



Dr Nkosazana Dlamini Zuma Municipality
Annual financial statements
for the year ended 30 June 2021

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for the year ended 30 June 2021

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Abbreviations

GRAP	Generally Recognised Accounting Practice
HOA	Housing Operating Account
MFMA	Municipal Finance Management Act, No.56 of 2003
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
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
IGRAP	Interpretation of Generally Recognised Accounting Practice
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act No.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act of 6 2004) Division of Revenue Act (Act 1 of 2007)

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General Information**Members of Council**

Mayor	ClIr PN Mncwabe
Deputy Mayor	ClIr PP Shange
Speaker	ClIr M B Banda
Exco Member	ClIr KA Hadebe
Exco Member	ClIr ZP Mkhize
Exco Member	ClIr 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 business and principle activities

Service Delivery: Rates, Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa

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 addressMain Street
Creighton
3263**Postal address**P O Box 62
Creighton
3263**Bankers**

First National Bank, Investec, Nedbank and Standard Bank

Auditors

Auditor General of South Africa

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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.

I, as the accounting officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

I am 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 councilors, 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the municipality 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 revised chart, certain comparative figures needed restatement 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 annual financial statements have been prepared on the going concern basis, were approved on 31 August 2021 and were signed on its behalf by:

Mr NC Zezi (Accounting Officer), Bachelor of Education, Executive Municipal Leadership Programme, Specialist Local Government Law and Municipal Administration, Postgraduate Diploma in Governance and Political Transformation, Masters in Public Administration, Masters in Governance and Political Transformation

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Statement of Financial Position as at 30 June 2021

	Note	2021 R	Restated 2020 R
ASSETS			
Current Assets			
Value added tax receivable	2	3,132,491	-
Receivables from non-exchange transactions	3.1/3.2	38,835,101	31,606,363
Receivables from exchange transactions	3.1	3,916,578	2,931,163
Cash and cash equivalents	4	159,175,691	124,203,182
Non-Current Assets			
Investment property	5	20,411,000	20,411,000
Property, plant and equipment	6	451,228,886	409,878,152
Intangible assets	7	313,888	232,432
Total Assets		677,013,635	589,262,292
LIABILITIES			
Current Liabilities			
Value added tax payable	8	-	606,914
Finance lease obligation	9	170,712	369,734
Payables from exchange transactions	10	45,403,468	40,233,798
Unspent conditional grants	11	6,413,040	8,704,450
Long service awards obligation	12.2	439,000	165,000
Post retirement health care benefits	12.3	76,000	75,000
Non Current Liabilities			
Finance lease obligation	9	-	170,712
Provision for landfill site rehabilitation	12.1	7,757,272	9,163,804
Long service awards obligation	12.2	3,257,000	2,357,000
Post retirement health care benefits	12.3	6,097,000	5,421,000
Total Liabilities		69,613,492	67,267,411
Net Assets		607,400,143	521,994,880
TOTAL NET ASSETS			
Housing Operating Account	13	5,493,174	5,228,239
Accumulated surplus		601,906,969	516,766,640
Total Net Assets		607,400,143	521,994,880

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Statement of Financial Performance for the period ended 30 June 2021

	Note	2021 R	Restated 2020 R
Revenue	14		
Revenue from exchange transactions			
Service charges	15	3,878,196	3,423,443
Licences and permits	16	720,920	492,897
Rental of facilities and equipment	17	878,068	836,031
Other income	18	298,738	376,244
Interest received	19	6,423,720	8,171,889
Gain on disposal of assets	20	-	4,515,876
Total revenue from exchange transactions		12,199,642	17,816,379
Revenue from non exchange transactions			
Property rates	21	34,318,330	33,001,175
Penalties on property rates	21	6,105,261	4,864,327
Government grants and subsidies	22	197,597,410	167,034,449
Assets donated	23	-	2,275,114
Traffic fines	24	719,200	535,160
Pound Fees		162,060	105,017
Incidental Cash Surpluses		346,261	-
Total revenue from non exchange transactions		239,248,522	207,815,244
Total revenue		251,448,164	225,631,623
Expenditure			
Employee related costs	25	70,724,458	60,266,406
Remuneration of councillors	26	11,597,581	11,597,582
Depreciation and amortisation	27	32,994,532	27,481,442
Finance costs	28	148,806	177,390
Debt impairment	29	1,751,082	9,195,204
Transfers and subsidies	30	1,227,461	13,610,828
Operational Costs	31	47,598,981	47,179,599
Total expenditure		166,042,900	169,508,449
Total revenue		251,448,164	225,631,623
Total expenditure		166,042,900	169,508,449
Operating surplus		85,405,264	56,123,173
Fair value adjustments	5	-	111,000
		-	111,000
Surplus for the year		85,405,264	56,234,173

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Statement of Changes in Net Assets for the period ended 30 June 2021

	Housing Operating Account	Accumulated Surplus	Assets
	R	R	R
Audited Balance at 1 July 2019	4,826,842	460,743,992	465,570,834
Prior year error		189,870	189,870
Restated Balance at 1 July 2019	4,826,842	460,933,862	465,760,704
Changes in net assets			
Surplus for the period(restated)	-	56,234,173	56,234,173
Transfer Housing Operating Account interest on call	401,397	(401,397)	-
Total changes	401,397	55,832,776	56,234,173
Balance at 30 June 2020	5,228,239	516,766,640	521,994,880
Changes in net assets			
Surplus for the period	-	85,405,264	85,405,264
Transfer Housing Operating Account interest on call	264,936	(264,936)	-
Total changes	264,936	85,140,328	85,405,264
Balance at 30 June 2021	5,493,174	601,906,969	607,400,143

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Cash Flow Statement for the period ended 30 June 2021

	Note	2021 R	2020 R
Cash flows from operating activities			
Receipts		274,560,979	248,120,709
VAT refunds		9,565,276	14,774,487
Cash receipts from ratepayers and consumers		37,115,539	27,564,278
Cash receipts from grants		227,880,164	205,781,944
Payments		169,400,314	183,564,906
Cash payments to employees		68,873,458	59,177,805
Cash payments to councillors		11,597,581	11,597,582
Cash paid retentions		7,521,461	5,390,042
Cash payments to suppliers for goods and services		81,407,814	107,399,477
Net cash flows from operating activities before interest	32	105,160,665	64,555,803
Interest received		6,163,522	8,037,212
Interest paid		(93,652)	(7,863)
Net cash flows from operating activities after interest		111,230,534	72,585,151
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	7,043,478
Purchase of property, plant and equipment and intangible assets		(75,833,139)	(76,263,569)
Net cash flows from investing activities		(75,833,139)	(69,220,090)
Cash flows from financing activities			
Repayment of finance leases		(424,887)	(847,265)
		(424,887)	(847,265)
Net increase in cash and cash equivalents		34,972,509	2,517,796
Net cash and cash equivalents at the beginning of the period		124,203,182	121,685,387
Net cash and cash equivalents at the end of the period	4	159,175,691	124,203,182

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Segment reporting statement for the period ended 30 June 2021

	Governance and administration R	Community and public safety R	Economic and environmental services R	Trading Services R	Unallocated R	Total
Segment Revenue						
Service charges	-	-	-	3,878,196	-	3,878,196
Licences and permits	-	720,920	-	-	-	720,920
Rental of facilities and equipment	-	12,409	-	865,660	-	878,068
Other income	48,301	9,688	121,322	119,427	-	298,738
Interest revenue	6,423,720	-	-	-	-	6,423,720
Gain on disposal of assets	-	-	-	-	-	-
External revenue from exchange transactions	6,472,021	743,017	121,322	4,863,283	-	12,199,642
Property rates	34,318,330	-	-	-	-	34,318,330
Penalties on property rates	6,105,261	-	-	-	-	6,105,261
Government grants and subsidies	162,214,360	11,599,384	23,783,666	-	-	197,597,410
Adjustment to debtors provision	-	-	-	-	-	-
Assets donated	-	-	-	-	-	-
Traffic fines	-	719,200	-	-	-	719,200
Pound Fees	-	162,060	-	-	-	162,060
Incidental Cash Surpluses	346,261	-	-	-	-	346,261
External revenue from non-exchange transactions	202,984,212	12,480,644	23,783,666	-	-	239,248,522
Segment Expenses						
Employee related costs	- 28,377,227	- 19,056,714	- 17,629,790	- 5,660,727	-	- 70,724,458
Remuneration of councillors	- 11,597,581	-	-	-	-	- 11,597,581
Depreciation and amortisation	- 3,439,872	- 10,231,740	- 18,558,248	- 764,671	-	- 32,994,531
Finance costs	- 148,806	-	-	-	-	- 148,806
Debt impairment	- 1,751,082	-	-	-	-	- 1,751,082
Transfers and subsidies	-	-	1,227,461	-	-	1,227,461
Operational Costs	- 28,758,323	- 7,659,967	- 9,531,587	- 1,649,103	-	- 47,598,981
Internal charges	-	-	-	-	-	-
Share of Surplus/(Deficit) of Associates / Joint Ventures	-	-	-	-	-	-
Total segment expenses	- 74,072,891	- 36,948,422	- 46,947,087	- 8,074,501	-	- 166,042,900
Surplus/deficit for the year	135,383,342	- 23,724,761	23,042,099	3,211,218	-	85,405,264
	Governance and administration	Community and public safety	Economic and environmental services	Trading Services	Unallocated	Total
Other Information						
Segment assets	108,685,708	213,658,518	188,176,680	7,317,038	159,175,691	677,013,635
Segment liabilities	- 43,236,007	- 7,544,554	- 2,436,137	- 16,396,795	-	- 69,613,492
Additions/(adjustment) to non-current assets	975,176	18,934,671	55,923,408	1,406,532	-	74,426,722
Non-cash revenue (included above)	-	-	-	-	-	-
Non-cash expenses (included above)	- 3,439,872	- 10,231,740	- 18,558,248	- 764,671	-	- 32,994,531

