

Annual Financial Statements for  
**ZULULAND DISTRICT MUNICIPALITY**  
 for the year ended 30 June 2014

Province:

KwaZulu Natal

**Contact Information:**

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ZULULAND DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2014

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

1 Cllr MA Hlatshwayo	Mayor (was Speaker till appointed Mayor on 01 June 2014)
2 Cllr V O Mbuyisa	Speaker (was Exco Member till appointed as Speaker on 01 June 2014)
3 Cllr SE Qwabe	Deputy Mayor
4 Cllr S Ntombela	Member of the Executive Committee (w.e.f 01 June 2014)
5 Cllr B B Zwane	Member of the Executive Committee
6 Cllr ME Khumalo	Member of the Executive Committee
7 Cllr S E Nkwanyana	Member of the Executive Committee
8 Cllr SR Nkosi	Member
9 Cllr M M Mntungwa	Member
10 Cllr M B Mabaso	Member
11 Cllr ZS Buthelezi	Member
12 Cllr R B Mhlungu	Member
13 Cllr N J Mjaja	Member
14 Cllr Z Siyaya	Member
15 Cllr T B Lukhele	Member
16 Cllr SJ Zulu	Member
17 Cllr BJ Mncwango	Member
18 Cllr BC Nhlabathi	Member
19 Cllr KE Nxumalo	Member
20 Cllr IA Mbatha	Member
21 Cllr NM Nhlabathi	Member
22 Cllr RM Zulu	Member
23 Cllr MT Lushaba	Member
24 Cllr NF Zulu	Member
25 Cllr MS Ntshangase	Member
26 Cllr ISM Hadebe	Member
27 Cllr ME Buthelezi	Member
28 Cllr Mkhize TK	Member
29 Cllr Ximba SP	Member
30 Cllr TL Khumalo	Member
31 Cllr PTAN Buthelezi	Member
32 Cllr LS Dumakude	Member
33 Cllr N Xaba	Member
34 Cllr TJ Khumalo	Member
35 Cllr Dlamini QM	Member
36 Cllr V Z KaMagwaza-Msibi	Mayor (resigned 19 May 2014)

ZULULAND DISTRICT MUNICIPALITY  
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**General information (continued)**

**Municipal Manager**

J.H. de Klerk

**Chief Financial Officer**

S.B. Nkosi

**Grading of Local Authority**

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**Auditors**

Auditor-General South Africa

**Bankers**

ABSA Bank Limited

**Registered Office:**

ZULULAND DISTRICT MUNICIPALITY

**Physical address:**

B-400 GAGANE STREET  
ULUNDI  
3838

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ULUNDI  
3838

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**ZULULAND DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages **4 to 52**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.  
I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs's determination in accordance with this Act.

  
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Municipal Manager: Mr J H De Klerk

*29 August 2014*

**ZULULAND DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

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**ZULULAND DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2014

	Note	2014 R	2013 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>19 730 865</b>	<b>121 343 825</b>
Cash and cash equivalents	2	-	89 550 879
Trade receivables from exchange transactions	3.1.	3 791 500	2 968 959
Other receivables from exchange transactions	3.2.	31 600	6 693
Other receivables from non-exchange transactions	4;38	4 146 093	4 471 966
Inventories	5	3 365 745	3 351 202
Prepayments	6	1 754 390	1 924 639
VAT receivable	13	6 641 538	19 069 486
<b>Non-current assets</b>		<b>2 057 651 858</b>	<b>1 765 380 952</b>
Non-current receivables	7	3 124 887	4 009 170
Property, plant and equipment	8	2 052 991 773	1 760 005 088
Heritage assets	9	1 151 452	988 478
Intangible assets	10	383 745	378 216
<b>Total assets</b>		<b>2 077 382 723</b>	<b>1 886 724 777</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>95 879 395</b>	<b>93 947 385</b>
Trade and other payables from exchange transactions	11	80 719 908	72 161 538
Consumer deposits	12	3 227 865	3 218 441
Taxes and transfers payable (non-exchange)		-	32 712
Current provisions	14	5 869 455	5 280 542
Bank overdraft	2	5 499 352	
Payables from non-exchange transactions	15	562 815	13 254 152
<b>Non-current liabilities</b>		<b>5 325</b>	<b>5 325</b>
Other non-current financial liabilities	17	5 325	5 325
<b>Total liabilities</b>		<b>95 884 719</b>	<b>93 952 710</b>
<b>Net assets</b>		<b>1 981 498 003</b>	<b>1 792 772 067</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		1 981 498 003	1 792 772 066
<b>Total net assets</b>		<b>1 981 498 003</b>	<b>1 792 772 066</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2014

	Note	<u>2014</u> R	<u>2013</u> R
<b>Revenue from Exchange Transactions</b>			
Service charges	18	26 899 025	23 914 694
Rental of facilities and equipment	19	119 418	106 272
Interest earned - external investments	20	6 980 485	11 829 016
Interest earned - outstanding receivables	21	-	445 473
Other revenue from exchange transactions	23	2 533 754	1 796 674
<b>Revenue from Non-Exchange Transactions</b>			
Government grants and subsidies received	22	673 040 161	650 660 526
Other revenue from non-exchange	22.1	27 864	37 767
<b>Total revenue</b>		<u><b>709 600 706</b></u>	<u><b>688 790 423</b></u>
<b>Expenses</b>			
Employee related costs	24	128 570 712	113 005 000
Remuneration of councilors	25	6 191 361	6 054 148
Contribution to Doubtful debts	3	6 416 307	2 525 817
Depreciation and amortisation expense	26.1	29 700 571	30 074 024
Repairs and maintenance	26.2	47 091 156	38 258 138
Finance costs	27	-	10 519
Bulk Water purification and Sewer Treatment	28	76 016 153	67 096 498
Contracted services	29	13 428 612	10 691 098
Grants and subsidies paid	30	1 829 239	1 041 732
General expenses	31	212 653 951	187 017 168
<b>Total expenses</b>		<u><b>521 898 061</b></u>	<u><b>455 774 143</b></u>
Gains / (losses) on sale of assets	32	23 291	-
Financial Loss Recovered	42	1 000 000	-
<b>Surplus / (deficit) for the period</b>		<u><u><b>188 725 936</b></u></u>	<u><u><b>233 016 279</b></u></u>

**ZULULAND DISTRICT MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS  
for the year ended 30 June 2014**

DETAILS	Note	Accumulated Surplus/(Deficit) R
Balance at 30 June 2012		1 563 719 982
Correction of prior period error	38	1 712 232
Restated Balance at 30 June 2012		1 565 432 214
Surplus / (deficit) for the period		233 016 279
Restated Balance at 30 June 2012		1 798 448 493
Correction of prior period error	38	(5 676 427)
Restated Balance at 30 June 2013		1 792 772 066
Surplus / (deficit) for the period		188 725 936
Balance at 30 June 2014		1 981 498 003



**ZULULAND DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 R	2013 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		716 985 248	668 900 298
Cash Received from consumers, government and other	33	716 985 248	668 900 298
<b>Payments</b>		(496 183 496)	(423 718 205)
Cash Paid to employee costs, supplier and other	33	(496 183 496)	(423 718 205)
<b>Net cash flows from operating activities</b>	33	220 801 752	245 182 093
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash flows from investing activities</b>		(315 851 983)	(286 059 107)
Purchase of Property, Plant and Equipment		( 323 461 861)	(297 030 082)
Purchase of Heritage Assets		( 162 974)	(683 108)
Proceeds from sale of Property, Plant and Equipment		842 167	-
Interest-Investments		6 980 485	11 829 016
Purchase of intangible assets		(49 800)	(174 933)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	(122 874)
Repayment of finance lease liability		-	(112 355)
Finance Cost-Finance Lease		-	(10 519)
		(95 050 231)	(40 999 888)
<b>Net increase / (decrease) in net cash and cash equivalents</b>		(95 050 231)	(40 999 888)
Net cash and cash equivalents at beginning of period		89 550 879	130 550 767
Net cash and cash equivalents at end of period	34	(5 499 352)	89 550 879

