



Dr Nkosazana Dlamini-Zuma Municipality
Financial Statements
for the period 10 August 2016 to 30 June 2017

(The municipality was established on 10 August 2016 upon the merger
of Kwa Sani and Ingwe Municipalities)

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements
for the period 10 August 2016 to 30 June 2017

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Abbreviations

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

General Information

Members of Council

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

Nature of entity and principle activities

Municipality

Municipal demarcation code

KZN 436

Grading of local authority

3

Municipal Manager

Mr NC Vezi

Chief Financial Officer

Mr KMB Mzimela

Registered Office

Municipal Offices, Main Street, Creighton

Physical address

Main Street
Creighton
3263

Postal address

P O Box 62
Creighton
3263

Bankers

First National Bank

Auditors

Auditor General of South Africa

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

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 financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the 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 financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

In accordance with resolution DEM 4150, Ingwe Municipality merged with the Kwa-Sani Municipality to form the Dr Nkosazana Dlamini-Zuma Municipality. The merger is effective 10 August 2016; hence these financial statements cover the period 10 August 2016 to 30 June 2017.

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

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

The attached financial statements which were prepared on the going concern basis were approved on 31 August 2017 and are signed by:

Mr NC Vezi
Municipal Manager

31 August 2017
Date

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note	2017 R
ASSETS		
Current Assets		
104,698,664		
VAT receivable	2	3,468,902
Receivables	3	9,306,656
Cash and cash equivalents	4	91,923,107
Non-Current Assets		
310,374,559		
Investment property	5	20,064,000
Property, plant and equipment	6	290,214,780
Intangible assets	7	95,780
Total Assets		415,073,224
LIABILITIES		
Current Liabilities		
54,363,535		
Finance lease obligation	8	566,593
Payables from exchange transactions	9	28,648,637
Unspent conditional grants	10	25,088,305
Long service awards obligation	11	60,000
Non Current Liabilities		
15,036,280		
Finance lease obligation	8	73,441
Provision for landfill site rehabilitation	11	8,042,840
Long service awards obligation	11	2,063,999
Post retirement health care benefits	11	4,856,000
Total Liabilities		69,399,816
Net Assets		345,673,408
TOTAL NET ASSETS		
Housing Operating Account	12	3,593,013
Revaluation surplus		-
Capital Replacement reserve		-
Accumulated surplus		342,080,394
Total Net Assets		345,673,408

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Financial Performance

for the period ended 10 August 2016 to 30 June 2017

	Note	2017 R
Revenue		
Service charges	14	2,587,820
Rental of facilities and equipment		675,973
Fair value adjustment on investment property		4,829,000
Other income	15	2,055,753
Interest received	16	5,206,983
Property rates	17	18,345,342
Penalties on property rates	17	1,546,800
Government grants and subsidies	18	131,304,507
Traffic fines	20	472,850
Total revenue		167,025,028
Expenditure		
Employee related costs	21	45,569,738
Remuneration of councillors	22	8,084,739
Depreciation and amortisation	23	16,964,924
Finance costs	24	458,207
Debt impairment	25	3,896,563
Repairs and maintenance	27	3,963,046
Electrification Projects		9,257,567
General expenses	26	44,786,073
Total expenditure		132,980,856
Loss on disposal of assets	41	6,435,178
Surplus for the period		27,608,994

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Changes in Net Assets

For the period ended 30 June 2017

	Housing Operating Account	Revaluation surplus	Capital Replacement reserve	Accumulated Surplus	Total: Net Assets
					R
Balance at 10 August 2016	-	-	-	-	-
Transfers from Ingwe and Kwa Sani Municipalities	3,411,463	3,084,207	582,658	311,246,675	318,325,004
Changes in net assets					-
Surplus for the period	-			27,608,994	27,608,994
Transfer of interest to Housing Grant				(260,590)	(260,590)
Transfer Housing Operating Account interest on call	181,550			(181,550)	-
Transfer revaluation surplus and capital replacement reserve		(3,084,207)	(582,658)	3,666,865	-
Total changes	181,550	(3,084,207)	(582,658)	30,833,719	27,348,404
Balance at 30 June 2017	3,593,013	-	-	342,080,394	345,673,408

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Cashflow Statement

For the period ended 30 June 2017

		2017
	Note	R
Cash flows from operating activities		
Receipts		171,096,910
VAT refunds		15,922,797
Cash receipts from ratepayers and consumers		19,624,113
Cash receipts from grants		135,550,000
Payments		117,463,522
Cash payments to employees		41,541,662
Cash payments to councillors		8,084,739
Cash paid retentions		5,834,646
Cash payments to suppliers for goods and services		62,002,475
Net cash flows from operating activities before interest	28	53,633,388
Interest received		5,206,983
Interest paid		(458,207)
Net cash flows from operating activities after interest		58,382,164
Cash flows from investing activities		
Purchase of property, plant and equipment		(49,347,977)
Proceeds from sale of assets		-
Net cash flows from investing activities		(49,347,977)
Cash flows from financing activities		
Repayment of finance leases		(437,590)
Transfers to municipality		83,326,509
		82,888,919
Net increase in cash and cash equivalents		91,923,107
Net cash and cash equivalents at the beginning of the period		-
Net cash and cash equivalents at the end of the period	4	91,923,107

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Comparison of Budget and Actual amounts
Statement of Financial Performance

Revenue

Revenue from exchange transactions

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	Note 38 reference
	R	R	R	R	R	
Service charges	2,963,298	571,324	3,534,622	2,587,820	(946,802)	1
Rental of facilities and equipment	641,289	(288,925)	352,364	675,973	323,609	2
Other income	13,609,054	24,954,000	38,563,054	2,055,753	(36,507,301)	3
Interest received - investment	5,714,929	-	5,714,929	5,206,983	(507,946)	
Total revenue from exchange transactions	22,928,570	25,236,399	48,164,969	10,526,529	(37,638,440)	

Revenue from non-exchange transactions
Taxation revenue

Property rates	19,452,029	(5,577,896)	13,874,133	18,345,342	4,471,209	4
Property rates - penalties	1,516,456	(150,527)	1,365,929	1,546,800	180,871	

Transfer revenue

Government grants and subsidies	160,172,125	7,478,000	167,650,125	131,304,507	(36,345,618)	5
Fair value adjustment on investment property				4,829,000	4,829,000	
Fines, penalties and forfeits	143,820	(104,110)	39,710	472,850	433,140	8

Total revenue from non-exchange transactions

	181,284,430	1,645,467	182,929,897	156,498,499	(26,431,398)	
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TOTAL REVENUE

	204,213,000	26,881,866	231,094,866	167,025,028	(64,069,838)	
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Expenditure