Dr Nkosazana Dlamini Zuma Municipality								
Annual financial statements for the year ended 30 June 2021								
Statement of Comparison of Budget and Actual amounts								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variations comments Ref No.	% Variations
	R	R	R	R	R	R		
Statement of Financial Performance								
Revenue								
Revenue from exchange transactions								
Service charges	3,608,330	284,858	-	3,893,188	3,878,196	14,992		0%
Rental of facilities and equipment	831,382	-	-	831,382	878,068	(46,686)	1	-6%
Licences, permits and agency services	752,549	159,387	-	911,936	720,920	191,016	2	21%
Other income	1,035,870	(441,249)	-	594,621	298,738	295,883	3	50%
Interest received - investment	8,089,720	(1,989,594)	-	6,100,126	6,423,720	(323,594)		-5%
Gains on disposal of assets	8,581,317	(8,381,317)	-	200,000	-	200,000	4	100%
Total revenue from exchange transactions	22,899,168	-10,367,915	-	12,531,253	12,199,642	331,611		
Revenue from non-exchange transactions								
Property rates	34,425,403	(5,776,473)	-	28,648,930	34,318,330	(5,669,400)	5	-20%
Property rates - penalties	2,293,522	1,989,594	-	4,283,116	6,105,261	(1,822,145)	6	-43%
Fines, penalties and forfeits (traffic fines, pound fees and incidental cash surpluses)	726,062	-	-	726,062	1,227,521	(501,459)	7	-69%
Government grants and subsidies	170,627,000	27,759,393	-	198,386,393	197,597,410	788,983		0%
Total revenue from non-exchange transactions	208,071,987	23,972,514	-	232,044,501	239,248,522	-7,204,021		
TOTAL REVENUE	230,971,155	13,604,599	-	244,575,754	251,448,164	(6,872,410)		
Expenditure								
Employee related costs	70,219,449	-	-	70,219,449	70,724,458	(505,009)		-1%
Remuneration of councillors	11,901,110	-	-	11,901,110	11,597,581	303,529		3%
Depreciation and amortisation	41,624,813	(6,873,245)	-	34,751,568	32,994,532	1,757,036		5%
Finance costs	291,489	-	-	291,489	148,806	142,683	8	49%
Debt impairment	11,059,933	-	-	11,059,933	1,751,082	9,308,851	9	84%
Transfers and subsidies	1,990,372	997,000	-	2,987,372	1,227,461	1,759,911	10	59%
Operational costs	66,188,871	8,116,521	-	74,305,392	47,598,981	26,706,411	11	36%
	203,276,037	2,240,276	-	205,516,313	166,042,900	39,473,413		
Operating Surplus	27,695,118	11,364,323	-	39,059,441	85,405,264	32,601,003		
Fair value adjustments	-	-	-	-	-	-		
	-	-	-	-	-	-		
Surplus for the year	27,695,118	11,364,323	-	39,059,441	85,405,264	32,601,003		

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Annual financial statements for the year ended 30 June 2021								
Statement of Comparison of Budget and Actual amounts								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variations comments Ref No.	% Variations
Cash Flow Statement								
Net cash flows from operating activities	66,006,202	9,198,003	-	75,204,205	111,230,534	(36,026,329)	12	-48%
Net cash flows from investing activities	(92,496,161)	(25,911,726)	-	(118,407,887)	(75,833,139)	(42,574,748)	13	36%
Net cash flows from financing activities	(677,739)	677,739	-	-	(424,887)	424,887	14	-100%
Net increase in cash and cash equivalents	(27,167,698)	(16,035,984)	-	(43,203,682)	34,972,509	(78,176,191)		
Net cash and cash equivalents at the beginning of the period	89,350,415	-	-	124,203,182	124,203,182	(0)		
Net cash and cash equivalents at the end of the period	62,182,717	(16,035,984)	-	80,999,500	159,175,691	(78,176,191)		
Capital expenditure & funds sources								
Capital expenditure	101,077,478	18,530,409	-	119,607,887	75,833,254	43,774,633		
Transfers recognised - capital	27,074,000	2,368,050	-	29,442,050	29,067,050	375,000		1%
Public contributions & donations	-	-	-	-	-	-		
Borrowing	-	-	-	-	-	-		
Internally generated funds	74,003,478	16,162,359	-	90,165,837	46,766,205	43,399,632	15	48%
Total sources of capital funds	101,077,478	18,530,409	-	119,607,887	75,833,254	43,774,633		
Financial position								
Total current assets	96,445,509	23,379,784	-	119,825,293	205,059,861	(85,234,568)	16	-71%
Total non current assets	503,685,395	11,484,809	-	515,170,204	471,953,774	43,216,429	17	8%
Total current liabilities	51,123,433	4,870,955	-	55,994,388	52,502,220	3,492,168	18	6%
Total non current liabilities	17,397,248	814,708	-	18,211,956	17,111,272	1,100,684	19	6%
Community wealth/equity or Total net assets	531,610,223	29,178,930	-	560,789,153	607,400,143	-46,610,990		
Actual amount on comparable basis presented in the Budget and Actual Comparative Statement								
Significant variances of actual outcomes against budget (with variance greater than 5% of budget) for the year are explained below								
Statement of Financial Performance								
1	Rental of facilities and equipment - Underestimation of revenue from ad-hoc rentals due to unpredictable changes on lockdown levels which has an effect on hire and use of municipal properties.							
2	Licences and permits - Variance due to unpredictable changes on lockdown levels as some levels result in extension of validity of motor licences, closure of learners licences centres and prohibition on movements of people.							
3	Other Income - Decrease in the sale of tender documents because tender briefing sessions were suspended as a result of Covid 19 pandemic and service providers are encouraged to download it on municipal website free of charge, to reduce human movement, contact and spread of COVID 19.							
4	Gains on disposal of assets - Delays on finalisation of processes for the Disposal of Municipal Assets which has resulted in the postponement of the finalisation date to the first quarter of the upcoming financial year.							
5	Property rates - reflects a negative variance of as result of withdrawal of the proposed Covid 19 Rebate as per the advice from COGTA which was budgeted for implementation in the current year. Communication from COGTA was received after the Adjustment budget has already been approved.							
6	Property rates - penalties - More penalties were levied than anticipated as a result of the growing gross debtors book, closure of businesses and loss of income by other residents as a result of Nationwide lockdown which has contributed to an increase in debtors book as other residents could not pay outstanding amount on time.							
7	Fines, penalties and forfeits - The law enforcement unit issued more fines than what was initially anticipated due to increase in the number of offenders, stray animals and vehicles impounded due to infringement of laws.							
8	Finance Costs - Incorrect interest projections/budgeting by management on the initial and revised budget.							
9	Debt Impairments - Incorrect projections/budgeting by management on the initial and revised budget as a result of the anticipated increase on debtors due financial negative effects of changes on lock down regulations.							
10	Transfers and Subsidies - Underspending on internal funded electrification projects as result of additional allocation for INEP received by the municipality towards the end of the year which funded projects initially identified for internal funding.							
11	Operational Costs - Cost containment regulations yielded positive results. There were savings and reduction on a number of operational costs items i.e., Accommodation, catering, consultants and professional and travelling. Cancelled Community programmes contributed to the savings as many programmes were suspended as a result of nationwide lockdown i.e. OSS, Public participation, Sport and development, Arts and Culture, Community gender forums and all other community outreach related expenses.							

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Annual financial statements for the year ended 30 June 2021								
Statement of Comparison of Budget and Actual amounts								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual	Difference between final budget and actual	Variance comments Ref No.	% Variances
Cash Flow Statement								
12	Net cash flows from operating activities variance as a result of reasons stated in Variance comment number 11 and 15.							
13	Net cash flows from investing activities - variance as result of reasons stated in Variance comment number 11 and 15.							
14	Net cash flows from financing activities - repayment of borrowings removed by mistake in the adjusted budget.							
Capital expenditure & funds sources								
15	Internally generated funds - Delays on finalisation of procurement processes due to re-advertisement and zoning issues encountered before the start of other projects. Workshop was conducted with local service providers in April to eliminate most of the underlying reasons for re-advertisement of projects. Extended Manco meeting was also held in April with all members of Bid Committees to find and address causes of re-advertisement of projects, underspending of budget and to ensure that targets for the upcoming years are met.							
Financial position								
16	Total current assets - Underspending of budget and underestimation of cash and cash equivalents during the preparation of budget as the budgeted amount is R 81 million while the actuals is R 159 million.							
17	Total non-current assets - Underspending of capital budget, reasons are stated on the above Variance Comments Reference Number 11 and 15.							
18	Total current liabilities - Variance as a result of good measures introduced to reduce creditors which also helps our suppliers which are in need of cash as a result of COVID 19 negative effects on individual and businesses.							
19	Total non current liabilities - Variance as result of unanticipated decrease on provision of landfill sites							

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Annual financial statements for the year ended 30 June 2021

Accounting Policies

1.	<p>Presentation of annual financial statements</p> <p>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.</p> <p>Assets, liabilities, revenues and expenses are not offset, except where offsetting is either required or permitted by a Standard of GRAP.</p> <p>A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, is disclosed below.</p>
1.1	<p>Presentation currency</p> <p>These financial statements are presented in South African Rand, which is the functional currency of the municipality.</p>
1.2	<p>Going concern assumption</p> <p>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.</p>
1.3	<p>Significant judgments and sources of estimation uncertainty</p> <p>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.</p> <p>Receivables</p> <p>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.</p> <p>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.</p> <p>Provisions</p> <p>Management determines an estimate based on the information available.</p> <p>Useful lives of property, plant and equipment and intangible assets</p> <p>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.</p> <p>Effective interest rate</p> <p>The municipality uses the ruling overdraft rate to discount future cash flows in the event of it being material.</p>

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Accounting Policies

1.4	<p>Investment property</p> <p>Investment property is property held to earn rentals or for capital appreciation or both, rather than for:</p> <ul style="list-style-type: none">- use in the production or supply of goods or services, or for- administrative purposes; or for- sale in the ordinary course of operations. <p>Owner-occupied property is property held for use in the provision of services or for administrative purposes.</p> <p>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.</p> <p>Investment property is initially recognised at cost (transaction costs are included in the initial measurement).</p> <p>Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.</p> <p>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.</p> <p>Fair value</p> <p>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.</p>
1.5	<p>Property, plant and equipment</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.</p> <p>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:</p>

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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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	<p>Assets under construction - Work in progress</p> <p>Assets under construction are stated at historical cost . Depreciation only commences when the asset is available for use.</p> <p>Leased assets</p> <p>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.</p>				
1.6	<p>Accounting by principals or agents</p> <p>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.</p>				
1.7	<p>Intangible assets</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Amortisation is provided to write down intangible assets, on a straight line basis, to residual values as follows:</p> <table><thead><tr><th>Item</th><th>Useful life</th></tr></thead><tbody><tr><td>Computer software</td><td>3 - 12 Years</td></tr></tbody></table> <p>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.</p>	Item	Useful life	Computer software	3 - 12 Years
Item	Useful life				
Computer software	3 - 12 Years				

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1.8

Financial instruments

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

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

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 potentially favorable 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 unfavorable 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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Annual financial statements for the year ended 30 June 2021

Accounting Policies

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
External loan	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.	