**ZULULAND DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
for the year ended 30 June 2014

Actual 2013	Description	Actual 2014	Approved Budget 2014	Adjustments	Final Budget 2014	Difference	Comments
	<b>Revenue</b>						
23 914 694	Service charges	26 899 025	34 574 042		34 574 042	-7 675 017	Under-billing of water revenue due to water restrictions and some consumers prefer free water.
106 272	Rental of facilities and equipment	119 416	103 612		103 612	15 606	Budget oversight.
11 829 016	Interest earned - external investments	6 960 485	13 661 369		13 981 369	-7 000 904	Interest is based on estimated capital investments that fluctuate during the year.
445 473	Interest earned - outstanding receivables	-	-		-	-	Entry based on Grap compliance
650 660 526	Government grants and subsidies	316 733 353	292 472 000	7 164 000	299 636 000	19 097 353	The grants that were unspent in 2012/2013 have met their conditions and the revenue was recognised.
37 767	Other income	2 561 616	139 693 177	7 950 000	147 643 177	-145 081 559	Due to the appropriation of accumulated reserves used to finance the budget
686 993 749	<b>Total revenue</b>	<b>355 293 899</b>	<b>480 824 420</b>	<b>15 114 000</b>	<b>495 938 420</b>	<b>140 644 522</b>	
	<b>Expenses</b>						
113 095 000	Employee related costs	128 570 712	129 968 454		129 968 454	1 397 742	savings in salaries
6 054 143	Remuneration of councillors	6 191 361	6 272 356		6 272 356	80 995	savings in allowances
2 525 817	Bad debts	6 416 307	3 403 711		3 403 711	-3 012 596	Based on actual debt impairment
30 074 024	Depreciation and amortisation expense	29 700 571	35 260 259		35 280 259	5 579 688	Based on prior year actual depreciation. Assets purchased at different intervals during the year.
38 258 138	Repairs and maintenance	47 091 156	51 921 262		51 921 262	4 830 106	Savings achieved
10 519	Finance costs	-	10 902		10 902	10 902	Liabilities paid during the year
67 096 498	Bulk Water purification and Sewer Treatment	76 016 153	75 574 610		75 574 610	-441 544	bulk water purchases is fully spent as a result of refurbishment works conducted at the plants
10 691 098	Contracted services	13 428 612	10 118 297		10 118 297	-3 310 315	Actual expenditure was slightly above budget but variations were made to accommodate those expenditure.
1 041 732	Grants and subsidies paid	1 629 239	1 939 239		1 939 239	110 000	Funded organisations could not prove prior year expenditure
187 017 168	General expenses	212 653 951	203 324 178	15 735 549	219 059 727	6 405 776	Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset, that resulted to the expenditure being operating and included in the financial performance
455 774 143	<b>Total expense</b>	<b>521 698 061</b>	<b>517 813 267</b>	<b>15 735 549</b>	<b>533 548 816</b>	<b>11 650 755</b>	
-	Gains / (losses) on sale of assets	23 291	-	-	-	-	
-	Financial Loss Recovered	1 000 000	-	-	-	-	Proceeds from insurance claim
231 219 606	<b>Surplus/ (Deficit) for the period</b>	<b>-165 580 871</b>	<b>-36 980 847</b>	<b>-621 549</b>	<b>-37 610 396</b>	<b>127 970 476</b>	
365 054 334	Transfers Recognised- capital	354 306 807 55	359 031 000 00	(4 724 192 45)	354 306 807 55	-	
	Contributions Recognised						
	<b>Surplus/Deficit after capital transfers</b>	<b>188 725 936 26</b>	<b>322 042 153 38</b>	<b>(4 724 192 45)</b>	<b>317 317 960 93</b>	<b>128 592 025</b>	The difference was funding from our own reserves
303 734 297	Capital Expenditure	323 461 861 25	387 428 402 07	(63 966 540 82)	323 461 861 25	0	Reclassification of expenses
297 421 521	Transfers recognised- capital	316 440 100 25	359 031 000 00	(42 590 899 75)	316 440 100 25	-	
	Public contributions						
	Borrowings						
6 312 776	Internally Generated funds	7 021 761 00	26 397 401 48	(14 890 000 00)	13 507 401 48	6 485 640	Some other expenditure was not qualifying to be assets
303 734 297	<b>Total Sources of capital funds</b>	<b>323 461 861 25</b>	<b>387 428 401 48</b>	<b>(57 480 899 75)</b>	<b>329 947 501 73</b>	<b>6 485 640 48</b>	

**ZULULAND DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2014

**1 ACCOUNTING POLICIES**

**1.1 BASIS OF ACCOUNTING**

**1.1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003)

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied except where a transitional provision has been granted are disclosed below.

**1.1.2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**1.1.2.1 PROVISIONS**

Management determined an estimate for provisions raised based on the information available.

**1.1.2.2 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT**

As described in accounting policies 1.3 and 1.5 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the asset become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

**1.1.2.3 DEFINED BENEFIT PLAN LIABILITIES**

As described in accounting policy 1.8, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligation of the municipality that were identified are post retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 5 to the financial statements.

**1.1.2.4 REVENUE RECOGNITION**

Accounting policy 1.10 on Revenue from Exchange Transactions and the accounting policy 1.11 on Revenue from Non-Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9, Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, when services are rendered, whether the services has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.1.2.5 FINANCIAL ASSETS AND LIABILITIES**

The classification of financial assets and liabilities, into categories, is based on management's educated judgement.

**1.1.2.6 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**

The impairment of property, plant and equipment is based on the input provided by the municipality's technical advisor's including those in management. This input includes the condition assessment of the assets after physical verification.

**1.1.2.7 EFFECTIVE INTEREST RATE**

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cashflows. Where none exists the prime rate is used to discount future cash flows.

**1.1.2.8 IMPAIRMENT ALLOWANCE**

Management currently determines an impairment allowance for accounts receivables based on collection trends. This basis is subject to review after the receivable database has been updated.

**1.2 PRESENTATION CURRENCY**

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

**1.3 GOING CONCERN ASSUMPTION**

**ZULULAND DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

for the year ending 30 June 2014

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

**1.4 COMPARATIVE INFORMATION**

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

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

The presentation and classification of items in the current year is consistent with prior periods.

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following Standards of GRAP have been issued by the Accounting Standards Board but have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

Standard number	Standard name	Effective date (if applicable)
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concessions Arrangement Grantor	No effective date
GRAP 105	Transfer of Functions Between Entities Under Common Control	No effective date
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No effective date
GRAP 107	Mergers	No effective date
GRAP 108	Statutory Receivables	No effective date

**ZULULAND DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2014

**GRAP 18: SEGMENT REPORTING**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

**GRAP 20: RELATED PARTY DISCLOSURES**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

It is unlikely that the standard will have a material impact on the municipality's financial statements.  
For the year under review, the municipality has applied IPSAS 20.

**GRAP 25: EMPLOYEE BENEFITS**

The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 31: INTANGIBLE ASSETS**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013

There is no impact of the standard on adoption.

**GRAP 105: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 106: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities not under common control.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

**GRAP 107: MERGERS**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

Impact on the municipality's financial statements once implemented.