Employee related costs	58,297,999	(6,146,847)	52,151,152	45,569,738	(6,581,414)	9
Remuneration of councillors	10,836,088	(2,174,118)	8,661,970	8,084,739	(577,231)	
Depreciation and amortisation	12,226,785	4,216,395	16,443,180	16,964,924	521,744	6
Finance costs	747,467	504,100	1,251,567	458,207	(793,360)	10
Debt impairment	561,158	3,400,000	3,961,158	3,896,563	(64,595)	7
Repairs and maintenance	11,364,654	(6,629,541)	4,735,113	3,963,046	(772,067)	11
General expenses	47,963,361	2,691,115	50,654,476	44,786,073	(5,868,403)	12
	141,997,513	(4,138,896)	137,858,617	123,723,289	-14,135,327	

Operating surplus

	62,215,487	31,020,762	93,236,249	43,301,738	(49,934,511)	
Electrification projects	-	-	-	(9,257,567)	(9,257,567)	
Loss on disposal of assets	-	-	-	(6,435,178)	(6,435,178)	
	-	-	-	-	-	

Net Surplus

	62,215,487	31,020,762	93,236,249	27,608,994	(65,627,255)	
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Actual amount on comparable basis presented in the Budget and Actual Comparative Statement

Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Comparison of Budget and Actual amounts

Statement of Financial Position

ASSETS

Current Assets

VAT receivable

Receivables

Cash and cash equivalents

Non-Current Assets

Investment property

Property, plant and equipment

Intangible assets

Total Assets

LIABILITIES

Current Liabilities

Finance lease obligation

Payables from exchange transactions

Unspent conditional grants

Long service awards obligation

Non Current Liabilities

Finance lease obligation

Provision for landfill site rehabilitation

Long service awards obligation

Post retirement health care benefits

Total Liabilities

Net Assets

TOTAL NET ASSETS

Housing Operating Account

Accumulated surplus

Total Net Assets

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	Note 38 reference
	R	R	R	R	R	
Current Assets	80,081,000	53,760,100	133,841,100	104,698,664	(29,142,436)	
VAT receivable			-	3,468,902	3,468,902	13
Receivables	12,638,000	316,100	12,954,100	9,306,656	(3,647,444)	14
Cash and cash equivalents	67,443,000	53,444,000	120,887,000	91,923,107	(28,963,893)	15
Non-Current Assets	300,531,000	29,018,000	329,549,000	310,374,559	(19,174,441)	
Investment property	14,480,000	755,000	15,235,000	20,064,000	4,829,000	16
Property, plant and equipment	285,416,000	28,790,000	314,206,000	290,214,780	(23,991,220)	
Intangible assets	635,000	(527,000)	108,000	95,780	(12,220)	17
Total Assets	380,612,000	82,778,100	463,390,100	415,073,224	(48,316,876)	
LIABILITIES						
Current Liabilities	23,610,000	32,125,000	55,735,000	54,363,535	(1,431,465)	
Finance lease obligation	311,000		311,000	566,593	255,593	18
Payables from exchange transactions	23,299,000	32,125,000	55,424,000	28,648,637	(26,775,363)	19
Unspent conditional grants			-	25,088,305	25,088,305	
Long service awards obligation	-	-	-	60,000	60,000	
Non Current Liabilities	3,442,000	15,551,000	18,993,000	15,036,280	(3,956,720)	
Finance lease obligation	550,000	125,000	675,000	73,441	(601,559)	
Provision for landfill site rehabilitation				8,042,840	8,042,840	20
Long service awards obligation			-	2,063,999	2,063,999	21
Post retirement health care benefits	2,892,000	15,426,000	18,318,000	4,856,000	(13,462,000)	22
Total Liabilities	27,052,000	47,676,000	74,728,000	69,399,816	(5,388,184)	
Net Assets	353,560,000	35,102,100	388,662,100	345,673,408	(42,928,692)	
TOTAL NET ASSETS						
Housing Operating Account	3,206,000	461,000	3,667,000	3,593,013	(73,987)	
Accumulated surplus	350,354,000	16,250,000	366,604,000	342,080,394	(24,523,606)	
Total Net Assets	353,560,000	16,711,000	370,271,000	345,673,408	(24,597,592)	

Dr Nkosazana Dlamini-Zuma Municipality

Annual Financial Statements for the period 10 August 2016 to 30 June 2017

Statement of Comparison of Budget and Actual amounts

	Approved Budget	Adjustments	Final Budget	Actual	Difference between final budget and actual	
	R	R	R	R	R	
Cash Flow Statement						
Receipts	187,014,000	26,706,000	193,388,000	171,096,910	(22,291,090)	
VAT refunds	13,010,000	23,905,000	36,915,000	15,922,797	(20,992,203)	
Cash receipts from ratepayers and consumers	20,332,000	1,323,000	1,323,000	19,624,113	18,301,113	23
Cash receipts from grants	153,672,000	1,478,000	155,150,000	135,550,000	(19,600,000)	24
Payments	128,262,000	6,240,000	134,502,000	111,628,876	(22,873,124)	
Cash payments to employees			-	41,541,662	41,541,662	
Cash payments to councillors			-	8,084,739	8,084,739	
Cash payments to suppliers for goods and services	128,262,000	6,240,000	134,502,000	62,002,475	(72,499,525)	25
					-	
Sub total	58,752,000	20,466,000	58,886,000	53,633,388	(5,252,612)	
Interest received	5,715,000		5,715,000	5,206,983	(508,017)	26
Interest paid	(747,000)	196,000	(551,000)	(458,207)	92,793	27
Net cash flows from operating activities	63,720,000	20,662,000	64,050,000	58,382,164	(5,667,836)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(62,209,000)	(31,024,000)	(93,233,000)	(49,347,977)	43,885,023	28
Other movements in property, plant and equipment			-		-	
Net cash flows from investing activities	(62,209,000)	(31,024,000)	(93,233,000)	(49,347,977)	43,885,023	
Cash flows from financing activities						
Repayment of finance leases	(613,000)		(613,000)	(437,590)	175,410	29
Transfers to municipality				83,326,509	83,326,509	
	(613,000)	-	(613,000)	82,888,919	83,501,919	
Net increase in cash and cash equivalents	898,000	(10,362,000)	(29,796,000)	91,923,107	121,719,107	
Net cash and cash equivalents at the beginning of the period	93,745,000		93,745,000		(93,745,000)	
Net cash and cash equivalents at the end of the period	94,643,000	(10,362,000)	63,949,000	91,923,107	27,974,107	

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

1. Presentation of annual financial statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgments and sources of estimation uncertainty

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

Receivables

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

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

Provisions

Management determines an estimate based on the information available.