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1.9	<p>Impairment of non-cash-generating assets</p> <p>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.</p> <p>Non-cash-generating assets are assets other than cash-generating assets.</p> <p>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).</p> <p>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.</p> <p>Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.</p> <p>Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.</p> <p>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.</p> <p>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.</p>
1.10	<p>Employee benefits</p> <p>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.</p> <p>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.</p> <p>Vested employee benefits are employee benefits that are not conditional on future employment.</p> <p>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.</p> <p>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.</p> <p>Short-term employee benefits</p> <p>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.</p> <p>Short-term employee benefits include items such as:</p> <ul style="list-style-type: none">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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1.11	<p>Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.</p> <p>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:</p> <p>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</p> <p>As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.</p> <p>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.</p> <p>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.</p> <p>Defined contribution plans-KZN Joint Municipal Pension fund</p> <p>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.</p> <p>Other employee benefits</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Provisions and contingencies</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.</p> <p>Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes and are reviewed at reporting date .</p> <p>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.</p>
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1.12	<p>Revenue from exchange transactions</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>Measurement</p> <p>Revenue is measured at the fair value of the consideration received or receivable..</p> <p>Rendering of services</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> <p>the amount of revenue can be measured reliably;</p> <p>it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;</p> <p>the stage of completion of the transaction at the reporting date can be measured reliably; and</p> <p>the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.</p> <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>Rentals</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>Other Revenue</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>
1.13	<p>Service charges</p> <p>Waste removal is based on bin size and the number of collections. Waste removal services are billed on a monthly basis.</p>

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Accounting Policies

1.14	<p>Revenue from non-exchange transactions</p> <p>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.</p> <p>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.</p> <p>Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.</p> <p>Recognition</p> <p>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.</p> <p>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.</p> <p>Measurement</p> <p>Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.</p> <p>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.</p> <p>Transfers</p> <p>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.</p> <p>Transferred assets are measured at their fair value as at the date of acquisition.</p> <p>Debt forgiveness and assumption of liabilities</p> <p>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.</p> <p>Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.</p>
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	<p>Fines</p> <p>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.</p>
	<p>Gifts and donations, including goods in-kind</p> <p>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.</p>
1.15	<p>Investment income</p> <p>Investment income is recognised on a time-proportion basis using the effective interest method.</p>
1.16	<p>Unauthorised expenditure</p> <p>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.</p> <p>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.</p>
1.17	<p>Fruitless and wasteful expenditure</p> <p>Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.</p> <p>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.</p>
1.18	<p>Irregular expenditure</p> <p>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.</p>
1.19	<p>Housing Operating Account</p> <p>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.</p>

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

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	Grants in aid The Municipality donates money goods or services to individuals organisations and other sectors of government from time to time. When making these donations the Municipality does not receive any goods or services directly in return as would be expected in a purchase or sale transaction, Expect to be repaid in future; or Expect a financial return, as would be expected from an investment
1.22	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.
1.23	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.
1.24	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.
1.25	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.
1.26	Value added tax The municipality accounts for Value Added Tax on a payment basis for purchases and receipts basis for revenue.

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Accounting Policies

1.27	<p>Statutory receivables</p> <p>Identification</p> <p>Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Carrying amount is the amount at which an asset is recognised in the statement of financial position. The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised. Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means. The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means</p> <p>Recognition</p> <p>The municipality recognises statutory receivables as follows: if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions; if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.</p> <p>Initial measurement</p> <p>The municipality initially measures statutory receivables at their transaction amount.</p> <p>Subsequent measurement</p> <p>The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any: interest or other charges that may have accrued on the receivable (where applicable); impairment losses; and amounts derecognised.</p> <p>In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired the result from the following factors were considered, significant financial difficulty of the debtor, sequestration, liquidation or other financial re-organisation of the debtors, breach of arrangement contracts and adverse changes in the economy, which are evidenced in debtors payment patterns. Statutory receivables with similar credit risk characteristics are collectively assessed for impairment</p> <p>Derecognition</p> <p>The municipality derecognises a statutory receivable, or a part thereof, when: the rights to the cash flows from the receivable are settled, expire or are waived; the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity: - derecognise the receivable; and - recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.</p>
1.28	<p>Segment reporting</p> <p>For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.</p> <p>The four key business units comprise of:</p> <ul style="list-style-type: none">• Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;• Economic and environmental services which includes planning and development, road transport and environmental protection services;• Trading service which is waste management services;• Municipal governance and administration which includes executive and council, finance and administration and internal audit unit; <p>The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any). Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.</p>

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Accounting Policies**1.29 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 104	Financial Instruments (Revised April 2021) Guideline <i>Accounting for landfill sites</i>	Date not determined Date not determined	Minimal impact Minimal impact

In preparation of the these financial statements the following GRAP standards have been conceded:

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	Currently applicable
GRAP 2	Cash Flow Statements	Currently applicable
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	Currently applicable
GRAP 4	The Effects of Changes in Foreign Exchange Rates	Currently applicable
GRAP 5	Borrowing Costs	Currently applicable
GRAP 6	Consolidated and Separate Financial Statements	Currently applicable
GRAP 7	Investments in Associates	Currently applicable
GRAP 8	Interest in Joint Ventures	Currently applicable
GRAP 9	Revenue from Exchange Transactions	Currently applicable
GRAP 10	Financial Reporting in Hyperinflationary Economies	Currently applicable
GRAP 11	Construction Contracts	Currently applicable
GRAP 12	Inventories	Currently applicable
GRAP 13	Leases	Currently applicable
GRAP 14	Events After the Reporting Date	Currently applicable
GRAP 16	Investment Property	Currently applicable
GRAP 17	Property Plant and Equipment	Currently applicable
GRAP 18	Segment Reporting	Currently applicable
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	Currently applicable
GRAP 20	Related Party Disclosures	Currently applicable
GRAP 21	Impairment of Non-cash-generating Assets	Currently applicable
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	Currently applicable
GRAP 24	Presentation of Budget Information in Financial Statements	Currently applicable
GRAP 25	Employee Benefits	Currently applicable
GRAP 26	Impairment of Cash-generating assets	Currently applicable
GRAP 27	Agriculture	Currently applicable
GRAP 31	Intangible Assets	Currently applicable
GRAP 32	Service Concession Arrangements: Grantor	Currently applicable
GRAP 34	Separate financial statements	Currently applicable
GRAP 35	Consolidated financial statements	Currently applicable
GRAP 36	Investments in associates and joint ventures	Currently applicable
GRAP 37	Joint arrangements	Currently applicable
GRAP 38	Disclosure of interests in other entities	Currently applicable
GRAP 110	Living and non-living resources	Currently applicable
GRAP 103	Heritage Assets	Currently applicable
GRAP 105	Transfer of Functions Between Entities Under Common Control	Currently applicable
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	Currently applicable
GRAP 107	Mergers	Currently applicable
GRAP 108	Statutory Receivables	Currently applicable
GRAP 109	Accounting by Principals and Agents	Currently applicable

Notes to the financial statements

	2021	2020
	R	R
2 Value added tax receivable		
Value added tax receivable	3,132,491	-
Vat represents net receivable from the South African Revenue Services		
3.1 Receivables		
Receivables from non-exchange transactions		
Gross balances		
Suppliers deposits	558,828	507,607
Other receivables	1,020,649	736,916
	1,579,477	1,244,523
Less: Allowance for impairment	(500,470)	(500,470)
Net balances for receivables from non-exchange transactions	1,079,008	744,054
Receivables from exchange transactions		
Gross balances		
Service charges - Refuse	7,444,307	6,391,895
Rent	1,543,272	643,066
VAT on amounts receivable	1,172,947	1,032,851
Sundry debtors	387,339	781,557
	10,547,864	8,849,369
Less: Allowance for impairment	(6,631,287)	(5,918,206)
Net balances for receivables from exchange transactions	3,916,578	2,931,163

There were no receivables from non-exchange or exchange transactions that were pledged as security. The age analysis of various categories of debtors are detailed below:

Debtors aging analysis as at 30 June 2021						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	2,338,479.69	1,895,206.45	1,720,413.20	1,797,173.47	58,568,716.37	66,319,989
Traffic fines	62,951	36,950	40,600	34,800	1,655,910	1,831,211
Service charges - Refuse	622,692.84	230,081.81	193,770.80	174,383.02	7,193,550.97	8,414,479
Rent	79,395.95	70,441.37	70,441.37	70,441.37	739,518.84	1,030,239
Sundry debtors					1,103,146.12	1,103,146
Total	3,103,520	2,232,680	2,025,225	2,076,798	69,260,842	78,699,065

