>4 260 997</b>	<b>3 593 013</b>
<p>The Housing Operating Account is represented by cash and cash equivalents</p>		
	<b>4 260 997</b>	<b>3 593 013</b>

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

		2018 R	2017 R
<b>13 Revenue</b>			
Revenue comprises revenue from exchange and non-exchange transactions as follows:			
<b>13.1 Revenue from exchange transactions</b>			
Service charges	14	3 127 388	2 587 820
Rental of facilities and equipment		1 201 961	675 973
Other income	15	1 110 797	1 010 835
Interest received	16	7 160 369	5 206 983
		<u>12 600 516</u>	<u>9 481 611</u>
<b>13.2 Revenue from non - exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	17	33 204 718	18 345 342
Property rates - penalties imposed	17	2 170 734	1 546 800
<b>Transfer revenue</b>			
Government grants and subsidies	18	158 275 352	131 304 507
Traffic fines	20	997 730	472 850
		<u>194 648 533</u>	<u>151 669 499</u>
<b>14 Service charges</b>			
Refuse removal		<u>3 127 388</u>	<u>2 587 820</u>
<b>15 Other income</b>			
Sale of Goods		382 251	841 674
adjustment to leave provision		308 947	-
actuarial gain on provision valuations		273 000	-
Building Plan Approval		81 046	128 048
Pound Fees		40 014	27 191
Insurance Refund		12 960	-
Clearance Certificates		6 536	10 904
Photocopies and Faxes		4 294	1 915
Cemetery and Burial		1 335	1 103
Scrap, Waste & Other Goods		414	-
		<u>1 110 797</u>	<u>1 010 835</u>
<b>16 Interest received</b>			
Investment revenue		7 160 369	5 206 983
Interest charged on trade and other receivables		-	-
		<u>7 160 369</u>	<u>5 206 983</u>
<b>17 Property rates</b>			
Residential		6 739 768	6 339 169
Residential (Residential Small Holding)		675 185	-
Commercial		7 000 487	2 964 827
Agriculture		7 399 788	3 618 710
State		10 206 381	3 984 806
PSI		26 864	33 967
Tourism & hospitality		-	1 378 245
Other properties		-	25 617
Vacant		1 156 246	-
<b>Subtotal</b>		<u>33 204 718</u>	<u>18 345 342</u>
Property rates - penalties imposed		2 170 734	1 546 800
		<u>35 375 451</u>	<u>19 892 142</u>
<b>Valuations</b>			
Agricultural land		3 197 489 000	2 504 955 299
Residential		734 973 000	700 510 000

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
State owned properties	729 024 000	753 646 000
Tourism and Hospitality (Rural)	382 484 000	382 152 000
Business and Commercial	334 429 000	213 945 000
Public Benefits organisation	104 426 000	270 869 000
Vacant Land	104 351 000	6 674 000
Municipal	73 619 000	49 783 000
Residential (Residential Small Holding)	71 275 000	90 036 000
Tourism and Hospitality (Urban)	41 716 000	29 460 000
PSI	6 616 000	26 414 000
Other	-	12 425 000
Business Small Holdings	-	9 640 000
	<b>5 780 402 000</b>	<b>5 050 509 299</b>

Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation came into effect on 1 July 2013. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc.

### 18 Government grants and subsidies

#### Operating grants

Development plan and shared service grant	-	400 000
Equitable share	95 908 843	78 574 000
Financial management grant	3 800 000	3 650 000
Demarcation transition grant	3 769 118	6 662 352
Community library services grant	2 978 020	1 869 296
Expanded public works programmes	1 877 000	2 191 000
PMS grant	48 364	-
Community sport grant	-	93 049
Consolidation & migration of records	180 178	-
Integrated national electrical programme	2 224 092	-
Promulgation of mun by-law	200 000	-
Exercise work study	455 500	-
	<b>111 441 115</b>	<b>93 439 697</b>