Useful lives of property, plant and equipment and intangible assets

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

Effective interest rate

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

1.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

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

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

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

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

Assets under construction - Work in progress

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

Leased assets

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

1.6 Accounting by principals or agents

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

1.7 Intangible assets

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

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

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

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

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

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

Item	Useful life
Computer software	3 - 12 Years

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

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Accounting Policies

1.8 Financial instruments

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

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

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

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

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

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

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

Type of Financial Asset

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

Classification in terms of GRAP 104

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

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

Type of Financial Liability

Payables from exchange transactions
Finance lease obligation
External loan

Classification in terms of GRAP 104

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

Presentation

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

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

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Accounting Policies

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either the period of time over which an asset is expected to be used by the municipality; or the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Employee benefits

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

Salaries, wages and social security contributions;

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

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

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Accounting Policies

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

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

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

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

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

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

Defined contribution plans-KZN Joint Municipal Pension fund

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

Other employee benefits

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

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

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

The present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

current service cost;

interest cost;

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

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

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

the effect of any curtailments or settlements.

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1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised.

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.

1.12 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable..

Rendering of services

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:

the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

the stage of completion of the transaction at the reporting date can be measured reliably; and

the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

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.

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Accounting Policies

Rentals

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.

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Tariff Charges

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.

1.13 Service charges

Waste removal is based on bin size and the number of collections. Waste removal services are billed on a monthly basis.

1.14 Revenue from non-exchange transactions

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

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

Control of an asset 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.

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

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

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

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

Recognition

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

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

Measurement

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

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Accounting Policies

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

Gifts and donations, including goods in-kind

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

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Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

1.15 Investment income

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

1.16 Comparative figures

As this is the first period of operating there are no comparatives.

1.17 Unauthorised expenditure

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

1.20 Housing Operating Account

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

1.21 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.

1.22 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 Councilors, 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.

1.27 Merger

The municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are initially measured at their carrying amounts. Assets and liabilities assumed are subsequently adjusted to conform to the municipality's own accounting policies.

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Financial Statements for the period 10 August 2016 to 30 June 2017

Accounting Policies

1. Presentation of Interim Financial statements

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

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

Standard	Description	Effective Date	Expected Impact
GRAP 20	Related Party Disclosures	Date not determined	Minimal impact.
GRAP 32	Service Concession Arrangements: Grantor	Date not determined	Not applicable
GRAP 34	Separate Financial Statements	Date not determined	Not applicable
GRAP 35	Consolidated Financial Statements	Date not determined	Not applicable
GRAP 36	Investments in Associates and Joint Ventures	Date not determined	Not applicable
GRAP 37	Joint Arrangements	Date not determined	Not applicable
GRAP 38	Disclosure of Interests in Other Entities	Date not determined	Not applicable
GRAP 108	Statutory Receivables	Date not determined	Minimal impact
GRAP 110	Living and Non-living Resources	Date not determined	Minimal impact
	Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	Date not determined	Not applicable
IGRAP 17	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.	Date not determined	Minimal impact
IGRAP 18	The Selection of an Appropriate Reporting Framework by Public Entities	Date not determined	Not applicable
Directive 12		Date not determined	Not applicable

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Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Interim Financial statements

	2017
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2 Vat receivable	
Vat receivable	3,468,902
Vat represents net input tax receivable from the South African Revenue Services	
3 Receivables	
Receivables from non-exchange transactions	
Gross balances	
Rates	30,011,344
Traffic fines	2,260,384
Suppliers deposits	204,267
Other receivables	710,689
	33,186,684
Receivables from exchange transactions	
Gross balances	
Refuse	4,217,723
Rental	297,960
VAT on amounts receivable	320,357
Sundry debtors	332,676
Tourism	2,400
	5,171,116
Gross balances for receivables	38,357,800
Less: Allowance for impairment	(29,051,144)
Net balances for receivables	9,306,656
There were no receivables from non-exchange transactions that were pledged as security.	
Receivables from exchange and non-exchange transactions (cont.)	
Included in the amounts above are receivables from exchange transactions:	
Refuse	4,390,192
Rental	256,290
Value added tax on debtors	273,016
Tourism	2,400
Sundry debtors	265,342
	5,187,240
Included in the amounts above are receivables from non-exchange transactions (taxes and transfers):	
Rates	29,745,756
	29,745,756
Rates	
Current (0 - 30 days)	886,488
31 - 60 days	606,684
61 - 90 days	884,159
> 121 days	27,368,426
	29,745,756

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Interim Financial statements

	2017
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Refuse	
Current (0 - 30 days)	268,537
31 - 60 days	53,763
61 - 90 days	143,723
91 - 120 days	112,625
> 121 days	3,811,545
	4,390,192
tourism	
> 121 days	2,400
	2,400
Rental	
Current (0 - 30 days)	15,731
31 - 60 days	18,118
61 - 90 days	18,118
91 - 120 days	18,118
> 121 days	186,205
	256,290
Value added tax on debtors	
> 121 days	273,016
Sundry debtors	
Current (0 - 30 days)	265,342
Summary of key debtors by customer classification	
Consumers	
Current (0 - 30 days)	1,421,193
31 - 60 days	261,479
61 - 90 days	411,334
91 - 120 days	202,376
121 - 365 days	5,851,072
	8,147,454
Industrial / commercial	
Current (0 - 30 days)	(29,585)
31 - 60 days	97,771
61 - 90 days	128,133
91 - 120 days	55,926
121 - 365 days	2,995,614
	3,247,859
National and Provincial Government	
Current (0 - 30 days)	(34,206)
31 - 60 days	104,103
61 - 90 days	148,628
91 - 120 days	100,085
121 - 365 days	8,600,224
	8,918,834
Reconciliation of allowance for impairment	
Balance at beginning of the period	
Transfer to municipality	(24,864,491)
(Contribution to the impairment) / reversal of impairment	(4,186,653)
	(29,051,144)

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the financial statements

2017

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4 Cash and cash equivalents

Bank balances	7,091,703
Short-term deposits	84,828,796
	91,920,499
Cash on hand	2,608
	91,923,107

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

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

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

The Municipality has the following bank accounts:

	Cashbook balances	Bank statement balances
	30 June 2017	30 June 2017
Investec Bank - 442026-501	19,011,498.32	19,011,498.32
FNB Money market-62008452071	18,653,978.14	18,653,978.14
Investment Nedbank - 03/7881098635/000020	11,636,661.50	11,636,661.50
Nedbank - 03/7881098635/000018	11,124,534.47	11,124,534.47
FNB commercial nstd call(bcsc) - 62550105011	7,912,097.24	7,912,097.24
FNB - Primary Bank account - 62026224999	6,915,887.66	6,915,887.66
Housing Operating Account -62544297436	5,185,120.99	5,185,120.99
Housing operating acc-62544294987	3,594,495.09	3,594,495.09
FNB business call account - 62235619197	2,696,017.69	2,696,017.69
FNB CR Reserve - 62090279029	903,852.00	903,852.00
FNB 32 day -74165605518	754,378.15	754,378.15
Stanlib - 551130458	625,805.47	625,805.47
Nedcor term investment - 9010975386	621,978.99	621,978.99
FNB DBSA - 62116486087	615,501.64	615,501.64
FNB Global inform system FNB - 62134476672	376,383.00	376,383.00
FNB Mig - 62195706208	337,290.13	337,290.13
Investec Bank - 125677	254,944.20	254,944.20
FNB Planning - 62192429928	219,169.23	219,169.23
FNB Anti-corruption - 62088816677	215,695.46	215,695.46
FNB - Primary Bank account - 52551036969	95,540.90	95,540.90
Salaries bank account	80,274.10	80,274.10
Std old joint water scheme - 52070336	78,073.35	78,073.35
Std bank investment - 458459445-002	11,321.29	11,321.29
	91,920,499	91,909,178