**ZULULAND DISTRICT MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2014

**1.6 PROPERTY, PLANT AND EQUIPMENT**

**1.6.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

**1.6.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the an assets' residual value where applicable.

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

**Infrastructure**

Water	15-70 years
Sewerage	15-70 years

**Community**

Buildings	30 years
Recreational Facilities	20-30 years

**Finance lease assets**

Office equipment	5 years
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**Other**

Buildings	30 years
Specialist vehicles	7 years
Other vehicles	7 years
Office equipment	3-7 years
Furniture and fittings	7 years
Emergency equipment	10 years
Computer equipment	5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Land is not depreciated as it is deemed to have an indefinite life.

#### **1.6.4 DERECOGNITION**

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

### **1.7 HERITAGE ASSETS**

#### **1.7.1 INITIAL RECOGNITION**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

#### **1.7.2 MEASUREMENT AT RECOGNITION**

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

#### **1.7.3 SUBSEQUENT MEASUREMENT**

The municipality uses either cost model or revaluation model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirements of heritage asset and can be measured reliably. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

If the municipality re-values heritage asset, the entire class of heritage assets to which that asset belongs is re-valued. The surplus or deficit realised during revaluation is either credited or debited against the revaluation surplus account.

Heritage assets are not depreciated; however the municipality assesses impairment to all heritage assets at each reporting date.

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**1.7.4 DE-RECOGNITION OF HERITAGE ASSETS**

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the statement of financial performance

**1.7.5 TRANSITIONAL PROVISIONS**

The municipality utilises the transitional provisions under Directive 4, which allows three (3) years for the measurement of heritage assets.

**1.8 INTANGIBLE ASSETS**

**1.8.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

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

- the municipality intends to complete the intangible asset for use;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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.

**1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.8.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:  
Computer software            5-7 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.



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**1.8.4 DERECOGNITION**

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.9 INVENTORIES**

**1.9.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

**1.9.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (FIFO)

**1.10 NON-CURRENT ASSETS HELD FOR SALE**

**1.10.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**1.10.2 MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit

**1.10.3 DERECOGNITION**

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition

**1.11 INVESTMENT PROPERTY**

**1.11.1 INITIAL RECOGNITION AND MEASUREMENT**

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably. At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred

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**1.11.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.11.3 IMPAIRMENTS**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

**1.11.4 DERECOGNITION**

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

**1.12 BIOLOGICAL ASSETS**

**1.12.1 RECOGNITION**

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment)

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- o The entity controls the asset; and
- o Future economic benefits or service potential from the asset is probable; and
- o The fair value or cost of the asset can be determined.

**1.12.2 MEASUREMENT**

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest. Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs

When measuring the biological asset at fair value less point-of-sale costs at initial recognition a gain arises on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

**1.12.2 DERECOGNITION**

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

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**1.13 FINANCIAL INSTRUMENTS**

**1.13.1 INITIAL RECOGNITION**

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost

**1.13.2 MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP 104 Standard on Financial Instruments, is in accordance with IAS 39.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

**1.13.3 IMPAIRMENTS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

**1.13.4 RECOGNITION**

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

**1.9 INVESTMENTS**

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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**1.10 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**1.11 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**1.12 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.13 UNAUTHORISED EXPENDITURE**

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

**1.14 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality'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.

**1.15 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

**1.16 LEASES**

**1.16.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

**1.16.2 MUNICIPALITY AS A LESSOR**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.17 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**1.18 REVENUE**

**1.18.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by the council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

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**1.18.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tempering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

**1.18.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

**1.19 BORROWING COSTS**

Borrowing cost are recognised as an expense in Statement of Financial Performance in the period they become due and payable.

**1.20 EMPLOYEE BENEFITS**

**Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**Defined Contribution Plans**

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

**Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan

**Pension obligations**

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

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**Municipal Councillors**

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

**Other post-employment benefit obligations**

The municipality does not provide post retirement health care benefits to any of its employees and therefore has no liability for such benefits. Except for one staff member who was transferred from another local municipality.

**1.21 VAT**

VAT is accounted for on the payment basis i.e. VAT is paid over to SARS only once payment is received from debtors and/ or when actual payment is made to creditors.

**1.22 BUDGET INFORMATION**

The annual budget figures have been prepared in accordance with the GRAP 24. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2013 to 30 June 2014.

**1.23 CAPITAL COMMITMENTS**

Capital commitments are future expenditure to which the municipality is committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are disclosed excluding Vat.

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

Note	2014 R	2013 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following		
Cash on hand	-	5 000
Call deposits	-	89 545 879
	<u>-</u>	<u>89 550 879</u>
The Municipality has the following bank accounts -		
<b>Current Account (Primary Bank Account)</b>		
ABSA BANK-KZN Public Sector Branch 4047162045		
Cash book balance at beginning of year	39 545 879	(39 476 013)
Cash book balance at end of year	(5 499 352)	39 545 879
Bank statement balance at beginning of year	40 318 624	55 427 514
Bank statement balance at end of year	11 200 997	40 318 624
Cash on hand	-	5 000
Total cash and cash equivalents	<u>-</u>	<u>89 550 879</u>
Total bank overdraft	<u>5 499 352</u>	<u>-</u>
<b>Call Accounts</b>		
Absa Bank (20-7293-6439)		30 000 000
First National Bank (IDS3607016)		10 000 000
Standard Bank (9864660)		10 000 000
Investec		-
<b>Total</b>	<u>-</u>	<u>50 000 000</u>

**Encumbrances** A Guarantee of R24,200,000 has been issued in favour of supplier for the purchase of pipes (2013). The guarantee was released during the 2014 financial year.

3.1 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Impairment of Debtors R	Net Balance R
<b>Trade receivables</b>			
as at 30 June 2014			
Service debtors (Water and Sanitation)	67 836 712	64 045 213	3 791 500
<b>Total</b>	<u>67 836 712</u>	<u>64 045 213</u>	<u>3 791 500</u>
as at 30 June 2013			
Service debtors (Water and Sanitation)	60 597 865	57 628 906	2 968 959
<b>Total</b>	<u>60 597 865</u>	<u>57 628 906</u>	<u>2 968 959</u>



**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

Note	2014 R	2013 R
<b>Water and Sewerage: Ageing</b>		
Current (0 – 30 days)	5 057 607	2 647 235
31 - 60 Days	1 436 677	2 126 262
61 - 90 Days	1 534 993	1 580 328
91 - 120 Days	1 244 947	1 298 469
121 - 365 Days	9 471 371	10 827 183
+ 365 Days	49 091 117	42 118 388
<b>Total</b>	<b>67 836 712</b>	<b>60 597 865</b>

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial/ National & Provincial Government
	R	R
<b>as at 30 June 2014</b>		
Current (0 – 30 days)	2 360 441.62	2 697 165
31 - 60 Days	980 641.70	456 036
61 - 90 Days	942 468.25	592 525
91 - 120 Days	920 530.98	324 416
121 - 365 Days	7 411 073.29	2 060 298
+ 365 Days	45 893 008.37	3 198 108
Sub-total	58 508 164.21	9 328 548
Less: Provision for doubtful debts		
<b>Total debtors by customer classification</b>	<b>58 508 164</b>	<b>9 328 548</b>
<b>as at 30 June 2013</b>		
Current (0 – 30 days)	1 322 472	1 324 763
31 - 60 Days	1 058 996	1 067 265
61 - 90 Days	1 008 069	572 259
91 - 120 Days	791 044	507 425
121 - 365 Days	8 395 041	2 432 142
+ 365 Days	39 623 384	2 495 005
Sub-total	52 199 006	8 398 859
Less: Provision for doubtful debts		
<b>Total debtors by customer classification</b>	<b>52 199 006</b>	<b>8 398 859</b>

**3.1 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	57 628 906	48 113 262
Contributions to provision	6 416 307	2 525 817
Reversal of provision	-	-
<b>Total</b>	<b>64 045 213</b>	<b>50 639 079</b>
Correction of error (Note 30)	-	6 989 827
<b>Balance at end of year</b>	<b>64 045 213</b>	<b>57 628 906</b>

**Trade and other receivables past due but not impaired**

Trade and other receivables which are regular payers with amounts owing less than 60 days past due are not considered to be impaired. At 30 June 2014, R3 791 500 - (2013: R2 968 959) were past due but not impaired

The ageing of amounts past due but not impaired is as follows

Less than 60 days past due	1 288 885	745 987
Less than 180 days past due	2 502 614	2 222 972
	<b>3 791 500</b>	<b>2 968 959</b>

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

Note	<u>2014</u>	<u>2013</u>
	R	R
<b>Trade and other receivables impaired</b>		
As of 30 June 2014, trade and other receivables of R64 045 213 - (2013: R57 628 906) were impaired and provided for.	64 045 213	57 628 906
The ageing of these receivables is as follows:		
3 to 6 months	7 900 892	5 359 657
Over 6 months	56 144 321	52 269 249

The fair value of trade and other receivables approximates their carrying amounts.