Debtors aging analysis as at 30 June 2020						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	2,584,746	1,936,464	1,738,403	1,623,301	51,145,665	59,028,579
Traffic fines	12,200	9,650	22,050	51,150	1,275,475	1,370,525
Service charges - Refuse	301,324	232,967	208,320	194,334	6,305,610	7,242,554
Rent	58,341	15,810	15,810	15,810	624,158	729,928
Sundry debtors	22,991	49,589	49,589	36,406	605,652	764,228
Total	2,979,602	2,244,480	2,034,171	1,921,001	59,956,560	69,135,815

Notes to the financial statements

	2021					2020
	R					R
Debtors aging analysis as at 30 June 2021						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	415,089	392,453	386,552	383,497	19,125,530	20,703,121
Business	260,307	198,205	132,744	109,211	6,753,564	7,454,032
Households	1,652,951	1,030,977	957,179	1,124,436	28,050,421	32,815,965
Agriculture	750,007	590,259	528,311	439,215	13,698,259	16,006,051
Other	25,166	20,786	20,439	20,439	1,633,067	1,719,896
						-
Total	3,103,520	2,232,680	2,025,225	2,076,798	69,260,842	78,699,065

Debtors aging analysis as at 30 June 2020						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	484,399	436,651	416,069	417,056	16,014,592	17,768,768
Business	366,229	318,833	282,529	252,054	7,801,414	9,021,057
Households	1,192,427	800,402	708,594	677,955	20,829,851	24,209,231
Agriculture	817,563	664,141	604,356	551,646	14,453,594	17,091,300
Other	118,984	24,454	22,622	22,290	857,109	1,045,459
						-
Total	2,979,601	2,244,480	2,034,171	1,921,001	59,956,560	69,135,815

Allowance for impairment as at 30 June 2021						
Reconciliation of allowance for impairment	Other receivables	Service charges - Refuse	Rent	Sundry debtors	Total	
Balance at the beginning of the period	(500,470)	(5,744,862)	(125,953)	(47,390)	(6,418,676)	
Bad debt written off	-	-	-	-	-	
(Contribution to the impairment) / reversal of impairment	-	-597,767	-144,563	29,249	-713,081	
Balance at the end of the period	(500,470)	(6,342,629)	(270,516)	(18,141)	(7,131,756)	

Allowance for impairment as at 30 June 2020							
Reconciliation of allowance for impairment	Statutory receivables - rates	Statutory receivables - Traffic fines	Other receivables	Service charges - Refuse	Rent	Sundry debtors	Total
Balance at the beginning of the period			(678,112)	(4,673,601)	(111,540)	(25,437)	(5,488,690)
Bad debt written off			-	-	-	-	-
(Contribution to the impairment) / reversal of impairment			177,642	(1,071,261)	(14,413)	(21,953)	(929,986)
Balance at the end of the period			(500,470)	(5,744,862)	(125,953)	(47,390)	(6,418,676)

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 year ended 30 June 2021

Notes to the Financial statements**3.2 Statutory receivables****Statutory receivables as at 30 June 2021**

Classification	Legislation	Gross opening balance	Billing for the year	Penalties and interests	Bad debts	Receipts	Gross closing balance	Impairment losses provision	Carrying amount Closing balance
Rates	Municipal Property Rates Act, Act No. 6 of 2004	59,028,581	34,318,330	6,105,261	-	(33,132,183)	66,319,989	(28,580,298)	37,739,691
Traffic fines	Criminal procedure act, Act No. 51 of 1977	1,190,835	719,200	-	-	(78,823)	1,831,211	(1,814,809)	16,402
		60,219,416	35,037,530	6,105,261	-	(33,211,006)	68,151,201	(30,395,107)	37,756,093

Interest/penalties accrue at 18% per annum if an instalment is not paid by the last working day of the month, and a flat rate 10% collection charge will be charged on any monthly instalment that fall two months into arrears in terms of the Council's Credit control and debt collection policy.

Statutory receivables as at 30 June 2020

Classification	Legislation	Gross opening balance	Billing for the year	Penalties and interests	Bad debts	Receipts	Gross closing balance	Impairment losses provision	Carrying amount Closing balance
Rates	Municipal Property Rates Act, Act No. 6 of 2004	44,699,859	33,001,175	4,750,750	-	(23,423,204)	59,028,581	(28,195,205)	30,833,376
Traffic fines	Criminal procedure act, Act No. 51 of 1977	1,656,531	535,160	-	(916,056)	(84,800)	1,190,835	(1,161,902)	28,934
		46,356,390	33,536,336	4,750,750	(916,056)	- 23,508,004	60,219,416	(29,357,106)	30,862,309

Interest/penalties accrue at 18% per annum if an instalment is not paid by the last working day of the month, and a flat rate 10% collection charge will be charged on any monthly instalment that fall two months into arrears in terms of the Council's Credit control and debt collection policy.

Allowance for impairment as at 30 June 2021

Reconciliation of allowance for impairment	Statutory receivables - rates	Statutory receivables - Traffic fines	Total
Balance at the beginning of the period	(28,195,205)	(1,161,902)	(29,357,106)
Bad debt written off	-	-	-
(Contribution to the impairment) / reversal of impairment	(385,093)	(652,907)	(1,038,000)
Balance at the end of the period	(28,580,298)	(1,814,809)	(30,395,107)

Allowance for impairment as at 30 June 2020

Reconciliation of allowance for impairment	Statutory receivables - rates	Statutory receivables - Traffic fines	Total
Balance at the beginning of the period	(21,094,425)	(1,470,544)	(22,564,968)
Bad debt written off	-	916,056	916,056
(Contribution to the impairment) / reversal of impairment	(7,100,780)	(607,414)	(7,708,195)
Balance at the end of the period	(28,195,205)	(1,161,902)	(29,357,106)

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Notes to the financial statements

	2021	2020
	R	R
4 Cash and cash equivalents		
Bank balances	3,690,854	4,847,461
Short-term deposits	155,483,460	119,353,260
	159,174,314	124,200,720
Cash on hand	1,377	2,462
	159,175,691	124,203,182

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 fees. Short-term deposits are made for varying periods, depending on the immediate cash requirements. It earn interest at the respective short-term deposit rate. The maximum investment period is two months.

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Notes to the financial statements**The Municipality has the following bank accounts:**

	Cashbook balances	Bank statement balances	Cashbook balances	Bank statement balances
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Bank balances				
First National Bank Limited - Primary Bank account - 62026224999	2,670,461	2,670,461	3,683,134	3,631,160
First National Bank Limited - Bank account - 52551036969	1,020,393	1,020,393	1,164,327	1,221,051
	3,690,854	3,690,854	4,847,461	4,852,211
Short-term deposits				
Investec Bank Limited-1100540834-500	-	-	45,928,093	45,928,093
First National Bank Limited business money market-62235619197	25,099,606	25,099,606	22,757,234	22,757,234
Nedbank Limited investment-03/7881098635/000020	-	-	13,799,731	13,799,731
Nedbank Limited investment-03/7881098635/000018	94,600	94,600	8,481,508	8,481,508
First National Bank Limited money market-62008452071	1,591,380	1,591,380	2,535,161	2,535,161
First National Bank Limited call deposit-62544297436	5,195,055	5,195,055	5,318,223	5,318,223
First National Bank Limited call deposit-62544294987	5,493,177	5,493,177	5,079,219	5,079,219
First National Bank Limited call deposit-74165605518	887,685	887,685	869,931	869,931
NED BANK INVESTMENT-03/7881098635/000021	-	-	13,664,218	13,664,218
FNB CALL DEPOSIT-62810888935	460,717	460,717	454,856	454,856
FNB CALL DEPOSIT-62810887119	275,238	275,238	272,192	272,192
First National Bank Limited call account-62550105011	201,246	201,246	110,225.55	110,225.55
Standard Bank Limited-052070336	80,434	80,434	82,667.92	82,667.92
Standard Bank Limited-478735995 005	30,638,646	30,638,646	-	-
Standard Bank Limited-478735995 006	15,000,000	15,000,000	-	-
Nedbank Investment- 03/7881098635/000035	30,000,000	30,000,000	-	-
Investec Bank Limited-1100540834-450	10,254,897	10,254,897	-	-
Absa Business Bank - 2079795620	30,210,780	30,210,780	-	-
	155,483,460	155,483,460	119,353,260	119,353,260
	159,174,314	159,174,314	124,200,720	124,205,470

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Notes to the financial statements**5 Investment property**

	2021			2020		
	Cost / Valuation	Additions/Fair value adjustments	Closing balance	Cost / Valuation	Additions/Fair value adjustments	Closing balance
Investment property	20,411,000	-	20,411,000	20,300,000	111,000	20,411,000

Reconciliation of investment property - 30 June 2021

	Opening balance	Additions/Fair value adjustments	Disposals	Closing balance
Investment property	20,411,000	-	-	20,411,000

Reconciliation of investment property - 30 June 2020

	Opening balance	Additions/Fair value adjustments	Disposals	Closing balance
Investment property	20,300,000	111,000	-	20,411,000

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. There were no recent comparable vacant land sales within Bulwer, Underberg and Creighton to support any increase in values. The values have therefore remained unchanged as at 30 June 2021.

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 Valuers. The valuation was arrived at by reference to the comparable sales approach. The last valuation was performed as of 30 June 2021.