5 Investment property

2017

	Cost / Valuation	Additions/Fair value adjustments	Carrying Value
Investment property	15,235,000	4,829,000	20,064,000

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the financial statements

2017

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Reconciliation of investment property - 30 June 2017

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

Pledged as security:

No investment property is pledged as security.

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

Details of valuation

Investment property mainly vacant stands and land and buildings are stated at fair values, which have been determined based on valuations by an independent valuer who is registered as a Professional Valuer in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer. The valuation was arrived at by reference to the comparable sales approach. The valuation was performed as of 30 June 2017.

6 Property, plant and equipment

	Cost / Valuation	2017 Accumulated depreciation and accumulated impairment	Carrying Value
Infrastructure	113,977,190	(9,012,508)	104,964,683
Community Assets	129,990,559	(3,896,520)	126,094,039
Land	12,720,000	-	12,720,000
Buildings	16,314,388	(488,663)	15,825,725
Leased Assets	995,355	(309,409)	685,946
Sisonke Stimela - Train	4,752,477	(251,941)	4,500,536
Computer Equipment	1,257,033	(265,142)	991,891
Furniture And Fittings	959,345	(184,246)	775,099
Motor Vehicles	9,513,079	(1,263,800)	8,249,279
Office Equipment	988,860	(86,637)	902,222
Plant Equipment	9,030,900	(525,639)	8,505,261
Security Measures	6,555,819	(555,720)	6,000,099
	307,055,006	(16,840,226)	290,214,780

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6 Property, plant and equipment (cont.)

Reconciliation of property, plant and equipment - 30 June 2017

	Opening balance	Transfers to Municipality post adjustment	Demarcation transfers	Additions	Disposals / Write offs	Work in progress	Depreciation and impairments	Total
	R	R		R	R	R	R	R
Infrastructure	-	78,882,879	(498,778)	34,758,764		834,324	(9,012,508)	104,964,683
Community Assets	-	100,672,949	(5,082,839)	19,937,658		14,462,792	(3,896,520)	126,094,039
Land	-	12,720,000		-			-	12,720,000
Buildings	-	9,758,764		345,921		6,209,703	(488,663)	15,825,725
Leased Assets	-	995,355		-			(309,409)	685,946
Sisonke Stimela - Train	-	4,752,477		-			(251,941)	4,500,536
Computer Equipment	-	968,962		354,577	(66,506)		(265,142)	991,891
Furniture And Fittings	-	636,640		330,975	(8,271)		(184,246)	775,099
Motor Vehicles	-	7,835,585		2,639,317	(961,823)		(1,263,800)	8,249,279
Office Equipment	-	1,008,554		-	(19,695)		(86,637)	902,222
Plant Equipment	-	7,154,818		1,900,325	(24,243)		(525,639)	8,505,261
Security Measures	-	4,195,189		1,753,400		607,230	(555,720)	6,000,099
	-	229,582,174	(5,581,617)	62,020,937	(1,080,538)	22,114,050	(16,840,226)	290,214,780

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

7 Intangible assets

	2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer software	172,465	(76,686)	95,780

Reconciliation of intangible assets - 30 June 2017

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

Restricted title:

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

2017

8 Finance lease obligation

Minimum lease payments due	
- Within one year	705,979
- In second to fifth year inclusive	74,824
	780,802
Less: Future finance charges	(140,768)
Present value of minimum lease payments	640,034
Present value of minimum lease payments due:	
- Within one year	566,593
- In second to fifth year inclusive	73,441
	640,034
Non-current liabilities	73,441
Current liabilities	566,593
	640,034

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

	2017
	R
9 Payables from exchange transactions	
Trade payables	12,286,420
Retention creditors - contracts	6,555,322
Staff leave accrual	4,077,390
Employee related costs	1,195,187
Remuneration of councillors	-
Sundry payables	4,534,319
	<u>28,648,637</u>
10 Unspent conditional grants	
Integrated national electrical programme	8,424,092
Bulwer community service centre	6,768,237
Department of Human Settlements grant	5,185,121
Demarcation grant	2,529,507
Work study exercise	700,000
Arts & culture - library	569,020
GIS grant	292,621
Consolidation & migration of records s	200,000
Promulgation of municipal by-laws	200,000
Anti-corruption grant	171,343
PMS grant	48,364
	<u>25,088,305</u>
Movement during the period	
Balance at the beginning of the period	-
Transfer to municipality	23,572,965
Additions during the period	57,236,589
Income recognised during the period	(55,721,250)
Balance as at 31 March 2017	<u>25,088,304</u>
Conditional grants reconciliation	
Anti Corruption Grant	
Balance at the beginning of the period	-
Transfer to municipality	171,343
Additions during the period	-
Income recognised during the period	-
	<u>171,343</u>
This grant is to fund anti-corruption activities. Unspent portion included in current liabilities.	
Financial Management Grant	
Balance at the beginning of the period	-
Transfer to municipality	-
Additions during the period	3,650,000
Income recognised during the period	(3,650,000)
	<u>-</u>
This grant is used to finance sound financial management and to pay salaries for the interns. Conditions of the grants have been met.	
Department of Sports and Recreation (Kilmon and Nkwezela)	
Balance at the beginning of the period	-
Transfer to municipality	93,049
Additions during the period	-
Income recognised during the period	(93,049)
	<u>-</u>
This grant was used to subsidise the cost of running sports fields. Unspent portion included in current liabilities.	