**3.2. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Debtor: B Mpanza	31 600	-
Re-classified from Other Receivables from Non-Exchange Transactions (Note 4)	-	6 693
<b>Total</b>	<b>31 600</b>	<b>6 693</b>

**4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Debtor: Interest on Investment (Call accounts)	70 318	173 052
Debtor: Independent Electoral Commission	-	6 693
Debtor: BG Shawe	-	480
Debtor: SCN Zungu	-	19 183
Debtor: S S Nkambule	29 740	-
Debtor: ISM Hadebe	73 514	-
Debtor: Mthethwa TW Group Life	-	10 000
Debtor: JB Dlamini	36 276	62 101
Debtor: Natal Spa	71 058	-
Debtor: Insurance Claim	207 679	-
Debtor: Ukundi Municipality	454 935	-
Debtor: Federal Air Lines	15 190	-
Debtor: EAC Helicopter	4 598	-
Debtor: KZN Aviation	3 010	-
Debtor: Abegreen Farm	2 359	-
Debtor: Vriendeschap Bowdery	158 825	-
Debtor: Pongola Municipality	284 062	48 337
Debtor: RS Ndlangamandla	-	5 610
Debtor: SP Zulu	-	177
Debtor: W Ngxongo	-	1 049
Debtor: Water Affairs	2 739 528	-
Bursary Debtor	-	6 776
Other Debtors (Accrued income)	-	4 145 350
<b>Total</b>	<b>4 146 093</b>	<b>4 478 807</b>
Re-classified to Other Receivables from Exchange Transactions (Note 3.1)	-	(6 693)
Adjusted for correction of error (Note 38)	-	(143)
<b>Total Other Debtors</b>	<b>4 146 093</b>	<b>4 471 966</b>

**5 INVENTORIES**

**Closing balance of inventories:**

	3 365 745	3 351 202
Consumable store & water stock	3 337 865	3 351 202
Fuel Stock	27 880 00	-

**6 PREPAYMENTS**

Prepaid expenses	1 054 470	1 234 719
Federal Air deposit	689 920	689 920
<b>Total</b>	<b>1 754 390</b>	<b>1 924 639</b>

Includes pre-payments for Salga fees and accommodation for Salga games 2014, PayDay Annual Licences for 2014-15, Eskom and Geniprint PTY Ltd (2013).

**Federal Air Deposit**- A deposit on aviation contract

**7 NON-CURRENT RECEIVABLES**

Debtor: Eskom Deposits	3 118 844	4 003 126
Deposit: Property 165 President Str, Vryheid	6 044	6 044
<b>Total</b>	<b>3 124 887</b>	<b>4 009 170</b>

**Eskom Deposit**- is payable when an application is made to connect a new water scheme for the Eskom line supply

**Rent Deposit**- this is the deposit payable in terms of the office lease agreement

**ZULULAND DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
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**8 PROPERTY, PLANT AND EQUIPMENT**

**8 Reconciliation of Carrying Value**

	Land		Buildings		Infrastructure		Community		Capital work in Progress		Heritage		Other Assets		Finance lease assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2013	470 000	34 579 548	748 394 577	-	949 837 011	-	26 723 952	-	1 760 005 088	-	-	-	-	-	-	-	-	-
Cost/Revaluation	470 000	43 476 034	944 003 920	-	949 837 011	-	51 575 983	-	1 890 270 202	-	-	907 254	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(8 896 486)	(195 609 344)	-	-	-	(24 852 031)	-	(907 254)	-	-	-	-	-	-	-	-	(230 265 114)
Transfers	-	0	438 101 069	14 933 380	(453 034 449)	-	-	-	-	-	-	-	-	-	-	-	-	0
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 082 987
Capital under Construction	-	-	-	-	316 378 874	-	-	-	-	-	-	-	-	-	-	-	-	316 378 874
Depreciation	-	(1 170 271)	(25 039 804)	(34 940)	-	-	(3 411 285)	-	-	-	-	-	-	-	-	-	-	(29 656 301)
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(818 876)
Cost/Revaluation	-	-	-	-	-	-	(6 643 757)	-	-	-	-	-	-	-	-	-	-	(6 643 757)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	5 824 881	-	-	-	-	-	-	-	-	-	-	5 824 881
as at 30 June 2014	470 000	33 409 277	1 161 455 841	14 898 440	813 181 437	-	29 576 778	-	2 052 991 773	-	-	-	-	-	-	-	-	2 052 991 773
Cost/Revaluation	470 000	43 476 034	944 003 920	-	1 266 215 885	-	52 015 213	-	2 307 068 306	-	-	907 254	-	-	-	-	-	2 307 068 306
Transfers	-	-	438 101 069	14 933 380	(453 034 449)	-	-	-	-	-	-	-	-	-	-	-	-	0
Accumulated depreciation and impairment losses	-	(10 066 757)	(220 649 148)	(34 940)	-	-	(22 438 435)	-	-	-	-	-	-	-	-	-	-	(254 096 533)

Refer to Appendix B for more detail on property, plant and equipment  
Asset number 18592 located at Masokhaneni is identified as temporarily idle due to that, there is no water on ground because of poor raining condition

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**8 Reconciliation of Carrying Value**

	Land		Buildings		Infrastructure		Community		Capital work in Progress		Heritage		Other Assets		Finance lease assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2012	470 000	35 180 011	772 037 066	-	658 703 287	305 370	26 020 038	104 219	1 492 819 990									
Cost/Revaluation as previously reported	470 000	42 996 247	1 603 713 009	-	658 703 287	305 370	44 677 284	907 254	1 693 069 163									
Reclassified from Infrastructure to Capital Work in Progress			(658 703 287)															
Restated Balance at 1 July 2012	470 000	42 996 247	945 009 722	-	658 703 287	305 370	44 677 284	907 254	1 693 069 163									
Accumulated depreciation and impairment losses	-	(7 816 236)	(172 972 657)	-	-	-	(18 657 246)	(803 035)	(200 249 174)									
Acquisitions	-	-	-	-	-	-	4 253 793	-	4 253 793									
Capital under Construction	-	479 787	293 606 944	-	-	-	-	-	294 086 731									
Reclassified from Infrastructure to Capital Work in Progress	-	(1 080 250)	(293 606 944)	-	293 606 944	-	(6 194 785)	(104 219)	(30 015 940)									
Depreciation	-	-	(22 636 687)	-	-	-	-	-	-									
Transfers	-	-	(1 005 802)	-	(2 644 907)	(305 370)	2 644 907	-	(1 311 172)									
Correction of error	-	-	-	-	171 687	-	-	-	171 687									
as at 30 June 2013	470 000	34 579 548	748 394 577	-	949 837 011	-	26 723 952	-	1 760 005 088									
Cost/Revaluation	470 000	43 476 034	945 009 722	-	952 310 231	305 370	48 931 077	907 254	1 991 409 687									
Transfers	-	-	(1 005 802)	-	(2 644 907)	(305 370)	2 644 907	-	(1 311 172)									
Correction of error (note 36)	-	-	-	-	171 687	-	-	-	171 687									
Accumulated depreciation and impairment losses	-	(8 896 486)	(195 609 344)	-	-	-	(24 852 031)	(907 254)	(230 265 114)									

Capital Work-In-Progress has been re-classified from Infrastructure (Opening Balance) to Capital Work-In-Progress column and from work in progress column to other assets column for the completed assets to disclose separately completed assets and Work-In-Progress.