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Notes to the financial statements**6a Property, plant and equipment**

	2021			2020		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying Value	Cost / Valuation	Accumulated depreciation and impairment	Carrying Value
Infrastructure	240,445,198	59,486,455	180,958,744	185,074,480	42,515,549	142,558,931
Community Assets	230,703,157	33,105,906	197,597,251	219,141,357	26,144,576	192,996,781
Machinery and Equipment	12,441,818	3,951,326	8,490,492	11,971,806	2,981,540	8,990,265
Transport	31,998,028	10,725,119	21,272,909	28,821,458	9,049,448	19,772,010
Furniture and Office Equipment	6,255,109	2,901,196	3,353,913	6,244,192	2,025,449	4,218,743
Leased Assets	1,279,180	1,111,838	167,342	2,445,134	1,858,386	586,747
Computer equipment	4,997,757	2,576,746	2,421,011	4,383,395	1,794,797	2,588,598
Buildings	28,899,770	4,670,648	24,229,122	28,899,770	3,471,794	25,427,976
Land	12,738,101	-	12,738,101	12,738,101	-	12,738,101
	569,758,119	118,529,233	451,228,886	499,719,693	89,841,540	409,878,152

Notes to the Financial statements

6b Property, plant and equipment

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Capital expenditure on purchased assets	Capital expenditure on work in progress	Landfill adjustment	Disposals / Write offs	Depreciation and impairments	Closing balance
	R	R	R	R	R	R	R
Infrastructure	142,558,931	26,500	55,588,634	-	-	(17,215,321)	180,958,744
Community Assets	192,996,781	201,239	13,867,661	(1,406,532)	-	(8,061,898)	197,597,251
Machinery and Equipment	8,990,265	620,714	-	-	-	(1,120,487)	8,490,492
Transport	19,772,010	4,268,292	-	-	-	(2,767,393)	21,272,909
Furniture and Office Equipment	4,218,743	279,770	-	-	-	(1,144,600)	3,353,913
Leased Assets	586,747	-	-	-	-	(419,289)	167,342
Computer equipment	2,588,598	721,716	-	-	-	(889,302)	2,421,011
Buildings (Other)	25,427,976	-	-	-	-	(1,198,854)	24,229,122
Land (Other)	12,738,101	-	-	-	-	-	12,738,101
	409,878,152	6,118,231	69,456,295	(1,406,532)	-	(32,817,144)	451,228,886

Analysis of work in progress - 30 June 2021

	Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment of work in progress	Closing balance
Included with in infrastructure assets		3,953,508	55,588,634	(53,794,423)	5,747,719
Included with in community assets		18,688,138	13,867,661	(29,300,045)	3,247,754
Included with in buildings (Other) assets		255,942	-	-	255,942
		22,897,588	69,456,295	(83,102,468)	9,251,416

Repairs and maintenance expenditure on property, plant and equipment

	2021	2020
Infrastructure	1,307,000	2,015,104
Community Assets	2,325,331	1,120,363
Machinery and Equipment	237,703	42,789
Transport	1,781,896	791,501
Buildings (Other)	167,734	540,286
	5,819,664	4,510,043
Repairs and maintenance		
Amounts paid to service providers	5,819,664	4,487,533
Amounts spent on Materials	-	22,510
Time spent by employees	-	-
	5,819,664	4,510,043

Items of property plant and equipment that were fully depreciated with a cost of R2 939 306 were approved for disposal in the current year but the process would be finalised in the upcoming year.

Reconciliation of property, plant and equipment - 30 June 2020

	Opening balance	Capital expenditure on purchased assets	Capital expenditure on work in progress	Impairment of work in progress	Disposals / Write offs	Depreciation and impairments	Closing balance
	R	R	R	R	R	R	R
Infrastructure	125,849,396	-	29,773,630	-	-	13,064,095	142,558,931
Community Assets	162,811,240	513,164	36,990,569	-	-	7,318,192	192,996,781
Machinery and Equipment	7,052,292	2,121,525	-	-	-	983,551	8,990,265
Transport	19,547,508	5,105,086	-	-	(2,484,643)	2,395,941	19,772,010
Furniture and Office Equipment	2,787,692	2,245,593	-	-	(42,959)	771,583	4,218,743
Leased Assets	1,539,073	-	-	-	-	852,326	586,747
Computer equipment	2,809,150	455,534	-	-	-	676,086	2,588,598
Buildings (Other)	26,289,698	82,191	255,942	-	-	1,198,854	25,427,976
Land (Other)	12,738,101	-	-	-	-	-	12,738,101
	362,223,150	10,523,092	67,020,141	-	(2,527,602)	(27,360,629)	409,878,152

Analysis of work in progress - 30 June 2020

	Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment of work in progress	Closing balance
Included with in infrastructure assets		2,314,538	29,773,630	(28,134,660)	3,953,508
Included with in community assets		5,821,066	36,990,569	(24,123,497)	18,688,138
Included within buildings (Other) assets		255,942	-	-	255,942
		8,135,603	67,020,141	(52,258,156)	22,897,588

Repairs and maintenance expenditure on property, plant and equipment

	2020	2019
Infrastructure	2,015,104	2,201,763
Community Assets	1,120,363	3,727,684
Machinery and Equipment	42,789	113,213
Transport	791,501	1,122,912
Buildings (Other)	540,286	266,482
	4,510,043	7,432,255
Repairs and maintenance		
Amounts paid to service providers	4,487,533	7,432,255
Amounts spent on Materials	22,510	-
Time spent by employees	-	-
	4,510,043	7,432,255

Notes to the Financial statements

7 Intangible assets

	R	2021 R	R	R	Restated 2020 R	R
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	550,181	(236,292)	313,888	518,483	(286,052)	232,432

Reconciliation of intangible assets - 30 June 2021

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	232,432	258,728	(177,272)	-	313,888

Reconciliation of intangible assets - 30 June 2020

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	251,545	101,582	(120,695)	-	232,432

Restricted title:

All computer software are issued under licence and are restricted to the condition under which each licence is issued. Fully amortised software licences with a cost of R227 031 and a nil carrying value have been disposed.

8 Value added tax payable

Value added tax payable	-	606,914
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Vat represents net payable to the South African Revenue Services

9 Finance lease obligation

	2021 R	2020 R
Minimum lease payments due		
- Within one year	177,036	424,887
- In second to fifth year inclusive	-	177,036
	177,036	601,924
Less: Future finance charges	(6,325)	(61,478)
Present value of minimum lease payments	170,712	540,446
Present value of minimum lease payments due:		
- Within one year	170,712	369,734
- In second to fifth year inclusive	-	170,712
	170,712	540,446
Non-current liabilities	-	170,712
Current liabilities	170,712	369,734
	170,712	540,446

The average lease term is 3 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 0% - 15% escalation per annum. The leases have fixed repayment terms. The agreements do not provide for contingent rental payments.

Notes to the Financial statements

	2021		2020		
	R		R		
10 Payables from exchange transactions					
Trade payables		19,099,169		10,967,617	
Retention creditors - contracts		8,551,294		9,887,195	
Staff leave accrual		5,827,597		4,736,511	
13th cheque provision		1,729,594		1,776,245	
Sundry payables		10,195,814		12,866,229	
		45,403,468		40,233,798	
11 Unspent conditional grants					
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period a result of grant conditions being met	Balance as at 30 June 2021
Building Plan Management System	500,000	-	-	(420,000)	80,000
Municipal Infrastructure Grant	-	-	26,658,000	(26,658,000)	-
Greenest Award Municipal Grant	-	-	375,000	-	375,000
Anti-corruption Grant	171,343	-	-	(37,360)	133,983
Financial Management Grant	-	-	2,000,000	(2,000,000)	-
Expanded Public Works Programme	-	-	2,513,000	(2,513,000)	-
Arts & culture - Library Grant	-	-	3,803,000	(3,803,000)	-
Arts and Culture - Creighton Library	2,409,050	-	-	(2,409,050)	-
	3,080,393	-	35,349,000	(37,840,410)	588,983
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2021
Integrated National Electrical Programme Grant	-	-	8,400,000	(8,400,000)	-
Title Deeds Restoration Programme Grant	-	-	200,000	-	200,000
Department of Human Settlements Grant	5,624,057	-	24,174,164	(24,174,164)	5,624,057
	5,624,057	-	32,774,164	(32,574,164)	5,824,057
	8,704,450	-	68,123,164	(70,414,574)	6,413,040
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period a result of grant conditions being met	Balance as at 30 June 2020
Capacity Building/Building Management System	-	-	500,000	-	500,000
Municipal Infrastructure Grant	-	-	27,149,000	(27,149,000)	-
Bulwer Community Service Center(Thusong)	94,797	-	-	(94,797)	-
Anti-corruption Grant	171,343	-	-	-	171,343
Consolidation & migration of records	19,796	-	-	(19,796)	-
Financial Management Grant	-	-	3,000,000	(3,000,000)	-
Disaster Management Grant	-	-	745,000	(745,000)	-
Expanded Public Works Programme	-	-	2,381,000	(2,381,000)	-
Arts & culture - Library Grant	-	-	3,657,000	(3,657,000)	-
Department of Sport and Recreation Grant	27,907	-	-	(27,907)	-
Arts and Culture - Creighton Library	-	-	6,500,000	(4,090,950)	2,409,050
	313,842	-	43,932,000	(41,165,449)	3,080,393
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2020
Department of Human Settlements Grant	4,231,500	-	27,980,944	(26,588,386)	5,624,057
Integrated national electrical programme grant	-	-	8,000,000	(8,000,000)	-
	4,231,500	-	35,980,944	(34,588,386)	5,624,057
	4,545,342	-	79,912,944	(75,753,835)	8,704,450

Notes to the Financial statements

	2021	2020
	R	R
Name of Grant	Description of Grant	
Anti-corruption Grant	This grant is used to fund anti-corruption activities. Unspent portion included in current liabilities.	
Financial Management Grant	This grant is used to finance sound financial management and to pay salaries for the interns.	
Expanded Public Works Programme	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.	
Arts and Culture - Library grant	This grant is used to subsidies the cost of running the libraries.	
Municipal Infrastructure Grant	This grant is used to subsidies the cost of building infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.	
Integrated national electrical programme grant	The municipality receives funding from INEP to fund the electrification of the areas within the municipal demarcation on behalf of ESKOM.	
Disaster Management Grant	The grant was used to finance Covid 19 related expenses	
Building Plan Management System	This grant was received from KZN CoGTA for development and implementation of a building plan information system.	
Greenest Award Municipal Grant	This grant was received from KZN EDTEA as a conditional award won by the municipality as a result of complying with Waste Management prescripts.	
Arts & Culture Creighton Library grant	This grant is for construction of Creighton Community library.	
Department of Sport and Recreation Grant	This grant was used to finance the maintenance of sport facilities within the Dr Nkosazana Dlamini Zuma Municipality.	
Bulwer Community Service Centre	This grant to be used to finance the construction of the Bulwer Community Services Centre.	
Title Deeds Restoration Programme Grant	This grant allocated to the municipality for the completion of Title Deeds related activities.	
Department of Human Settlements grant	This grant is to be used in the implementation of the Department of Housing projects.	
The municipality has complied with all grant conditions and all allocations were received by the municipality as gazetted.		