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

	2017 R
Expanded Public Works Programme	
Balance at the beginning of the period	-
Transfer to municipality	-
Additions during the period	2,191,000
Income recognised during the period	(2,191,000)
	<u>-</u>
<p>The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes. Unspent portion included in current liabilities.</p>	
KZN Department of Arts and Culture - Librarian subsidy	
Balance at the beginning of the period	-
Transfer to municipality	144,317
Additions during the period	2,294,000
Income recognised during the period	(1,869,296)
	<u>569,020</u>
<p>This grant was used to subsidise the cost of running the library. Unspent portion included in current liabilities.</p>	
Municipal Infrastructure Grant	
Balance at the beginning of the period	-
Transfer to municipality	1,300,003
Additions during the period	29,513,000
Income recognised during the period	(30,813,003)
	<u>-</u>
<p>This grant was used to subsidise the cost of building infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.</p>	
Department of Minerals and Energy - Electrification Grant	
Balance at the beginning of the period	-
Transfer to municipality	-
Amounts received during the period from principle	12,000,000
Amount utilised in accordance with the binding arrangement	(3,575,908)
	<u>8,424,092</u>
<p>The municipality receives funding from INEP to fund the electrification of the areas within the municipal demarcation on</p>	
Demarcation Transition Grant	
Balance at the beginning of the period	-
Transfer to municipality	3,363,859
Additions during the period	5,828,000
Income recognised during the period	(6,662,352)
	<u>2,529,507</u>
<p>This grant to be used to finance the transition process on the amalgamation of Ingwe and KwaSani Municipalities to form the Dr Nkosazana Dlamini-Zuma Municipality. Unspent portion included in current liabilities.</p>	
GIS Grant	
Balance at the beginning of the period	-
Transfer to municipality	292,621
Additions during the period	-
Income recognised during the period	-
	<u>292,621</u>
<p>This grant to be used to finance key obstacles to the successful implementation of Geographical Information System</p>	
PMS Grant	
Balance at the beginning of the period	-
Transfer to municipality	48,364
Additions during the period	-
Income recognised during the period	-
	<u>48,364</u>
<p>This grant to be used to finance the implementation of the performance management system</p>	

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

	2017		
	R		
Bulwer Community Service Centre			
Balance at the beginning of the period	-		
Transfer to municipality	13,234,879		
Additions during the period	-		
Income recognised during the period	(6,466,642)		
	<u>6,768,237</u>		
This grant to be used to finance the construction of the Bulwer Community Services Centre			
Department of Human Settlements grant			
Transfer to municipality	-		
Additions during the period	4,924,531		
Interest capitalised	260,589		
	<u>5,185,120</u>		
This grant is to be used in the implementation of the Department of Housing projects, previously the grant was classified as payables from non exchange in the KwaSani Municipality on the 9 August 2016.			
CONSOLIDATION & MIGRATION OF RECORDS			
Balance at the beginning of the period	-		
Transfer to municipality	-		
Additions during the period	200,000		
Income recognised during the period	-		
	<u>200,000</u>		
This grant to be used to finance the consolidation and migration of records from the former municipalities			
DEVELOPMENT OF 4TH GENERATION IDP			
Balance at the beginning of the period	-		
Transfer to municipality	-		
Additions during the period	400,000		
Income recognised during the period	(400,000)		
	<u>-</u>		
This grant to be used to finance Development of the Integrated development plan that will provide the municipality with a blue print.			
PROMULGATION OF MUNICIPAL BY-LAWS			
Balance at the beginning of the period	-		
Transfer to municipality	-		
Additions during the period	200,000		
Income recognised during the period	-		
	<u>200,000</u>		
This grant to be used to finance the promulgation of municipal by-laws.			
WORK STUDY EXERCISE			
Balance at the beginning of the period	-		
Transfer to municipality	-		
Additions during the period	700,000		
Income recognised during the period	-		
	<u>700,000</u>		
This grant to be used to finance the work study exercise to be performed by the municipality			
11 Provisions			
	Transferred to Municipality post adjustments	Contributions to provision	Closing balance
11 Reconciliation Provision for landfill site rehabilitation - 30 June 2017			
Environmental rehabilitation - landfill site	<u>(7,559,771)</u>	<u>483,070</u>	<u>(8,042,840)</u>

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

	2017 R
11 Long service awards obligation	
Balance at the beginning of the period	-
Transferred to Municipality	1,115,942
Current service cost	246,000
Interest cost	221,000
Benefits paid	(174,028)
Actuarial gains and losses	715,085
	<u>2,123,999</u>
Current liabilities	60,000
Non current liabilities	<u>2,063,999</u>
	<u>2,123,999</u>
<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 2017 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 Credit Method.</p>	
<p>The principal assumptions used for the purpose of actuarial valuations are as follows:</p>	
Discount rate	Yield Curve
Consumer Price Index (CPI)	Difference
Normal salary increase rate	between nominal
Net effective discount rate	and yield curves
	CPI +1%
	Yield curve based
<p>The amount recognised in the Statement of Financial Position is as follows:</p>	
Present value of unfunded obligations	<u>2,123,999</u>
<p>The amounts recognised in the Statement of Financial Performance are as follows:</p>	
Current service cost	246,000
Interest cost	221,000
Actuarial gains / (losses)	715,085
	<u>1,182,085</u>
<p>Movements in the present value of the defined benefit obligation were as follows:</p>	
Balance at the beginning of the period / year	-
Current service cost	246,000
Interest cost	221,000
Benefits paid	(174,028)
Actuarial gains and losses	715,085
	<u>1,008,057</u>
<p>Movement in the present value of plan assets were as follows:</p>	
Benefits paid	(174,028)
	<u>(174,028)</u>
Present value of obligation	<u>2,123,999</u>
11 Post retirement health care benefits obligations	
<p>The history of experienced adjustments is as follows:</p>	
Balance at the beginning of the period / year	-
Transferred to municipality	2,010,009
Actuarial losses	2,845,991
	<u>4,856,000</u>

Dr Nkosazana Dlamini-Zuma Municipality

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2017
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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 2017 by a fellow of the Faculty of Actuaries and Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service costs and past service costs were measured using the Projected Unit Credit Method.

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

In-service members

88

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

In-service members

4,856,000

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Key Health, Samwumed and LA Health.

11 Post retirement health care benefits obligations (cont.)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Health care cost inflation

Yield Curve 9%

Expected inflation

Difference between nominal and yield curves 7%

Discount rate

CPI +1% 9%

Salary inflation

Yield curve based 1%

The amount recognised in the statement of financial position is as follows:

Present value of unfunded obligations

4,856,000

The amount recognised in the statement of financial performance is as follows:

Actuarial losses / (gains)

2,845,991

Total included in employee related costs

2,845,991

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the period / year

-

Transferred to the municipality

2,010,009

Current service cost

149,000

Interest cost

213,000

Actuarial gains and losses

2,845,991

5,218,000

12 Housing operating account

Movement in the current period / year:

Opening balance

-

Transfer to Municipality

3,411,463

Add: Interest received and further advances

181,550

Closing balance

3,593,013

The Housing Operating Account is represented by cash and cash equivalents

3,593,013

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

		2017 R
13	Revenue	
	Revenue comprises revenue from exchange and non-exchange transactions as follows:	
13.1	Revenue from exchange transactions	
	Service charges	2,587,820
	Rental of facilities and equipment	675,973
	Other income	2,055,753
	Interest received	5,206,983
		<u>10,526,529</u>
13.2	Revenue from non - exchange transactions	
	Taxation revenue	
	Property rates	18,345,342
	Property rates - penalties imposed	1,546,800
	Transfer revenue	
	Government grants and subsidies	131,304,507
	Traffic fines	472,850
		<u>151,669,499</u>
14	Service charges	
	Refuse removal	<u>2,587,820</u>
15	Other income	
	Tender documents	459,551
	Sundry income	1,569,012
	Pound income	27,191
		<u>2,055,753</u>
16	Interest received	
	Investment revenue	5,206,983
	Interest charged on trade and other receivables	-
		<u>5,206,983</u>
17	Property rates	
	Residential	6,339,169
	Commercial	2,964,827
	Agriculture	3,618,710
	State	3,984,806
	PSI	33,967
	Tourism & hospitality	1,378,245
	Other properties	25,617
	Subtotal	<u>18,345,342</u>
	Property rates - penalties imposed	1,546,800
		<u>19,892,142</u>
	Valuations	
	Business and Commercial	222,715,000
	Industrial	2,130,000
	Residential	682,820,000
	State owned	575,224,000
	State trust land	208,251,000
	Educational	185,774,000
	Farm (Agricultural)	2,499,811,299
	Small holdings agricultural	87,000

Dr Nkosazana Dlamini-Zuma Municipality

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	2017
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PSI	26,723,000
Municipal	33,617,000
Places of worship	26,685,000
Public benefit organisations	49,809,000
MUL-Multiple use	2,100,000
Residential (Lower use)	116,270,000
Tourism & Hospitality Rural	382,152,000
Tourism & Hospitality Urban	29,460,000
Other	6,881,000
	<u>5,050,509,299</u>
<p>Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation came into effect on 1 July 2013. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc.</p>	
18 Government grants and subsidies	
Operating grants	
Development plan and shared service grant	400,000
Equitable share	78,574,000
Financial management grant	3,650,000
Demarcation transition grant	6,662,352
Community library services grant	1,869,296
Expanded public works programmes	2,191,000
Community sport grant	93,049
	<u>93,439,697</u>
Capital grants	
Bulwer community service centre	7,051,806
Municipal infrastructure grant	30,813,003
	<u>37,864,810</u>
	<u>131,304,507</u>
20 Traffic fines	
Traffic fines	<u>472,850</u>
21 Employee related costs	
Salaries and wages	31,327,458
Bonus paid and bonus provision	1,217,862
Contribution to medical aid schemes, pension funds and UIF	6,500,326
Leave pay and provision charge	992,381
Travel and car allowances	448,186
Overtime payments	900,938
Long service awards and provision charge	4,028,076
Housing benefits and other employee related costs	154,512
	<u>45,569,738</u>
Remuneration of the Municipal Manager	
Annual remuneration	636,946
Travel, housing and other allowances	210,000
Contribution to medical aid, pension fund and UIF	150,807
	<u>997,753</u>
Remuneration of the Chief Financial Officer	
Annual remuneration	586,432
Travel, housing and other allowances	252,389
Contribution to medical aid, pension fund and UIF	26,928
	<u>865,749</u>
Remuneration of the IPD Manager	
Annual remuneration	663,550
Travel, housing and other allowances	171,850
Contribution to medical aid, pension fund and UIF	31,502
	<u>866,902</u>

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	2017 R
Remuneration of the Community Servicer Manager	
Annual remuneration	536,546
Travel, housing and other allowances	-
Contribution to medical aid, pension fund and UIF	1,636
	<u>538,182</u>
Remuneration of the Corporate Services Manager	
Annual remuneration	747,758
Travel, housing and other allowances	115,500
Contribution to medical aid, pension fund and UIF	1,636
	<u>864,894</u>
22 Remuneration of Councillors	
Mayor	606,474
Deputy Mayor	492,992
Speaker	495,317
Executive Committee Members	1,156,279
Councillors	5,333,677
	<u>8,084,739</u>
In-kind benefits:	
The Mayor, Deputy Mayor, Speaker and two Exco member are full-time. Each of them 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. The Mayor, Deputy Mayor and Speaker are provided with municipal vehicles at the cost to the council.	
23 Depreciation and amortisation	
Property, plant and equipment	(16,840,226)
Intangible assets	(76,686)
	<u>16,964,924</u>
24 Finance costs	
Interest paid on finance leases	441,673
Interest paid on other transactions	16,534
	<u>458,207</u>
25 (Reversal of impairment on) / impairment of trade debtors	<u>3,896,563</u>
Reversal of impairment on debtors represents a reversal of previous impairment of trade consumers which are no longer impaired.	
26 General expenses	
Accounting fees	379,628
Advertising	803,597
Audit fees - external	2,257,545
Bank charges	153,449
Catering	1,870,580
Cleaning	493,329
Communications	261,186
Computer expenses/web-site	435,898
Consultants fees	4,044,376
Consumables	29,363
Councillor training	141,574

Dr Nkosazana Dlamini-Zuma Municipality

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	2017
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Councillor travel & accommodation	854,017
Deeds returns	4,666
Education support & bursary	783,167
Electricity	947,820
Electricity (street lights nud & hmv)	686,743
Disaster management	1,009,043
Free basic electricity	1,412,634
Fuel & oil	2,163,226
Garden expenses	7,515
Hire of vehicles & equipment	1,243,086
Insurance	857,673
Insurance/vehicle tracking	16,941
Internal audit	82,446
Legal expense	1,337,362
Membership fees	30,726
MPRA Implementation 2nd Valuation Roll	485,282
Mscosa Implementation	449,167
Municipal relief fund (funerals)	88,598
Newspaper and publications	14,355
Postage	179,709
Printing & stationery	1,739,582
Protective clothing	971,763
Refuse removal/refuse bags	682,074
Registry service	23,278
Rental - storerooms	12,331
Rent-tourism office	41,134
Security	3,540,378
Sewerage disposal	33,798
Special development framework	402,600
Staff accommodation	2,843,493
Staff bursaries	202,209
Staff refreshments	97,005
Staff training	551,335
Staff wellness	80,499
Subscriptions/affiliations	560,855
Subsistence & travelling	885,739
Telephones	2,028,635
Television services	442
Tolls and Parking	7,625
Transportation cost	1,741,136
Vehicle licences/leases	49,900
Ward committee capacity building	651,340
Ward committees: travel & accommodation	1,188,656
Wood chipper	920,938
Landfill site provisions	483,070
Sundry	1,521,553
	44,786,073
27 Repairs and maintenance	
Vehicles, trailers & tractors	1,096,336
Buildings & halls	2,194,891
Plant & equipment	108,087
Roads and drains	40,667
Railway line maintenance	173,000
Public toilets	173,246
Fencing	176,819
	3,963,046