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9 HERITAGE ASSETS**

**9 Reconciliation of Carrying Value**

	Art collections		Stamp collections		Collections of rare books or manuscripts		Historical buildings		Total	
	R	R	R	R	R	R	R	R	R	R
<b>as at 1 July 2013</b>	988 478	-	-	-	-	-	-	-	-	988 478
Cost/Revaluation	988 478	-	-	-	-	-	-	-	-	988 478
Correction of error (note 48)	-	-	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Capital under Construction	162 974	-	-	-	-	-	-	-	-	162 974
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-	-	-
<b>as at 30 June 2014</b>	1 151 452	-	-	-	-	-	-	-	-	1 151 452
Cost/Revaluation	1 151 452	-	-	-	-	-	-	-	-	1 151 452
Transfers	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-

Refer to Appendix C for more detail on Heritage Assets  
All the reported costs of Heritage Asset is still under Work-In-Progress.

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9 Reconciliation of Carrying Value**

as at 1 July 2012					
Cost/Revaluation					
Correction of error (note 48)					
Change in accounting policy (note 47)					
Accumulated depreciation and impairment losses					
Acquisitions					
Capital under Construction					
Impairment loss/Reversal of impairment loss					
Transfers					
*Other movements					
<b>as at 30 June 2013</b>					
Cost/Revaluation					
Impairment losses					

	Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Total
	R	R	R	R	R
	305 370	-	-	-	305 370
	305 370	-	-	-	305 370
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	683 108	-	-	-	683 108
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	988 478	-	-	-	988 478
	988 478	-	-	-	988 478
	-	-	-	-	-

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
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Note

10 INTANGIBLE ASSETS

10.1 Reconciliation of carrying value

	Computer Software R	Total R
as at 1 July 2013	378 216	378 216
Cost	2 211 836	2 211 836
Accumulated amortisation and impairment losses	(1 833 620)	(1 833 620)
Acquisitions	49 800	49 800
Amortisation	(44 271)	(44 271)
Carrying value of disposals	0	0
Cost	1 666 579	1 666 579
Accumulated amortisation	(1 666 579)	(1 666 579)
as at 30 June 2014	383 745	383 745
Cost	3 928 215	3 928 215
Accumulated amortisation and impairment losses	(3 544 470)	(3 544 470)

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>11</b>	<b>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Creditor previous year/ year end		33 721 197	34 851 926
Bank deposits not received		-	67 766
Other Creditors		380 926	-
Prepayment		45 104 218	36 194 641
R/D cheque		-	26 443
Water & Sanitation Debtors with Credit Exceeded		1 513 567	875 215
<b>Total</b>		<b>80 719 908</b>	<b>72 146 018</b>
Adjusted for Correction of Error (Note 38)		-	13 521
<b>Total Restated Creditors</b>		<b>80 719 908</b>	<b>72 161 539</b>
<b>12</b>	<b>CONSUMER DEPOSITS</b>		
Water		3 227 865	3 218 441
<b>Total consumer deposits</b>		<b>3 227 865</b>	<b>3 218 441</b>
ZDM does not pay interest on deposits refunded			
<b>13</b>	<b>VAT RECEIVABLE</b>		
VAT		11 682 026	20 692 719
Year-end vat receivable		3 203 554	2 773 955
VAT Payable		(6 244 050)	(7 353 911)
<b>Total</b>		<b>6 641 530</b>	<b>16 222 743</b>
Adjusted for Correction of Error (Note 38)		-	2 646 743
<b>Restated balance</b>		<b>6 641 530</b>	<b>19 069 486</b>
Vat is accounted for on the payments basis			
<b>14</b>	<b>CURRENT PROVISIONS</b>		
Reconciliation of movement in Provision for Leave pay			
Opening Balance		5 280 542	4 293 866
Provisions Raised		2 882 693	3 273 272
Amounts Used		(2 293 689)	(2 276 614)
<b>Closing Balance</b>		<b>5 869 455</b>	<b>5 290 542</b>
<b>15</b>	<b>OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Unspent Conditional Grants from other spheres of government		558 370	13 275 023
Creditors Exceeded Staff		4 444	-
<b>Total</b>		<b>562 815</b>	<b>13 275 023</b>
Adjusted for Correction of Error (Note 38)		-	(20 670)
<b>Total Unspent Conditional Grants and Receipts</b>		<b>562 815</b>	<b>13 254 353</b>
<b>16</b>	<b>FINANCE LEASE LIABILITY</b>		
<b>2014</b>	<b>Minimum lease payment</b>		<b>Future finance charges</b>
Amounts payable under finance leases	R		R
Within one year			
Within one year			
Less: Amount due for settlement within 12 months (current portion)			
Outstanding amount			
<b>2013</b>	<b>Minimum lease payment</b>		<b>Future finance charges</b>
Amounts payable under finance leases	R		R
Within one year	122 650	112 355	10 334
Within two to five years			
	122 650		10 334
Less: Amount due for settlement within 12 months (current portion)			
<div style="border: 1px solid black; padding: 5px;">                     The average lease term is 5 years and the average effective borrowing rate is 39.66%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.                 </div>			
<b>17</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
Other Non-Current Financial Liabilities			
Deposit - IEC		2 905	2 905
Deposit - WSSA		2 420	2 420
<b>Total</b>		<b>5 325</b>	<b>5 325</b>
Other Non-Current Financial Liabilities (R5 325) are rental deposits by IEC and WSSA			



ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
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	Note	2014 R	2013 R
<b>18</b>	<b>SERVICE CHARGES</b>		
	Sale of water	19 764 166	17 459 683
	Sewerage and sanitation charges	7 134 655	6 455 611
	<b>Total Service Charges</b>	<b>26 898 821</b>	<b>23 914 694</b>
<b>19</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>		
	Rental of facilities	116 416	106 272
	<b>Total rentals</b>	<b>116 416</b>	<b>106 272</b>
<b>20</b>	<b>INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
	Current Account	657 425	757 666
	Call Accounts	6 063 052.7	11 071 346
	<b>Total interest</b>	<b>6 720 478</b>	<b>11 829 016</b>
<b>21</b>	<b>INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
	Debtors	-	445 473
	<b>Total interest</b>	<b>-</b>	<b>445 473</b>
<b>22</b>	<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		
	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	DWAF Accelerated Community Infrastructure (Operational & maintenance)	15 721 000	6 288 000
	DWAF - Bids Infrastructure Grant	52 031 371	54 046 660
	Equitable share	276 430 000	258 854 000
	Expanded public works Programme	2 642 000	5 207 000
	Finance Management Grant	1 250 000	1 250 000
	Grant Rural Sanitation	4 500 000	3 443 130
	Indonesia	1 625 000	1 561 000
	LED Catalyst	-	1 132 356
	MiG Grant	261 545 000	275 487 000
	MWIS	37 170 000	-
	Municipal Systems Improvement Grant	290 000	1 000 000
	Massification	5 056 715	5 194 285
	P700 Strategic Corridor	1 666 000	7 506 698
	Shared Services Planning	2 275 613	365 138
	Ulundu Airport	6 489 625	9 043 822
	Training of Councilors	200 000	-
	Grants - ACIP	644 437	1 319 538
	Ulundu Tourism Hub	-	5 500 000
	<b>TOTAL</b>	<b>673 040 161</b>	<b>656 660 526</b>