Notes to the Financial statements

		2021	2020
		R	R
12 Provisions			
	Opening balance post adjustments		Closing balance
	Reductions	Reversals	Contributions to provision
12.1 Reconciliation Provision for landfill site rehabilitation - 30 June 2021			
Environmental rehabilitation - landfill site	(9,163,804)	1,406,532	-
			(7,757,272)
30 June 2020			
Environmental rehabilitation - landfill site	(8,805,803)	-	-
			(358,001)
			(9,163,804)
<p>The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites. The municipality have two landfill sites, one at Creighton and the other at Bulwer. Both these landfill sites have a 10 year licence issued on the 15 of September 2015 and the 26 of October 2015 respectively. The provision made represents the present value of estimated future rehabilitation costs for these landfill sites. It also take into account the estimated landfill site capacity, the average refuse disposal per month on Creighton landfill site; in addition to the fact that each of them has their respective licences valid till the second-half of 2025.</p>			
12.2 Long service awards obligation			
Balance at the beginning of the period		2,522,000	2,226,000
Current service cost		283,000	277,000
Interest cost		323,000	232,000
Benefits paid		(139,092)	(229,000)
Actuarial gains and losses		707,092	16,000
		3,696,000	2,522,000
Current liabilities		439,000	165,000
Non current liabilities		3,257,000	2,357,000
		3,696,000	2,522,000
<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 2021 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 Funding Method.</p>			
<p>The principal assumptions used for the purpose of actuarial valuations are as follows:</p>			
Discount rate		Yield Curve	Yield Curve Difference between
		Difference between nominal and real yield curves	nominal and real yield curves
Consumer Price Index (CPI)		4.30%	5.90%
Normal salary increase rate (CPI+1%)			Yield curve based
Net effective discount rate		Yield curve based	based
<p>The amount recognised in the Statement of Financial Position is as follows:</p>			
Present value of unfunded obligations		3,696,000	2,522,000
<p>The amounts recognised in the Statement of Financial Performance are as follows:</p>			
Current service cost		283,000	277,000
Interest cost		323,000	232,000
Benefits paid		(139,092)	(229,000)
Actuarial gains / (losses)		707,092	16,000
Amount included in other income - Actuarial gain on provision - Long service award		1,174,000	296,000
<p>Movements in the present value of the defined benefit obligation were as follows:</p>			
Current service cost		283,000	277,000
Interest cost		323,000	232,000
Benefits paid		(139,092)	(229,000)
Actuarial gains and losses		707,092	16,000
		1,174,000	296,000

Notes to the Financial statements

	2021	2020
	R	R
Movement in the present value of plan assets were as follows:		
Benefits paid	(139,092)	(229,000)
	<u>(139,092)</u>	<u>(229,000)</u>
Present value of obligation	<u>3,696,000</u>	<u>2,522,000</u>

12.3 Post retirement health care benefits obligations

The history of experienced adjustments is as follows:

Balance at the beginning of the period / year	5,496,000	5,825,000
Current Service cost	372,000	310,000
Current interest cost	575,000	604,000
Medical contributions subsidies for continuation pensioners		
Benefits Paid	(53,586)	(20,000)
Actuarial losses	(216,414)	(1,223,000)
	<u>6,173,000</u>	<u>5,496,000</u>

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.

The most recent actuarial valuations of plan assets and present value of the unfunded defined benefit obligation were carried out at 30 June 2021 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.

The members of the post-employment benefit plan are made up as follows:

Pensioners	1	1
In-service members	<u>101</u>	<u>87</u>

The liability in respect of past service has been estimated as follows:

In-service members	<u>6,173,000</u>	<u>5,496,000</u>
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The Municipality makes monthly contributions for health care arrangements to the following

Medical Aid Schemes:

Key Health, Bonitas, Samwumed and LA Health.

Notes to the Financial statements

	2021	2020
	R	R
12.3 Post retirement health care benefits obligations (cont.)		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	Yield Curve	Yield Curve Difference between
	Difference between nominal and real yield curves	nominal and real yield curves
Expected inflation	4.30%	6.97%
Health care cost inflation (CPI+1%)	Relationship between discount rate and health care inflation rate	Relationship between discount rate and health care inflation rate
Net discount rate		
The amount recognised in the statement of financial position is as follows:		
Present value of unfunded obligations	6,173,000	5,496,000
The amount recognised in the statement of financial performance is as follows:		
Total included in employee related costs - Contribution to medical aid schemes, pension funds, UIF and SDL	6,173,000	5,496,000
	6,173,000	5,496,000
Movements in the present value of the defined benefit obligation were as follows:		
Current service cost	372,000	310,000
Interest cost	575,000	604,000
Medical contributions subsidies for continuation pensioners	-	-
Actuarial gains and losses	(216,414)	(1,223,000)
Amount included in employee related costs	730,586	(309,000)
Current liabilities	76,000	75,000
Non current liabilities	6,097,000	5,421,000
	6,173,000	5,496,000
13 Housing operating account		
Movement in the current period / year:		
Opening balance	5,228,240	4,826,842
Transfer to Municipality		-
Add: Interest received and further advances	264,936	401,397
Closing balance	5,493,175	5,228,240
The Housing Operating Account is represented by cash and cash equivalents	5,493,175	5,228,240

Notes to the Financial statements

		2021 R	Restated 2020 R
14 Revenue			
Revenue comprises revenue from exchange and non-exchange transactions as follows:			
14.1 Revenue from exchange transactions			
Service charges	15	3,878,196	3,423,443
Licences and permits	16	720,920	492,897
Rental of facilities and equipment	17	878,068	836,031
Other income	18	298,738	376,244
Interest received	19	6,423,720	8,171,889
Gain on disposal of assets	20	-	4,515,876
		12,199,642	17,816,379
14.2 Revenue from non - exchange transactions			
Property rates	21	34,318,330	33,001,175
Property rates - penalties imposed	21	6,105,261	4,864,327
Government grants and subsidies	22	197,597,410	167,034,449
Traffic fines	24	719,200	535,160
Assets donated	23	-	2,275,114
Pound Fees		162,060	105,017
Incidental Cash Surpluses		346,261	
		239,248,522	207,815,244
Incidental cash surpluses relates to fruitless & wasteful expenditure to be recovered from relevant officials.			
15 Service charges			
Service charges - Refuse removal		3,878,196	3,423,443
16 Licences and permits		720,920	492,897
The municipality receives 8.55% on amounts collected for vehicle registrations since this is the function of Department of Transport.			
17 Rental of facilities and equipment			
Market related		865,660	797,957
Non-Market related		12,409	38,074
		878,068	836,031
18 Other income			
Sale of Goods		95,628	193,525
Insurance Refunds & Commissions		29,149	56,224
Cemetery and Burial		6,438	-
Building Plan Approval		121,322	111,916
Photocopies and Faxes		45,525	13,153
Clearance Certificates		676	1,425
		298,738	376,244
19 Interest received			
Interest Received - Deposit held by Suppliers		21,221.11	22,018
Interest Received - Current Account		175,226	277,812
Interest Received - Investments		6,227,273	7,872,058
		6,423,720	8,171,889
20 Gain on disposal of assets			
Gains on disposal of assets		-	4,515,876
Unused train coaches were disposed through an auction in 2019/2020.			
21 Property rates			
Residential		7,464,967	7,265,459
Business & Commercial		8,389,514	8,814,429
Agricultural		9,002,921	7,856,594
State owned		7,845,451	7,528,855
Public Service Infrastructure (PSI)		-	5,499
Vacant		1,615,478	1,530,340
Total		34,318,330	33,001,175
Penalties			
Property rates		5,984,091	4,750,750
Service charges		121,170	113,577
		6,105,261	4,864,327

Notes to the Financial statements

	2021	Restated 2020
	R	R
Valuations		
Business and Commercial	291,312,000	291,312,000
Farms - Agriculture	3,185,456,000	3,178,697,000
Farms - Commercial	3,918,000	6,068,000
Farms - Other	10,267,000	10,267,000
Farms - Residential	14,206,000	12,056,000
Industrial	18,860,000	18,860,000
Municipal Properties	71,869,000	71,869,000
Protected Areas	359,000	359,000
Public Service Infrastructure (PSI)	6,603,000	6,603,000
Public Benefit Organisation	58,200,000	58,200,000
Residential	736,624,000	740,411,000
Smallholdings - Agriculture	31,337,000	31,337,000
Smallholdings - Other	1,056,000	1,056,000
Smallholdings - Residential	79,367,000	81,733,000
State Public Service Purpose	478,432,000	478,432,000
State Trust Land	256,128,000	256,128,000
Tourism & Hospitality Rural	336,797,000	336,234,000
Tourism & Hospitality Urban	-	-
Vacant Land	107,423,000	107,334,000
Worship	61,404,000	61,404,000
	5,749,618,000	5,748,360,000

Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation came into effect on 1 July 2017. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc. Rates are levied on an annual basis over 12 monthly. A reduction is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties (in addition to the first R15 000 exempt in terms of MPRA an additional amount of R 35 000 is granted to all developed residential properties). Qualifying Public Service Infrastructure are granted a 100% impermissible exemption. A 30% rebate is granted to all developed properties except for State owned properties/PSPs. An additional 5% rebate is granted to all developed properties outside townlands except for State owned properties/PSPs. Qualifying Pensioners receive a rebate between 50% to 100% depending on the Market Value of property and household income. Qualifying Owners of Properties Utilised Exclusively for Tourism and Hospitality Purposes are granted 73% rebate. 100% indigent rebates are offered to qualifying applicants who meets the qualifying requirements as stated in the Rates and Indigent policies. PBOs/NPOs who meets requirements as stated in the Rates Policy are granted 100% rebates.