Dr Nkosazana Dlamini-Zuma Municipality
Financial Statements for the period 10 August 2016 to 30 June 2017

Notes to the Financial statements

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Repairs and maintenance	
Amounts paid to service providers	3,963,046
Amounts spent on Materials	-
Time spent by employees	-
	<u>3,963,046</u>
28 Cash generated from operations before interest	
Surplus for the period / year	27,608,994
Adjustment for:	
Depreciation and amortisation	16,964,924
Loss on disposal of assets	6,435,178
Finance costs	458,207
Fair value adjustment on Investment property	(4,829,000)
Movement in provisions	4,337,118
Debt / (reversal of) impairment	-
Interest received	(5,206,983)
Assets written off	1,032,334
Assets donated by Arts and Culture	(34,641)
Non cash movement debtors transferred	(853,541)
	<u>45,912,589</u>
Operating surplus before working capital changes	
Working capital changes	
Increase in receivables	(2,232,617)
Decrease in VAT receivable	3,736,939
Increase in payables from exchange transactions	5,074,887
Increase in unspent conditional grants and receipts	1,515,338
Interest capitalised to unspent grants	(260,589)
Loan movement	(113,159)
Cash generated from operations before interest	<u>53,633,388</u>
29 Commitments	
Authorised capital expenditure	
Approved and contracted	
- Infrastructure assets	6,319,165
- Community assets	9,662,647
- Other assets	8,984,181
	<u>24,965,993</u>
Operating commitments	
Operating expenditure	4,058,182
	<u>4,058,182</u>
Total commitments	<u>29,024,175</u>
This expenditure will be financed from:	
Government grants	21,833,669
Own resources	7,190,506
	<u>29,024,175</u>
30 Unauthorised expenditure	
Opening balance	-
Transferred to municipality	21,451,388
Unauthorised expenditure - current period	-
Unauthorised expenditure - condoned	-
Closing balance	<u>21,451,388</u>

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Negative variance in Expenditure:	
- Depreciation and amortisation	
- Debt impairment	
- General expenses	
- Loss on disposal property, plant and equipment	-
	<u>-</u>
31 Fruitless and wasteful expenditure	
Opening balance	-
Transferred to municipality	60,690
Fruitless and wasteful expenditure - current period	3,386,350
Written off by council	-
Under investigation	<u>3,447,040</u>
32 Irregular expenditure	
Opening balance	-
Transferred to municipality	55,558,394
Irregular expenditure - current period	4,007,821
Written off by council	-
Under investigation	<u>59,566,215</u>
33 Additional disclosure in terms of the Municipal Finance Management Act	
33.1 Contributions to organised local government	
Current period / year subscription	<u>560,855</u>
33.2 Audit fees	
Current period	2,257,545
Amount paid in the current period	<u>(2,257,545)</u>
	<u>-</u>
33.3 PAYE and UIF	
Opening balance	-
Transfer to municipality	190,420
Current period amount	6,740,920
Amount paid in the current period	<u>(6,931,340)</u>
Balance unpaid included in creditors	<u>-</u>
33.4 Pension and medical aid deductions	
Opening balance	-
Transfer to municipality	268,250
Payroll deductions	9,282,137
Amount paid in the current period	<u>(9,550,387)</u>
Balance unpaid included in creditors	<u>-</u>
33 Additional disclosure in terms of the Municipal Finance Management Act	
33.5 VAT	
Vat receivable	<u>3,468,902</u>

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

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

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34 SCM Deviations	
Details of Section 36 deviations	
Reported to council	3,477,061
	<u>3,477,061</u>

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

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

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35 Risk Management

35.1 Financial management risk

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

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

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

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

35.2 Liquidity risk

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

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

Maturity profile - 30 June 2017	Less than 1	Over 1 Year	Over 5	Total
	Year	and not more than 5 Years	Years	
Finance lease obligations	566,593	73,441	-	640,034
Trade payables	28,648,637	-	-	28,648,637
Total	29,215,230	73,441	-	29,288,671

Notes to the Special Financial Statements

Dr Nkosazana Dlamini-Zuma Municipality

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35 Risk Management (cont.)

35.3 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	9,306,656
Bank, and cash equivalents	91,923,107
	<u>101,229,762</u>

35.4 Interest rate risk

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

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

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

Notes to the Special Financial Statements

Dr Nkosazana Dlamini-Zuma Municipality

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36 Related parties	
Relationships	
Compensation to the Accounting Officer, other Key Management and to Councillors:	
Accounting Officer and other key management	4,133,480
Councillors	8,084,739
	<u>12,218,218</u>
37 Contingencies	
Contingent assets	
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	
38 Comparison of actual to budgeted results	
A comparison of actual to budgeted results is set out below:	
Statement of financial performance	
1 Service charges - Less service charges especially refuse collected than anticipated, as budgeted tariffs could not be applied immediately due to merger consultation ie old tariffs for each area had to be applied.	
2 Rental of facilities – More hire of municipal properties that anticipated which means that the actual performance was better than the standard.	
3 Other income – the variance is due to inaccurate budgeting.	
4 Property rates – Inaccurate projection due to delay in finalisation of supplementary roll and management did not have accurate information as to which properties were to be transferred at time of the budget.	
5 Government grants –the amount of grants recognised as income is determined by the level of expenditure. Protest on the Bulwer CSC project by local service providers delayed the spending of this grant and hence revenue recognition. Electrification projects budgetted for as revenue now accounted for in accordance with GRAP 109 due to principal-agent relationship.	
6 Depreciation - depreciation of the landfill site was not included in the budget.	
7 Debt impairment (405%) Due to increase in provision and debt written off.	
8 Fines, Penalties and Forfeits – More traffic fines issued than anticipated on the budget.	
9 Employee related costs – Vacant post which were budgeted and not filled.	
10 Finance Costs – Incorrect budgeting.	
11 Repairs and Maintenance – More work was done internally than hiring of service providers	
12 General Expenses – general expenses comprise numerous line items and savings were achieved in many areas.	

Notes to the Special Financial Statements

Dr Nkosazana Dlamini-Zuma Municipality

Financial Statements for the period 10 August 2016 to 30 June 2017

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Statement of financial position

- 13 Vat receivables – budget was included in receivables
- 14 Receivables – Debts collection targets not met
- 15 Cash and cash equivalents –the variance is due to inaccurate budgeting.

- 16 Investment properties – Revaluation of investment properties
- 17 Intangible assets – Less intangibles purchased than anticipated.
- 18 Finance lease obligation – Less capital assets were leased
- 19 Payables from exchange transaction – more work was done internally than using suppliers.
- 20 Provision for landfill site rehabilitation – originally not budgeted for as separate
- 21 Long service awards – Only calculated at the end of the financial year
- 22 Post-retirement health care benefit – the budget took into account vacant posts,however, there is also an element of inaccurate budgeting.