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>22.1 Other Revenue from Non-Exchange</b>			
Tampering Fee		27 664	
Re-classified from Other Income (Tampering Fee)			37 767
		<u>27 664</u>	<u>37 767</u>
<b>Equitable Share</b>			
In terms of the Constitution this grant is used to subsidise the provision of basic services to indigent community members. All water consumers receive 6kl free basic water.			
<b>MIG GRANT</b>			
<b>Balance unspent at beginning of year</b>			
Current year receipts		261 545 600	275 457 300
Conditions met - transferred to revenue		(261 545 600)	(275 457 300)
<b>Conditions still to be met - remain liabilities</b>			
MIG is implemented on a multi-year programme and the conditions are met on an ongoing basis.			
<b>Conditional Government Grants and Subsidies</b>			
Balance unspent at beginning of year		13 275 022	16 734 655
Current year receipts		660 322 506	653 200 893
Conditions met - transferred to revenue		(673 040 160)	(650 690 576)
<b>Conditions still to be met - remain liabilities</b>			
		<u>568 370</u>	<u>13 275 023</u>
Changes in levels of government grants			
Based on the allocations set out in the Division of Revenue Act No 65 of 2013, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			
<b>23 OTHER INCOME FROM EXCHANGE TRANSACTIONS</b>			
<b>OTHER INCOME</b>			
Marathon entry fee		49 655	32 322
New connections-sewerage		10 437	10 545
New connections-water		86 020	76 973
Reconnection fees water		119 456	145 114
Sundry Income		161 407	143 541
Sale of Aviation fuel		595 313	
Revenue from flight tickets		439 691	
Donations received		274 090	
Discount Received		32 393	
Indonsa Hall Hire		2 600	7 600
Telephone expenses recovered		61 467	77 534
Skills Levy Refunds		268 845	636 724
Non-refundable tender deposit		413 590	730 686
Total		<u>2 533 754</u>	<u>1 834 444</u>
Re-classified to Revenue From Non-Exchanges (Tampering Fee)		-	(37 767)
<b>TOTAL OTHER INCOME</b>		<u>2 533 754</u>	<u>1 796 674</u>
<b>24 EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages		67 650 785	66 039 587
Employee related costs - Contributions for UIF, pensions and medical aids		20 037 478	16 580 240
Travel motor car, accommodation, subsistence and other allowances		7 048 273	6 765 511
Housing benefits and allowances		662 364	610 754
Overtime payments		6 730 356	4 627 593
Other employee related costs		4 641 754	4 141 174
<b>TOTAL EMPLOYEE RELATED COSTS</b>		<u>128 570 712</u>	<u>118 005 069</u>

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>Remuneration of the Municipal Manager</b>			
Annual Remuneration		540 000	540 000
Performance and other bonuses		136 524	229 764
Travel (motor car, accommodation, subsistence and other allowances)		785 056	708 772
Contributors to UIF, Medical and Pension Funds		61 115	52 754
<b>TOTAL</b>		<b>1 484 735</b>	<b>1 529 770</b>

<b>Remuneration of the Chief Finance Officer</b>			
Annual Remuneration		360 000	360 000
Performance and other bonuses		168 015	169 917
Travel (motor car, accommodation, subsistence and other allowances)		653 452	627 266
Contributors to UIF, Medical and Pension Funds		52 200	46 924
<b>TOTAL</b>		<b>1 171 667</b>	<b>1 201 131</b>

Remuneration of Individual Executive Directors	Planning R	Technical Services R	Corporate Services R	Community Services R
<b>2014</b>				
Annual Remuneration	360 000	360 000	360 000	360 000
Performance and other bonuses	86 932	-	50 113	66 637
Travel (motor car, accommodation, subsistence and other allowances)	677 102	681 428	717 181	676 522
Contributors to UIF, Medical and Pension Funds	35 087	18 721	55 685	21 355
<b>Total</b>	<b>1 159 121</b>	<b>1 060 150</b>	<b>1 223 169</b>	<b>1 144 810</b>

	Community R	Technical Services R	Corporate Services R	Planning R
<b>2013</b>				
Annual Remuneration	360 000	60 000	351 739	360 000
Performance and other bonuses	-	-	162 589	86 235
Travel (motor car, accommodation, subsistence and other allowances)	663 601	102 949	664 393	627 614
Contributors to UIF, Medical and Pension Funds	37 286	3 005	55 796	19 713
<b>Total</b>	<b>1 066 887</b>	<b>165 954</b>	<b>1 255 419</b>	<b>1 093 762</b>

25	REMUNERATION OF COUNCILLORS	R	R
	Mayor	703 801 00	724 280 02
	Deputy Executive Mayor	351 909 00	409 088 38
	Speaker	563 040 00	599 390 94
	Executive Committee Members	2 111 404 00	2 761 774 37
	Councillors' pension and medical aid contributions	319 036 96	392 613 94
	Councillors' allowances	2 142 170 85	1 156 830 85
	<b>Total Councillors' Remuneration</b>	<b>6 191 360 81</b>	<b>6 054 148 45</b>

**In-kind Benefits**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has contracted bodyguards and three (3) full-time drivers.

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>35.2</b>	<b>Audit fees</b>		
	Opening balance		
	Current year audit fee	1 843 815	1 608 015
	Amount paid - current year	(1 843 815)	(1 608 015)
	<b>Balance unpaid (included in payables)</b>		
<b>35.3</b>	<b>PAYE and UIF</b>		
	Opening balance		
	Current year payroll deductions	19 853 575	11 147 055
	Amount paid - current year	(19 853 575)	(11 147 055)
	<b>Balance unpaid (included in payables)</b>		
<b>35.4</b>	<b>Medical and Pension Contributions</b>		
	Opening balance		
	Current year payroll deductions and Council Contributions	25 958 210	18 164 057
	Amount paid - current year	(25 958 210)	(18 164 057)
	<b>Balance unpaid (included in payables)</b>		
<b>35.5</b>	The following Councilors had arrear accounts outstanding as at 30 June 2014		
		Outstanding less than 90 days	Outstanding more than 90 days
		R	R
	<b>as at 30 June 2014</b>		
	Cllr T B Lukhele	2 329	32 124
	Cllr PATN Buthelez	205	3 888
	Cllr J A Mkhoma	278	2 501
	Cllr B J Mkwana	1 695	10 723
	Cllr T K Mkhize	185	522
	Cllr E Nkomo	1 206	36 454
	<b>Total Councilor Arrear Consumer Accounts</b>	<b>3 399</b>	<b>85 450</b>
	<b>as at 30 June 2013</b>		
	Cllr T B Lukhele	22 203	-
	Cllr V Z KaMagwaza-Msibi	(232)	(232)
	Cllr PATN Buthelez	3 125	-
	Cllr A Mkhoma	1 056	-
	Cllr S E Nkwananya	351	-
	Cllr B J Mkwana	(136)	(136)
	Cllr T K Mkhize	6 571	-
	Cllr K E Nkomo	30 870	-
		(389)	-
	<b>Total Councilor Arrear Consumer Accounts</b>	<b>63 459</b>	<b>(368)</b>

ZULLLAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
35.6	Water losses averaged 7.6% during the year	6 546 209	9 678 755

Unaccounted for water comprises underground leaks, faulty meters, vandalism, reservoir overflows resulting from either faulty or malfunctioning facilities. The Non-Revenue Water Management Strategy is already in place. The municipality is currently drafting the business plan to secure funding for the implementation of the Non-Revenue Water Management Strategy.