#### Capital grants

Bulwer community service centre	6 768 237	7 051 806
Municipal infrastructure grant	40 066 000	30 813 003
	<b>46 834 237</b>	<b>37 864 810</b>
	<b>158 275 352</b>	<b>131 304 507</b>

### 20 Traffic fines

Traffic fines	<b>997 730</b>	<b>472 850</b>
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### 21 Employee related costs

Salaries and wages	37 068 530	35 355 534
Bonus paid and bonus provision	2 617 644	1 217 862
Contribution to medical aid schemes, pension funds, UIF and SDL	7 331 018	6 500 326
Leave pay and provision charge	1 460 233	992 381
Travel and car allowances	657 272	448 186
Overtime payments	1 127 494	900 938
Housing benefits and other employee related costs	236 969	154 512
	<b>50 499 161</b>	<b>45 569 738</b>

#### Remuneration of the Municipal Manager

Annual remuneration	978 560	636 946
Travel, housing and other allowances	252 000	210 000
Contribution to medical aid, pension fund and UIF	171 104	150 807
	<b>1 401 663</b>	<b>997 753</b>

#### Remuneration of the Chief Financial Officer

Annual remuneration	885 342	586 432
Travel, housing and other allowances	189 870	252 389
Contribution to medical aid, pension fund and UIF	33 528	26 928
	<b>1 108 740</b>	<b>865 749</b>

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018 R	2017 R
<b>Remuneration of the IPD Manager</b>		
Annual remuneration	702 077	663 550
Travel, housing and other allowances	135 450	171 850
Contribution to medical aid, pension fund and UIF	26 509	31 502
	<u>864 036</u>	<u>866 902</u>
<b>Remuneration of the Community Servicer Manager</b>		
Annual remuneration	735 596	536 546
Travel, housing and other allowances	-	-
Contribution to medical aid, pension fund and UIF	59 603	1 636
	<u>795 199</u>	<u>538 182</u>
<b>Remuneration of the Corporate Services Manager</b>		
Annual remuneration	972 064	747 758
Travel, housing and other allowances	126 000	115 500
Contribution to medical aid, pension fund and UIF	1 884	1 636
	<u>1 099 948</u>	<u>864 894</u>
<b>22 Remuneration of Councillors</b>		
Mayor	841 568	606 474
Deputy Mayor	682 135	492 992
Speaker	682 135	495 317
Councillors	8 548 792	6 489 955
	<u>10 754 630</u>	<u>8 084 739</u>
In-kind benefits:		
The Mayor, Deputy Mayor, Speaker and two Exco member are full-time. The Mayor, Deputy Mayor, and Speaker are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits envisaged in section 219 of the constitution and Government Gazette 41335 dated 15 December 2017. The Mayor and Speaker are provided with municipal vehicles at the cost to the council.		
<b>23 Depreciation and amortisation</b>		
Property, plant and equipment	22 113 059	17 023 311
Intangible assets	30 154	76 686
	<u>22 143 213</u>	<u>17 099 997</u>
<b>24 Finance costs</b>		
Interest paid on finance leases	1 199 370	441 673
Interest paid on other transactions	39 818	16 534
	<u>1 239 187</u>	<u>458 207</u>
<b>25 (Reversal of impairment on) / impairment of trade debtors</b>		
	<u>-</u>	<u>3 896 563</u>
Reversal of impairment on debtors represents a reversal of previous impairment of trade consumers which are no longer impaired.		
<b>26 Operational costs</b>		
Accounting and Auditing	1 282 315	1 986 810
Achievements and Awards	127 180	44 079
Advertising, Publicity and Marketing	3 007 496	1 196 769
Artists and Performers	98 000	46 500
Audit Committee	210 861	49 570
Bank Charges	119 961	153 245
Bargaining Council	639 597	24 000
Bursaries (Employees)	1 198 247	1 435 358
Bursaries (Non-employees)	1 026 246	240 627
Business and Advisory	1 018 397	231 646
Catering Services	1 672 611	3 892 784