Cash flow statement

- 23 Cash received from charges for services rendered – Less collections on services rendered
- 24 Cash receipts from grants –First trenches of MIG and Equitable Share for 2016/2017 were received in July 2016 prior to establishment of the municipality.
- 25 Cash payments to suppliers and employees – More work was done internally and less posts were filled that budgeted.
- 26 Interest received - More interest was estimated and some of the investments accounts were closed during the year.
- 27 Interest paid – Most creditors were paid on time therefore less interest was charged
- 28 Purchase of PPE –Protests on Bulwer CSC projects by local service providers delayed the spending of the grant. Electrification projects budgetted for as property, plant and equipment now accounted for in accordance with GRAP 109 due to principal-agent relationship. Delays in finding suitable contractor for Creighton internal roads.
- 29 Repayments of finance leases – Repayments of capital was underestimated

39 Events after the reporting date

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

Dr Nkosazana Dlamini-Zuma Municipality
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Notes to the Financial statements

40 Merger

In terms of the resolution DEM 4150 Ingwe Municipality and KwaSani Municipality legally and formally merged to form Dr Nkosazana Dlamini-Zuma Municipality (KZN436) on the 10 August 2016. Reflected below is a table of Assets acquired and liabilities assumed for Dr Nkosazana Dlamini-Zuma Municipality and adjustments made on the 10th August 2017 to align the accounting policies of the new municipality and Adjustments to provisional amounts:

Statement of financial position	Ingwe Municipality	KwaSani Municipality	Dr Nkosazana Dlamini-Zuma			Note
	Closing balances	Closing balances	Transferred to the Municipality	Adjustment	Transfers to Municipality post adjustments	
Assets						
Current Assets	80,253,847	19,504,842	99,758,689	(2,152,290)	97,606,399	
Receivable from non exchange transactions	927,015	1,668,719	2,595,734	(68,755)	2,526,979	1
Value Added Tax receivables	8,352,705	646,581	8,999,286	(1,793,445)	7,205,841	2
Receivable from exchange transactions	3,862,349	370,847	4,233,196	(290,090)	3,943,106	3
Cash and cash equivalents	67,111,778	16,214,742	83,326,520	-	83,326,520	
Inventories	-	-	-	-	-	
Other receivables	-	381,404	381,404	-	381,404	
Traffic fines and deposits	-	222,549	222,549	-	222,549	
Non Current Assets	225,297,217.60	81,942,582	307,239,800	(27,497,974)	279,741,826	
Investment property	2,885,000	12,350,000	15,235,000	-	15,235,000	
Property, plant and equipment	222,364,138	69,468,196	291,832,334	(27,497,974)	264,334,361	4, 5 and 10
Intangible assets	48,079	124,386	172,465	-	172,465	
Total Assets	305,551,065	101,447,424	406,998,489	(29,650,263)	377,348,225	
Liabilities						
Current liabilities	33,896,927	17,170,225	51,067,152	(2,599,739)	48,467,413	
Finance lease obligation	313,521	221,498	535,019	(141,424)	393,595	6
Payables from exchange transactions	17,105,523	3,896,478	21,002,001	(2,458,315)	18,543,686	7
Unspent conditional grants and receipts	16,477,883	2,170,553	18,648,436	4,924,531	23,572,967	9
Borrowings - External Loans	-	113,159	113,159	-	113,159	
Payables from non-exchange transactions	-	4,924,531	4,924,531	(4,924,531)	-	9
Consumer deposits	-	6,406	6,406	-	6,406	
Provisions	-	5,023,658	5,023,658	-	5,023,658	
Defined benefit plan obligation	-	813,942	813,942	-	813,942	
Non Current Liabilities	6,540,502	355,527	6,896,029	3,659,771	10,555,800	
Finance lease obligation	328,502	355,527	684,029	-	684,029	
Provision for landfill site rehabilitation	3,900,000	-	3,900,000	3,659,771	7,559,771	8
Long service award obligation	302,000	-	302,000	-	302,000	
Post retirement health care benefits	2,010,000	-	2,010,000	-	2,010,000	
Total liabilities	40,437,429	17,525,752	57,963,181	1,060,032	59,023,213	
Net Assets	265,113,636	83,921,672	349,035,308	(30,710,295)	318,325,013	
Total Net Assets						
Housing Operating Account	3,411,463	-	3,411,463	-	3,411,463	
Accumulated surplus	261,702,171	80,254,807	341,956,978	(30,710,295)	311,246,683	
Capital replacement reserve	-	582,658	582,658	-	582,658	
Revaluation reserve	-	3,084,207	3,084,207	-	3,084,207	
Total Net Assets	265,113,634	83,921,672	349,035,306	-	318,325,011	

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Note	1 Rates incorrectly charged on municipal property.	R (68,755)
Note	2 Value added tax assessment adjustments (disallowances) were not accounted in the former Ingwe Municipality.	(1,793,445)
Note	3 Impairment of unidentified balances in sundry debtors transferred from KwaSani Municipality.	(290,090)
Note	4 Certain items of Property, Plant and equipment of former Kwasani Municipality were fully depreciated and useful lives were determined in accordance with the municipality's accounting policy resulting in an upward adjustment.	643,049
Note	5 Rehabilitation cost of the landfill classified as Property, plant and equipment of former Ingwe municipality, had not been accounted for in terms of paragraph 21(c) of GRAP 17,	7,007,615.49
Note	6 Finance lease obligation amortisation tables for 12 machines in Kwasani Municipality were calculated using the incorrect rate and this has been adjusted.	(141,424)

Note 7	Retentions from prior years that were forfeited for poor workmanship or have been paid out were included in the balances transferred. This has been adjusted.	(2,458,315)
Note 8	Rehabilitation cost of the landfill classified as property, plant and equipment of former Ingwe municipality, had not been accounted for in terms of paragraph 21(c) of GRAP 17.	3,659,771
Note 9	This grant is to be used in the implementation of the Department of Housing projects, previously the grant was classified as payables from non exchange in the KwaSani Municipality on the 9 August 2016.	-
Note 10	Electrification projects derecognised as a result of the early adoption of generally recognised account practice 109 - Accounting by Principals and Agents	(35,148,638)

41 Loss on disposal of assets

In terms of the resolution DEM 4150 Ingwe Municipality and KwaSani Municipality legally and formally merged to form Dr Nkosazana Dlamini-Zuma Municipality (KZN436) on the 10 August 2016. The following assets were transferred to and from the municipality on the 10 of August 2016:

Current Assets

Receivable from non exchange transactions	Transferred in	190,540
	Transferred out	(1,044,081)

Non Current Assets

Property, plant and equipment	Transferred in	2,773,265
	Transferred out	(8,354,902)

Total		(6,435,178)
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