35.7 Irregular Expenditure

Reconciliation of irregular expenditure			
Opening balance		12 890 666	16 870 666
Irregular expenditure incurred during the year		56 750	1 443 341
Report on Deviations incurred		-	18 653 376
Irregular expenditure condoned or written-off by council		(12 850 986)	-
		<u>88 750</u>	<u>36 967 273</u>
Irregular expenditure condoned or written-off by council in 2013		-	(5 427 911)
Re-classified to Report on Deviations (Note 35.10)		-	(18 653 376)
		<u>88 750</u>	<u>12 890 986</u>

Irregular expenditure relates to procurements that were made from companies whose directors or members who are in the service of the state. This was due to the members making misrepresentations on the Municipal Entity Documentation (MED) forms which are critical declarations from National Treasury. Investigations are ongoing and further actions will be taken in accordance with the merits of each case. A regulatory report regarding the action that can be instituted has been obtained. However, the municipality does not have access to the database of government employees and care of reasonable due diligence is expected to know all government employees. As a result, the declarations by members of respective companies are considered adequate. In June 2013 the municipality procured the services of a company that certifies the status of a company or individual before an appointment can be made. This is a going way to ensure that companies whose members are in the service of the state are not appointed.

35.8 Unauthorised expenditure

Reconciliation of unauthorised expenditure			
Opening balance		-	6 975 636
Unauthorised incurred during the year		-	-
Unauthorised incurred condoned or written-off by council		-	(6 975 636)
Unauthorised awaiting condonement		-	-

35.9 Fruitless and Wasteful expenditure

Reconciliation of fruitless and wasteful expenditure			
Opening balance		42 815	20 098
Fruitless and wasteful incurred during the year		78 205	42 815
Fruitless and wasteful condoned or written-off by council		(78 205)	(20 098)
Fruitless and wasteful awaiting condonement		<u>41 199</u>	<u>42 815</u>

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

35.10 Report on Approved Deviations

Reconciliation of approved deviations			
Opening balance		-	-
Reclassified from Irregular Expenditure (Note 35.7)		-	18 653 376
Deviations incurred during the year		47 370 587	-
Deviations reported to council		(47 370 587)	(18 653 376)
Deviations awaiting reporting to council		-	-

Compliance with Municipal Supply Chain Management Regulations - paragraph 36

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

36	CAPITAL COMMITMENTS	Note	2014 R	2013 R
	Commitments in respect of capital expenditure			
	- Approved and contracted for		228 717 126	276 647 535
	Infrastructure		226 652 746	276 647 535
	Community		2 064 380	-
	Heritage		-	-
	Other		220 657 166	-
	- Approved but not yet contracted for		129 814 254	110 780 866
	Community		-	6 000 000
	Heritage		17 512 030	15 065 767
	Other		111 302 224	89 725 706
	Infrastructure		-	-
	<b>Total</b>		<b>357 531 380</b>	<b>387 428 401</b>
	This expenditure will be financed from			
	- Own Revenue		26 437 350	26 397 401
	- Government Grants		336 094 030	354 631 000
	- District Council Grants		-	-
			<b>357 531 380</b>	<b>387 428 401</b>
	The amount above excludes vat			

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
37 OPERATING LEASES			
At the reporting date the entity had outstanding commitments under operating leases which fall due as follows:			
<b>Operating leases - lessee</b>			
Within one year		125 775	152 659
in the second to fifth year inclusive		-	213 612
<b>Total</b>		<u>125 775</u>	<u>355 571</u>
Total future minimum sublease payment expected to be received under non-cancelable sublease			
<b>Related party balances</b>			
Loan accounts - Owning (to) by related parties			

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
38	CORRECTION OF PRIOR PERIOD ERROR		
<b>Add: Correction of errors at 30 June 2012 and prior periods</b>			
<i>Nature of error</i>			
			(500)
	Transfer of excessive receipt to sundry income (JPL E674)		
	Reversal of R/G receipts suspense account (JPL E675)		(508)
	Reversal of R/G receipts suspense account (JPL E675)		(4 521)
	Reversal of R/G receipts suspense account (JPL E675)		(118)
	Recognition of input VAT that was not claimed during 09/10 and 10/11 financial years (JPL E6197)		1 718 258
	<b>Restated Balance at 30.6.2012</b>		<b>1 712 232</b>



ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

Note	2014 R	2013 R
<b>For the 2013 period</b>		
<b>Nature of error</b>		
Reversal of RG receipts suspense account (JNL E676)		(232)
Reversal of JNL No. A071 from WIP to Correction of Error note (E0170)		(7 721)
Correction of interest accrued (JNL A066)		(148)
JNL E695		41 741
Reversal of JNL no. A026		(41 741)
Flight tickets revenue		423 385
Fixed Asset Expenditure		(423 385)
Capitalisation of work-in-progress and recognition of year end receipts (JNL E126)		192 557
Recognition of input VAT that was not claimed during 2013 financial year (JNL E0197)		1 125 444
Recognition of VAT on 2013 creditors balance before calculating provision for impairment (JNL A053)		(6 559 627)
<b>Restated Balance at 30 June 2013</b>		<b>(5 676 427)</b>

ZULULAND DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>NET EFFECT OF PRIOR PERIOD ERRORS</b>			
Increase creditors			(13 521)
Decrease in Retention			-
Increase in debtors (VAT Receivables)			2 546 743
Decrease in debtors (Accrued Interest Income)			(148)
Decrease in Unspent Grant (creditors)			20 670
Increase in provision for debtors impairment			(6 469 927)
Increase in assets (Work-in-progress)			171 657
<b>NET EFFECT</b>			<b>(3 964 195)</b>
<b>39 EMPLOYEE BENEFITS</b>			
<b>Pension Benefits</b>			
Council's share of contributions to retirement benefit funds were		10 318 028	9 138 808
<p>As stated in the accounting policy note, all contributions to retirement benefit funds are treated as contributions to retirement contribution plans.</p>			
<b>Post retirement benefits</b>			
<p>Employees of the municipality do not enjoy post retirement medical benefits and the municipality has no legal or constructive obligation in this regard. Except for one employee who was transferred from one of the local municipality.</p>			
<b>40 CONTINGENT LIABILITIES</b>			
<b>Contingent liabilities comprises of</b>			
		2014	
40.1	<b>Claim for damages</b>	1 538 248	
	The Municipality is being sued by a service provider arising from the council terminating the services for non performance in terms of the contract. Council is contesting the claim based on the legal advice. A court date has not been set.		
40.2	<b>Claim for damages</b>	72 045	
	A judgement was issued against the municipality arising from an accident involving a municipal vehicle and a third party. The municipality is applying to have judgement rescinded on the basis that the summons were not served to the municipality. The court date is set for 12 August 2014.		
40.3	<b>Creche site dispute</b>		
	The municipality has a dispute with a community property association with regards to the building of the creche arising from an objection by a section of the community.		
	The legal opinion provides that the amount of the claim is undeterminable at the reporting date due to the fact that the two parties are still negotiating that the building of the creche be agreed to at the current site. Negotiations are underway. The court date is set for 31 October 2014.		
		<b>1 611 293</b>	
			2013
40.4	<b>Claim for damages</b>		176 532
	The Municipality is being sued by a service provider arising from the council terminating the service in terms of the contract. Council is defending the case and therefore filed a special plea in terms of which it disputes the validity of claim. Council is awaiting sheriff's response with regards to legal instruction to attach Plaintiff's movable assets.		
40.5	<b>Claim for damages</b>		126 611
	The Municipality is being sued by a service provider arising from the council terminating the service in terms of the contract. Council is defending the case and therefore filed a special plea in terms of which it disputes the validity of claim. Council is awaiting trial date for the Plaintiff's application.		
40.6	<b>Claim for damages</b>		1 539 248
	The Municipality is being sued by a service provider arising from the council terminating the service in terms of the contract. Council is defending the case and therefore filed a special plea in terms of which it disputes the validity of claim. Council is awaiting trial date for the Plaintiff's application.		
40.7	<b>Claim for damages</b>		190 213
	The Municipality is being sued by a service provider arising from the council terminating a session agreement. The default judgement was obtained against the Defendant. Council through legal advice is filing an application to rescind the default judgement.		
40.8	<b>Claim for damages</b>		463 000
	Dispute arising from consultant and contractor regarding misunderstanding of the contract terms. The court date has not been set.		
			<b>2 499 804</b>
<b>41 CONTINGENT ASSET</b>			
<b>Contingent assets comprises of:</b>			
41.1	<b>Stollen cheques</b>	2 481 535	3 481 539
	A forensic investigator was conducted into the theft of Plaintiff's cheque and the Defendant's staff was found acted negligently. Council is suing Defendant for damages and loss of money. Subsequent to the stealing of cheques, the court case has been finalised and the suspect convicted. Some funds were frozen and according to our lawyers, it is probable that we may recover this amount from the Bank.		
41.2	<b>Pending Forensic Investigation</b>	350 000	-
	Forensic investigation is pending. The amount of contingent asset is determined reliably.		
		<b>2 831 539</b>	<b>3 481 539</b>
<b>42 FINANCIAL LOSS RECOVERED (Fraudulent Transactions)</b>			