Notes to the Financial statements

	2021	Restated 2020
	R	R
22 Government grants and subsidies		
Operating grants		
Equitable share	159,757,000	125,869,000
Financial management grant	2,000,000	3,000,000
Building Plan Management System	420,000	-
Community library services grant	3,803,000	3,657,000
Expanded public works programmes	2,513,000	2,381,000
Disaster Management Grant	-	745,000
Consolidation & migration of records	-	19,796
Anti-corruption Grant	37,360	-
Department of Sport and Recreation Grant	-	27,907
Bulwer community service centre (Thusong)	-	94,797
	168,530,360	135,794,498
Capital grants		
Arts and Culture - Creighton Library	2,409,050	4,090,950
Municipal infrastructure grant	26,658,000	27,149,000
	29,067,050	31,239,950
	197,597,410	167,034,449
Grants reconciliation is on note number 11.		
23 Assets donated		
Assets donated	-	2,275,114
Assets donated relates to assets donated by COGTA through District Municipality in support of Operation Khawuleza initiated by MEC for COGTA.		
24 Traffic fines		
Traffic fines	719,200	535,160

Notes to the Financial statements

	2021	Restated
	R	2020
	R	R
25 Employee related costs		
Salaries and wages	51,243,640	44,807,631
Bonus paid and bonus provision	5,036,558	4,054,051
Contribution to UIF, SDL, Bargaining Council	967,910	882,157
Contribution to medical aid schemes	3,577,232	2,265,740
Contribution to pension funds	6,610,097	5,553,889
Leave pay and provision charge	1,467,933	1,357,679
Travel and car allowances	330,000	358,313
Overtime payments	1,301,542	813,286
Housing benefits and other employee related costs	189,546	173,660
	70,724,458	60,266,406
Remuneration of the Municipal Manager		
Annual remuneration	912,495	917,433
Performance Bonus	167,420	113,349
Travel, housing and other allowances	180,000	180,000
Contribution to medical aid, pension fund and UIF	187,072	182,134
	1,446,987	1,392,915
Remuneration of the Chief Financial Officer		
Annual remuneration	930,618	925,943
Performance Bonus	89,657	93,065
Travel, housing and other allowances	103,506	103,506
Contribution to medical aid, pension fund and UIF	31,797	36,472
	1,155,578	1,158,986
Remuneration of the Public Works and Basic Services Manager		
Annual remuneration	872,117	872,117
Performance Bonus	73,356	-
Travel, housing and other allowances	-	39,073
Contribution to medical aid, pension fund and UIF	-	-
	945,473	911,190
Remuneration of the Community Servicer Manager		
Annual remuneration	825,006	868,246
Performance Bonus	73,356	-
Travel, housing and other allowances	-	39,073
Contribution to medical aid, pension fund and UIF	47,112	3,871
	945,473	911,190
Remuneration of the Corporate Services Manager		
Annual remuneration	939,921	939,921
Performance Bonus	89,657	93,065
Travel, housing and other allowances	126,000	126,000
Contribution to medical aid, pension fund and UIF	-	-
	1,155,578	1,158,986

Notes to the Financial statements

	2021	Restated 2020
	R	R
26 Remuneration of Councillors		
Mayor		
Annual remuneration	748,573	752,172
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	112,286	108,687
	905,259	905,259
Deputy Mayor		
Annual remuneration	598,859	601,738
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	89,829	86,950
	733,088	733,088
Speaker		
Annual remuneration	598,859	601,738
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	89,829	86,950
	733,088	733,088
Councillors		
Annual remuneration	6,134,671	6,244,213
Travel, housing and other allowances	2,242,446	2,152,999
Contribution to medical aid, pension fund and UIF	849,029	828,935
	9,226,146	9,226,147
Total remuneration of councillors	11,597,581	11,597,582
In-kind benefits:		
The Mayor, Deputy Mayor, Speaker and two Exco members 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 43246 dated 24 April 2020. The Mayor and Speaker are provided with municipal vehicles at the cost to the council.		
27 Depreciation and amortisation		
Property, plant and equipment - Depreciation	32,741,995	27,207,478
Property, plant and equipment - Impairment	75,265	153,269
Intangible assets - Amortisation	177,272	120,695
	32,994,532	27,481,442
28 Finance costs		
Interest paid on finance leases	55,153	169,527
Interest paid on expenses	93,652	7,863
	148,806	177,390
29 Debt impairment		
Bad debt - Contribution to the impairment	1,751,082	21,953
Bad debt - Written off	-	9,173,250
	1,751,082	9,195,204

Notes to the Financial statements

	2021 R	Restated 2020 R
30 Transfers and Subsidies		
Electrifications costs	1,227,461	13,610,828
The municipality is an agent and Eskom is the principal on the electrification projects within the municipality.		
31 Operational costs		
Accounting and Auditing	1,383,706	1,285,905
Achievements and Awards	209,290	68,896
Administrative and Support Staff	567,790	519,848
Advertising, Publicity and Marketing	792,016	737,762
Animal Care	52,400	1,573
Artists and Performers	-	69,500
Audit Committee	439,377	322,234
Bank Charges	217,452	171,174
Bargaining Council	844,193	674,011
Bursaries	559,563	1,144,700
Business and Advisory	701,012	118,270
Catering Services	412,788	669,076
Cleaning Services	237,598	323,113
Commissions and Committees	121,976	58,427
Communication	5,422	7,140
Consultants and Professional Services	215,843	1,080,837
Consumables	559,096	566,030
Contractors/Repairs and maintenance	5,819,664	4,510,043
Courier and Delivery Services	335,971	289,209
Deeds	7,140	8,591
Drivers Licences and Permits	8,500	3,995
External Audit Fees	1,744,843	1,847,099
Fire Services	86,957	1,373,520
Gardening Services	369,210	297,530
Hire Charges	686,663	583,269
Indigent Relief	1,142,318	1,576,278
Insurance Underwriting	2,169,128	2,035,451
Land - Rental	114,767	107,508
Legal Advice and Litigation	1,196,890	236,672
Materials and Supplies	2,413,595	1,667,565
Motor Vehicle Licence and Registration	331,707	212,975
Municipal Services	1,940,928	2,015,349
Occupational Health and Safety	336,329	886,263
Parking Fees	4,823	8,657
Printing and Publications	1,047,698	1,297,188
Professional Bodies and Membership	76,311	14,411
Refuse Removal	1,649,103	871,671
Registration & Training Fees	593,111	6,500
Remuneration to Ward Committees	891,400	812,600
Security Services	9,157,567	7,803,104
Signage	87,190	31,317
Specialised Computer Service	510,780	602,485
Telephone, Fax, Telegraph	1,948,400	1,989,569
Transportation	222,326	917,719
Travel and Subsistence	1,368,945	2,410,114
Uniform and Protective Clothing	374,544	1,287,939
Property valuation fees	426,627	203,280
Wet Fuel	3,216,021	3,453,232
	47,598,981	47,179,599
The above expenditure includes COVID 19 related operating expenditure amounting to R 609 528 for 2020/2021 and R 1 187 212 in 2019/2020 for the following;		
Description		
Operating expenditure		
Sanitizers	121,807	345,517
Provision of Water to NDZ Villages without water	-	423,700
Screening of officials and community members entering municipal premises	350,000	236,000
General disinfectants	42,868	3,218
Visor face shields, masks and gloves	44,340	67,087
Thermometers	-	82,490
Cover Suits	50,512	29,200
	609,528	1,187,212
Capital expenditure		
Community Safety vehicles (Disaster & Traffic Units)	2,888,233	-
Underberg CBD infrastructure Upgrade	622,655	-
Construction of multi-purpose community halls	1,152,417	-
	4,663,304	-
TOTAL	5,272,832	1,187,212

Notes to the Financial statements

	2021	Restated 2020
	R	R
32 Cash generated from operations before interest		
Surplus for the period / year	85,405,264	56,234,173
Adjustment for:		
Depreciation and amortisation	32,994,532	27,481,442
Finance costs	148,806	177,390
Movement in provisions	(2,895,434)	33,000
Interest received	(6,423,720)	(8,171,889)
Gain on disposal of assets	-	(4,515,876)
Debt impairment provision	1,751,082	9,195,204
Assets donated by Arts and Culture	-	(2,275,114)
Other non cash items	3,454,456	332,449
Operating surplus before working capital changes	114,434,985	78,490,779
Working capital changes		
increase in receivables from exchange and non-exchange transactions	(8,214,153)	(7,659,860)
movements in Value Added Tax	(3,739,405)	1,065,913
movements in payables from exchange transactions and finance lease obligation	4,970,648	(3,181,918)
decrease in unspent conditional grants and receipts	(2,291,410)	(4,159,111)
Cash generated from operations before interest	105,160,665	64,555,803
33 Commitments		
Authorised capital expenditure		
Approved and contracted		
- Infrastructure assets	7,043,993	2,449,478
- Community assets	14,413,589	8,590,370
-Other assets	1,930,667	205,667
-Furniture and office equipment	351,916	55,998
-Transportation	2,279,250	3,791,874
-Machinery and Equipment	119,390	214,549
Computer Equipment	72,016	
	26,210,821	15,307,936
Operating commitments		
Operating expenditure	20,533,222	30,437,211
	20,533,222	30,437,211
Total commitments	46,744,043	45,745,147
This expenditure will be financed from:		
Government grants	16,049,699	7,511,664
Internal funds	30,694,344	38,233,483
	46,744,043	45,745,147
34 Unauthorised expenditure		
Opening balance	9,071,761	15,433,335
Unauthorised expenditure - current period	-	-
Unauthorised expenditure - written off by council	(9,071,761)	(6,361,574)
Closing balance	-	9,071,761
The unauthorised expenditure of R 9 071 761 relates to the total amount transferred by the Department of Human Settlements to be paid to the contractor for housing projects.		
35 Fruitless and wasteful expenditure		
Opening balance	3,795,397	3,787,534
Fruitless and wasteful expenditure - current period	93,652	7,863
Fruitless and wasteful expenditure - transferred to debtors (to be recovered)	313,385	-
Fruitless and wasteful expenditure - written off by council	(126,171)	-
Closing balance	3,449,494	3,795,397

Current year fruitless and wasteful expenditure is for interest charged on outstanding accounts for Eskom, Telkom and on disputed retention paid to the supplier as per the order of the court . The municipality has requested the suppliers to email all statements in order to avoid penalties, some of the accounts are emailed while others are posted. The closing balance of R 93 652(current year) and R 3 355 842(prior periods) are under investigation.