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
Cleaning Services	205 527	493 269
Commissions and Committees	42 376	-
Consultants and Professional Services	967 211	508 316
Consumables	555 735	7 515
Contractors	7 129 487	5 796 709
Courier and Delivery Services	244 850	175 417
Deeds	10 620	860
External Audit Fees	1 888 777	2 317 756
Fire Services	1 191 733	1 004 433
Gardening Services	7 498	-
Geoinformatic Services	221 100	-
Hire Charges	802 556	1 515 775
Indigent Relief	2 327 669	1 588 046
Insurance Underwriting	1 564 345	874 794
Land	50 383	53 466
Legal Advice and Litigation	367 701	3 438 242
Materials and Supplies	705 317	1 049 879
Motor Vehicle Licence and Registration	100 633	43 886
Municipal Services	1 862 660	2 509 480
Occupational Health and Safety	1 830	56 299
Parking Fees	9 976	7 625
Printing, Publications and Boo	1 117 597	1 740 617
Professional Bodies and Membership	21 547	1 064 598
Refuse Removal	1 313 224	682 074
Registration Fees	3 279	-
Remuneration to Ward Committees	943 500	528 750
Security Services	4 402 264	3 280 899
Signage	13 690	-
Specialised Computer Service	503 422	526 669
Telephone, Fax, Telegraph	1 894 822	2 030 267
Training	582 294	-
Transportation	1 930 628	3 165 909
Travel and Subsistence	5 276 494	1 586 725
Uniform and Protective Clothing	850 642	982 593
Valuer	230 248	253 636
Wet Fuel	2 631 026	2 163 226
	<b>52 373 571</b>	<b>48 749 119</b>
<b>27 Repairs and maintenance of property, plant and equipment</b>		
Repairs and Maintenance - Libraries	657 136	2 194 891
Repairs and Maintenance - Plant and Equipment	227 068	108 087
Repairs and Maintenance - Infrastructure	1 012 933	213 667
Repairs and Maintenance - Community	3 787 282	350 065
Repairs and Maintenance - Other	266 931	-
Repairs and Maintenance - vehicles	1 178 138	1 096 336
	<b>7 129 487</b>	<b>3 963 046</b>



# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018 R	2017 R
<b>Repairs and maintenance</b>		
Amounts paid to service providers	7 129 487	3 963 046
Amounts spent on Materials	-	-
Time spent by employees	-	-
	<b>7 129 487</b>	<b>3 963 046</b>
<b>28 Cash generated from operations before interest</b>		
Surplus for the period / year	73 008 920	26 651 819
<b>Adjustment for:</b>		
Depreciation and amortisation	22 143 213	17 099 997
Loss on disposal of assets	-	7 257 280
Finance costs	1 239 187	458 207
Fair value adjustment on Investment property	-	(4 829 000)
Movement in provisions	1 328 840	4 337 118
Interest received	(7 160 369)	(5 206 983)
Assets written off	-	1 032 334
Assets donated by Arts and Culture	(232 157)	(34 641)
Grant funds not rolled over	(2 224 092)	-
Non cash movement	-	(853 541)
<b>Operating surplus before working capital changes</b>	<b>88 103 541</b>	<b>45 912 589</b>
<b>Working capital changes</b>		
Increase in receivables	(19 922 805)	(2 232 617)
Decrease in VAT receivable	1 193 687	3 736 939
Increase/(decrease) in payables from exchange transactions	(5 224 961)	5 074 887
Increase in unspent conditional grants and receipts	11 575 664	1 515 338
Interest capitalised to unspent grants	-	(260 589)
Loan movement	-	(113 159)
<b>Cash generated from operations before interest</b>	<b>75 725 126</b>	<b>53 633 389</b>
<b>29 Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted</b>		
- Infrastructure assets	8 246 742	6 319 165
- Community assets	1 741 433	9 662 647
- Other assets	-	8 984 181
	<b>9 988 175</b>	<b>24 965 993</b>
<b>Operating commitments</b>		
Operating expenditure	9 183 385	4 058 182
	<b>9 183 385</b>	<b>4 058 182</b>
<b>Total commitments</b>	<b>19 171 560</b>	<b>29 024 175</b>
<b>This expenditure will be financed from:</b>		
Government grants	9 988 175	21 833 669
Own resources	9 183 385	7 350 581
	<b>19 171 560</b>	<b>29 184 250</b>
<b>30 Unauthorised expenditure</b>		
Opening balance	21 451 388	-
Transferred to municipality	-	21 451 388
Unauthorised expenditure - current period	-	-
Unauthorised expenditure - written off	-	-
Closing balance	<b>21 451 388</b>	<b>21 451 388</b>