Notes to the Financial statements

	2021 R	Restated 2020 R
36 Irregular expenditure		
Opening balance	39,929,344	49,992,643
Irregular expenditure - current period (emanating from prior year(s))	11,022,923	5,750,349
Irregular expenditure - current period	10,000	39,929,344
Irregular expenditure - written off by council	(50,952,267)	(55,742,993)
Closing balance	10,000	39,929,344
Refer to detailed analysis of current year irregular expenditure below:		
SCM policy 17(1) - Obtained less than three quotations		283,789
SCM policy 29(2) - BAC not properly constituted	4,695,282	9,818,477
Awarded non-tax compliant suppliers	2,500,359	17,924,993
Uneconomic procurement	-	6,029,563
Preferential Procurement Regulations 8(5) - Threshold for local production not met	3,679,281	11,504,872
Service of the state	148,000	118,000
Non-Declaration on MBD	10,000	
	11,032,923	45,679,694
37 SCM Deviations		
Details of Section 36 deviations		
Reported to council	372,128	8,013,180
	372,128	8,013,180
Refer to detailed analysis of current year deviations below:		
Emergency	35,750	867,913
Single supplier	9,447	4,018
Impractical to follow official procurement processes	326,931	7,141,249
TOTAL	372,128	8,013,180
In terms of regulation 36 of the Municipal SCM regulation, any deviation from SCM policy needs to be recorded with reasons, approved by Accounting Officer and reported to the next Council meeting for noting and to be included as a note to the annual financial statements. The awards listed above have been approved by the Accounting Officer and noted by Council. All deviations are reported monthly and on quarterly basis to the Council with a detailed schedule and reasons thereto.		
38 Awards to close family members of persons in the service of the state		
The are no awards made to suppliers whose close family members are employed by the state.		
39 Additional disclosure in terms of the Municipal Finance Management Act		
39.1 Contributions to organised local government		
Current period / year subscription	844,193	674,011
39.2 Audit fees		
Current period	1,744,843	1,847,099
Amount paid in the current period	(1,744,843)	(1,847,099)
	-	-
39.3 PAYE, UIF and SDL		
Opening balance	-	-
Current period amount	10,171,040	9,665,700
Amount paid in the current period	(10,171,040)	(9,665,700)
Balance unpaid included in creditors	-	-
39.4 Pension and medical aid deductions		
Opening balance	-	-
Payroll deductions	10,657,741	9,260,384
Amount paid in the current period	(10,657,741)	(9,260,384)
Balance unpaid included in creditors	-	-
39.5 VAT		
Vat receivable/(payable)	3,132,491	(606,914)
The net of VAT input payables and VAT output receivables are shown in note 8 and 2. All VAT returns have been submitted by the due date throughout the period.		
39.6 Councillors' arrear consumer accounts		
The following Councillors had rates or services arrears owed for a period more than 90 days during the year in 2020/2021 even though they do not have amount outstanding for more than 90 days as at the 30 June 2021.		
1. Cllr PN Mncwabe		
2. Cllr ZP Mkhize		
Amount outstanding as at the 30 June 2021 is disclosed on note 41.2.		

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2021

Notes to the Financial statements**40 Risk Management****40.1 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 interim 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.

40.2 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.

Maturity profile - 30 June 2021	Less than 1	Over 1 Year	Over 5	Total
	Year	and not more than 5 Years	Years	
Finance lease obligations	170,712	-	-	170,712
Trade payables	45,403,468	-	-	45,403,468
Total	45,574,180	-	-	45,574,180

Maturity profile - 30 June 2020	Less than 1	Over 1 Year	Over 5	Total
	Year	and not more than 5 Years	Years	
Finance lease obligations	369,734	170,712	-	540,445
Trade payables	40,233,798	-	-	40,233,798
Total	40,603,532	170,712	-	40,774,243

Notes to the Financial statements

	2021	2020		
	R	R		
40 Risk Management (cont.)				
40.3 Credit risk				
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.				
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.				
Financial assets exposed to credit risk at year end were as follows:				
Financial instruments				
Receivables from non-exchange transactions	38,835,101	31,606,363		
Receivables from exchange transactions	3,916,578	2,931,163		
Bank, and cash equivalents	159,175,691	124,203,182		
	201,927,370	158,740,708		
40.4 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.				
41 Related parties				
41.1 Relationships				
Compensation to the Accounting Officer, other Key Management and to Councillors:				
Accounting Officer and other key management	5,649,089	5,533,269		
Councillors	11,597,581	11,597,582		
	17,246,670	17,130,850		
41.2 Personal Details				
	Annual remuneration	Travel, housing, Performance bonus and other allowances	Contribution to medical aid, pension fund and UIF	Outstanding balances - Receivables/(Payables)
Key Management				
NC Vezi - Municipal Manager	912,495	347,420	187,072	
KMB Mzimela - Chief Financial Officer	930,618	193,163	31,797	36
SV Mngadi - Public Works and Basic Services Manager	872,117	73,356	0	
Z Mlata - Community Servicer Manager	825,006	73,356	47,112	
SJ Sondezi - Corporate Services Manager	939,921	215,657	0	
Councillors				
BC MNCWABE - Councillor	304,016	44,400	45,602	
BK ZONDI - Councillor	236,896	44,400	35,534	
D ADAMS - Councillor - Exco Member	270,145	134,448		(2,479)
DR NGCAMU - Councillor	236,896	44,400	35,534	
KA HADEBE - Councillor - Exco Member	421,073	205,811	63,161	
L MNCWABE - Councillor	177,672	112,507	26,651	
MB BANDA - Speaker	598,859	44,400	89,829	
MQWAMBI - Councillor	177,672	112,507	26,651	
MT ZIKODE - Councillor	228,012	131,804	34,202	
MV PHOSWA - Councillor	236,896	44,400	35,534	
NC MBANJWA - Councillor	236,896	44,400	35,534	
NG DLAMINI - Councillor	177,672	112,507	26,651	
NM DLAMINI - Councillor	177,672	112,507	26,651	
PN MNCWABE - Mayor	748,573	44,400	112,286	(86)
PP SHANGE - Deputy Mayor	598,859	44,400	89,829	
Q DLAMINI - Councillor	236,896	44,400	35,534	
SJ PHAKATHI - Councillor	177,672	112,507	26,651	
SK JACA - Councillor	204,322	112,507		
ST DLAMINI - Councillor	236,896	44,400	35,534	
ST SHABANE - Councillor	236,896	44,400	35,534	
SV ZULU - Councillor	236,896	44,400	35,534	
T NDLOVU - Councillor	177,672	112,507	26,651	
VAT MTHEMBU - Councillor	177,672	112,507	26,651	
WM KHUMALO - Councillor	236,896	44,400	35,534	
WN KHESWA - Councillor	177,672	112,507	26,651	
WN MAGOSO - Councillor	236,896	44,400	35,534	
ZA MTOLO - Councillor	177,672	112,507	26,651	
ZP GCUME - Councillor	177,672	112,507	26,651	
ZP MKHIZE - Councillor - Exco Member	561,431	44,400	84,215	3,365
42 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				
There are no outstanding litigation claims as at the end of the year to be reported under this item.				

Dr Nkosazana Dlamini Zuma Municipality
Annual financial statements for the year ended 30 June 2021

Notes to the Financial statements

	2020	2019
	R	R
43 Events after the reporting date		
Property, plant and equipment with a carrying value of R21 596.12 was damaged during the unrest period which began on the 12th July 2021 in KZN and Gauteng.		
44 Prior period errors		
During the year the following errors were identified in the prior year financial statements:	-	189,870
Intangible assets		
During the 2020/2021 financial year it was discovered that in 2018/2019 financial year, the municipality revamped its municipal website and the related costs were erroneously expensed. The website as assessed at 30 June 2021 has an indefinite useful life and thus not amortised.		
Receivables from non-exchange transactions		
Statutory receivables		
During the 2020/2021 financial year it was discovered that the following amount was incorrectly raised in the previous financial period. The related impairment provision have been adjusted to reflect the appropriate net value of traffic fines receivables.		
Traffic fines	(179,690)	-
Impairment losses provision	(137,716)	-
The effects of the above mentioned errors on the financial results are as follows,		
Statement of Financial Performance for period ended 30 June 2020		
Operational	-	-
Traffic fines	(179,690)	
Debt impairment	(137,716)	
Statement of Financial Position as at 30 June 2020		
Intangible	-	189,870
Receivables from exchange transactions	(41,974)	-