# Dr Nkosazana Dlamini-Zuma Municipality

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## Notes to the Financial statements

	2018 R	2017 R
<b>31 Fruitless and wasteful expenditure</b>		
Opening balance	3 447 040	-
Transferred to municipality	-	60 690
Fruitless and wasteful expenditure - current period	11 690	3 386 350
Written off by council	-	-
Closing balance	<u>3 458 730</u>	<u>3 447 040</u>
<b>32 Irregular expenditure</b>		
Opening balance	59 566 215	-
Transferred to municipality	-	55 558 394
Irregular expenditure - current period (emanating from prior year)	9 204 014	-
Irregular expenditure - current period	1 658 394	4 007 821
Written off by council	-	-
Closing balance	<u>70 428 623</u>	<u>59 566 215</u>
Refer to detailed analysis of current year irregular expenditure below:		
SCM policy 13 (1)(c) - Declaration of interest not received from suppliers	209 128	-
SCM policy 29(2) - BAC not properly constituted	8 490 240	2 291 970
SCM policy 32(1) (c) - procurement processes not followed	882 803	-
SCM regulation 46(2)(e) - Suppliers in which close family members/business partners or associates of employees have an interest	456 180	-
Preferential Procurement Regulations 4(3) - functionality not advertised	-	174 968
Preferential Procurement Regulations 8(5) - Threshold for local production not met	824 058	1 428 291
Tax clearance not obtained	-	30 000
Construction Industry Development Regulations 18(1) award to incorrect CIDB category	-	82 592
	<u>10 862 408</u>	<u>4 007 821</u>
The amount of R70.4 Million has not been condoned by National Treasury as required by Sec 170(2) of the Municipal Finance Management Act.		
<b>33 Additional disclosure in terms of the Municipal Finance Management Act</b>		
<b>33.1 Contributions to organised local government</b>		
Current period / year subscription	<u>610 870</u>	<u>560 855</u>
<b>33.2 Audit fees</b>		
Current period	2 058 050	2 257 545
Amount paid in the current period	<u>(2 058 050)</u>	<u>(2 257 545)</u>
<b>33.3 PAYE, UIF and SDL</b>		
Opening balance	-	-
Transfer to municipality	-	190 420
Current period amount	7 998 443	6 740 920
Amount paid in the current period	<u>(7 998 443)</u>	<u>(6 931 340)</u>
Balance unpaid included in creditors	<u>-</u>	<u>-</u>
<b>33.4 Pension and medical aid deductions</b>		
Opening balance	-	-
Transfer to municipality	-	268 250
Payroll deductions	11 525 963	9 282 137
Amount paid in the current period	<u>(11 525 963)</u>	<u>(9 550 387)</u>
Balance unpaid included in creditors	<u>-</u>	<u>-</u>
<b>33 Additional disclosure in terms of the Municipal Finance Management Act</b>		
<b>33.5 VAT</b>		
Vat receivable	<u>2 351 204</u>	<u>3 468 902</u>

The net of VAT input payables and VAT output receivables are shown in note 2. All VAT returns have been submitted by the due date throughout the period.

## Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

### Notes to the Financial statements

	2018	2017
	R	R
<b>34 SCM Deviations</b>		
<b>Details of Section 36 deviations</b>		
Reported to council	5 916 840	3 477 061
	<u>5 916 840</u>	<u>3 477 061</u>

Paragraph 12(1)(d)(l) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

### 35 Risk Management

#### 35.1 Financial management risk

The municipality's activities expose it to a variety of financial risks: cash flow risk, credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

The Directorate : Budget and Treasury Office monitors and manages the financial risks related to operations through internal policies and procedures . These risks include interest rate risks , credit risks and liquidity. Compliance with policies and procedures is reviewed continuously by the internal auditors and annual by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal auditors responsible for initiating a control framework and monitoring and responding to potential risks , reports to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit.

#### 35.2 Liquidity risk

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

The table below analyses the municipality's financial liabilities at the date of statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months and beyond 12 months equal their carrying balances as the impact of discounting is not significant.

<b>Maturity profile - 30 June 2017</b>	Less than 1	Over 1 Year	Over 5	Total
	Year	and not more than 5 Years	Years	
Finance lease obligations	357 281	451 002	-	808 284
Trade payables	23 148 772	-	-	23 148 772
<b>Total</b>	<b>23 506 053</b>	<b>451 002</b>	<b>-</b>	<b>23 957 055</b>

<b>Maturity profile - 30 June 2017</b>	Less than 1	Over 1 Year	Over 5	Total
	Year	and not more than 5 Years	Years	
Finance lease obligations	566 593	73 441	-	640 034
Trade payables	27 931 836	-	-	27 931 836
<b>Total</b>	<b>28 498 430</b>	<b>73 441</b>	<b>-</b>	<b>28 571 871</b>

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
<b>35 Risk Management (cont.)</b>		
<b>35.3 Credit risk</b>		
<p>Credit risk consists mainly of cash deposits, cash equivalents, and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.</p> <p>Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis taking into account nature of debtor, past experience and other factors.</p> <p>Financial assets exposed to credit risk at year end were as follows:</p>		
<b>Financial instruments</b>		
Receivables from non-exchange transactions	26 555 503	5 318 076
Receivables from exchange transactions	2 184 808	3 378 495
Bank, and cash equivalents	88 836 116	91 923 107
	<u>91 020 924</u>	<u>95 301 602</u>

### 35.4 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from short term investments. Investments are made at variable rates and are exposed to cash flow interest rate risk.

At the end of the accounting period / year end, financial instruments exposed to interest rate risk were Call Deposits and Notice Deposits.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
<b>36 Related parties</b>		
Relationships		
<b>Compensation to the Accounting Officer, other Key Management and to Councillors:</b>		
Accounting Officer and other key management	5 269 586	4 133 480
Councillors	10 754 630	8 084 739
	<u>16 024 217</u>	<u>12 218 218</u>

### 37 Contingencies Contingent asset

A contingent asset exists representing a possible recovery of Municipal funds frequently disbursed from the Municipality's bank account by a former employee of the institution

#### Contingent Liability

The municipality is involved in a legal dispute with a service provider over a supplier of incorrect material, a letter of demand has been received. The claim is to the value of R25 992 plus interest and legal costs, the matter is still pending.

### 38 Comparison of actual to budgeted results

A comparison of actual to budgeted results is set out below:

#### Statement of Financial Performance

1. Service charges - Write off, of low-cost housing debt, Less service charges especially refuse collected than anticipated.
2. Rental of facilities – More hire of municipal properties that anticipated which means that the actual performance was better than the standard.
3. Other income – More revenue was collected than anticipated
4. Property rates – Inaccurate projection due to delay in finalisation of supplementary roll.
5. Property rates – penalties – More penalties were collected than anticipated which means that the actual performance was better than the standard.
6. Government grants – Grants were not fully spent due to delays in projects that were allocated to the MDTG. The revenue excludes the INEP grant revenue which is expensed at the end of the financial year as the municipality only acts as an agent in the electrification process the entire project belongs to Eskom.
7. Depreciation – Provision for depreciation was less allocated
8. Debt impairment (0%) Due to decrease in provision and debt written off.
9. Fines, Penalties and Forfeits – More traffic fines were collected than anticipated, actual performance was better than the standard.
10. Employee related costs – Vacant position budgeted and not filled, and some employees resigned towards the end of the year and their positions will only be filled in the 2018/19 financial year

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2018	2017
	R	R
11. Finance Costs – interest incurred by the municipality and recognition of finance leases		
12. Operational costss – More work was done internal than hiring contractors or suppliers to do the work		

### Statement of Financial Position

1. Vat Receivables – The money was not budget at the beginning of the financial year
2. Receivables – More money owed to the municipality due to low percentage of payments from ratepayers
3. Cash and Cash Equivalent – An additional grant funding was received
4. Property Plant and Equipment – Purchase of more equipment asset to increase service delivery
5. Intangible Assets – Less purchase of intangible assets than anticipated
6. Trade and other Payables – More creditors were paid for the work performed

### Cash Flow Statement

1. Vat Refunds - The money was not budget at the beginning of the financial year due to that the vat the vat is only claimable based on the payments made suppliers that are vendors.
2. Cash Receipts from ratepayers and consumers – consumers paid less than the anticipated
3. Cash receipts from grants – A sum of R 2.2million was offset from the equitable share due to low expenditure that was incurred on the INEP grant of 2016/17 financial year
4. Cash payments to suppliers and employees – Vacant position budgeted and not filled, and some employees resigned towards the end of the year and their positions will only be filled in the 2018/19 financial year, and more work was done internal than hiring contractors or suppliers to do the work
5. Interest paid – interest incurred by the municipality and recognition of finance leases
6. Purchase of property plant and equipment – Less purchase / payments on long term assets
7. Repayment of borrowings – repayment of borrowings was more than anticipated

### 39 Events after the reporting date

There were no events identified, that required to be disclosed.

# Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 01 July 2017 to 30 June 2018

## Notes to the Financial statements

	2017	2016
	R	R
<b>40 Prior period errors</b>		
During the year the following errors were identified in the prior year financial statements:		
<b>Receivables</b>		
Incorrectly application of GRAP 1.79, Presentation of financial statements, by consolidating receivables from exchange and non exchange transactions.		
<i>Receivables</i>	(9 306 655)	-
<i>Receivables from non-exchange transactions</i>	5 928 161	-
<i>Receivables from exchange transactions</i>	3 378 495	-
<b>Receivables from non-exchange transactions</b>		
as a result of resolution DEM 4150, which resulted in the redemarcation of municipal boundaries, rates debtors as at 10th august 2016 were not transferred out of the municipality.	610 085	-
<b>Property, plant and equipment</b>		
Accumulated depreciation incorrectly calculated in the prior period	135 073	-
Expenditure relating to consultants for capital projects that was capitalised in the previous financial periods of which projects were discontinued in prior year.	(212 016)	-
	<u>(76 943)</u>	<u>-</u>
<b>Payables from exchange transactions</b>		
Trade creditor incorrectly expensed in prior period	-	441 897
<b>Repairs and maintenance</b>		
Repairs and maintenance was presented using the function method and not the nature method consistant with the presentation of other expenses in the statement of financial performance	3 963 046	-
The effects of the above mentioned errors on the 2017 financial results are as follows:		
<b>Statement of Financial Performance</b>		
Decrease in repairs and maintenance	(3 963 046)	-
Decrease in depreciation and amortisation	135 073	-
Increase in operational costs	3 963 046	-
Increase in revenue	-	(441 897)
Increase on loss on disposal of assets	398 069	-
	<u>533 142</u>	<u>(441 897)</u>
<b>Statement of Financial Position</b>		
Decrease in Receivables	(9 306 655)	-
Increase Receivables from non-exchange transactions	5 928 161	-
Increase Receivables from exchange transactions	3 378 495	-
Decrease in payables from non exchange transactions	-	441 897
Decrease in receivables	(610 085)	-
Decrease in property plant and equipment	76 943	-
	<u>(533 142)</u>	<u>441 897</u>