**ZULULAND DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014	2013
		R	R
Financial Loss Recovery from the Insurers		1 000 000	-
<b>Total</b>		<b>1 000 000</b>	<b>-</b>

Financial Loss recovered from insurers associated with stolen Cheques

**43 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

The Statement of comparison of Budget and actual amounts has been presented as a separate additional statement on page 8. The budget and actual financial statements are prepared on the accrual basis and covers the same period from 1 July 2013 to 30 June 2014.

**44 CHANGE OF ACCOUNTING ESTIMATES**

The useful lives of certain assets were re-estimated in 2013 and extended accordingly. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 61,893.

The effect of these has resulted to an increase in depreciation as follows:

	Pre-change of estimate	Post-change of estimate	Net effect
Current Depreciation	-	61 893	61 893

**45 CAPITAL RISK MANAGEMENT**

The capital structure of the municipality consist of accumulated surplus as disclosed in the statement of changes in net assets.

**46 GEARING RATIO**

The gearing ratio is nil since the municipality does not have long term liabilities.

**47 FINANCIAL RISK MANAGEMENT**

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risks include interest rate and security risk. Compliance with policy and procedures is reviewed by internal auditors on a continuous basis, on annual by external auditor. The municipality does not enter into or trade financial instruments for speculative purposes.

**48 LIQUIDITY RISK**

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

ZULULAND DISTRICT MUNICIPALITY  
APPENDIX A  
SCHEDULE OF EXTERNAL LOANS  
as at 30 June 2014

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2013	Received during the period	Redeemed / written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
Finance Lease Liability-Konica Minolta		30/06/2013	-	-	-	-		
Total long-term loans			-	-	-	-	-	
<b>TOTAL EXTERNAL LOANS</b>			-	-	-	-	-	

APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2014

	Cost / Revaluation					Accumulated Depreciation					Transfers R'000	Other movements R'000	Carrying Value R'000	
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000				
Land	470 000	-	-	-	470 000	-	-	-	-	-	-	-	-	470 000
Land	470 000	-	-	-	470 000	-	-	-	-	-	-	-	-	470 000
<b>Buildings</b>	<b>43 476 034</b>				<b>43 476 034</b>	<b>(8 896 486)</b>	<b>(1 170 271)</b>			<b>(10 066 757)</b>				<b>33 409 277</b>
Infrastructure	477 457 336				477 457 336	(124 149 619)	(13 353 746)			(137 503 364)				500 483 208
Water & Sewerage Inst.	466 546 584				466 546 584	(71 459 725)	(11 686 058)			(83 145 783)				660 972 633
Water & Sewerage Pipes														
	944 003 920				944 003 920	(195 609 344)	(25 039 804)			(220 649 148)				1 161 455 841
<b>Capital Work in Progress</b>	<b>949 637 011</b>				<b>949 637 011</b>									<b>949 637 011</b>
Capital Work in Progress				316 378 874	1 266 215 885									813 181 437
	949 637 011			316 378 874	1 266 215 885									813 181 437
<b>Community Assets</b>														
Recreation Grounds							(34 940)			(34 940)				14 898 440
							(34 940)			(34 940)				14 898 440
<b>Total carried forward</b>	<b>1 937 786 965</b>				<b>987 949 954</b>	<b>(204 565 830)</b>	<b>(25 245 015)</b>			<b>(230 750 845)</b>				<b>2 023 414 995</b>

APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation				Transfers R'000	Other movements R'000	Carrying Value R'000	
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000				Impairment loss/Reversal of impairment loss R'000
<b>Total brought forward</b>	1 937 786 965				987 949 954	(204 505 830)	(25 245 015)			(230 750 845)		2 023 414 995
<b>Other Assets</b>												
Office Equipment	1 451 210	188 729	(572 873)		1 067 066	(1 239 267)	411 076	506 856		(321 336)		745 730
Furniture & Fixings	859 422	259 720	(178 972)		940 170	(484 356)	(42 203)	168 091		(358 468)		621 702
Emergency Equipment	139 476	14 270			153 746	(84 656)	(16 115)			(100 771)		52 975
Motor vehicles	39 998 752	5 743 430	(3 464 579)		42 277 603	(17 986 853)	(3 469 494)	2 796 343		(18 658 005)		23 619 599
Computer Equipment	6 233 939	516 488	(2 335 951)		4 414 476	(4 301 187)	(396)	2 265 014		(2 036 569)		2 377 907
Other Assets	2 853 185	360 350	(91 383)		3 122 152	(755 711)	(284 153)	86 577		(963 287)		2 158 866
<b>Finance Lease Assets</b>												
Office Equipment	51 575 983	7 082 987	(6 643 757)		52 015 213	(24 852 031)	(3 411 285)	5 824 881		(22 438 435)		29 576 778
	907 254				907 254	(907 254)				(907 254)		
	907 254				907 254	(907 254)				(907 254)		
<b>Total</b>	1 990 270 202	7 082 987	(6 643 757)		1 040 872 421	(230 255 114)	(29 656 301)	5 824 861		(254 096 533)		2 052 991 773

APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2013

	Cost/Revaluation				Accumulated Depreciation						Transfers R'000	Other movements R'000	Carrying Value R'000	
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000				
Land	470 000	-	-	-	470 000	-	-	-	-	-	-	-	-	470 000
Land	470 000	-	-	-	470 000	-	-	-	-	-	-	-	-	470 000
<b>Buildings</b>	<b>42 996 247</b>	<b>-</b>	<b>-</b>	<b>479 787</b>	<b>43 476 034</b>	<b>(7 816 236)</b>	<b>(1 080 230)</b>	<b>-</b>	<b>(8 896 466)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34 579 548</b>
Infrastructure	1 137 067 495	-	-	293 606 944	1 430 674 439	(111 549 548)	(12 600 071)	-	(124 149 619)	-	(906 872)	-	-	1 305 617 949
Water & Sewerage Inst	466 645 514	-	-	466 645 514	466 645 514	(61 423 109)	(10 036 616)	-	(71 459 725)	-	(98 930)	-	-	365 086 659
Water & Sewerage Pipes	(568 703 287)	-	-	(293 606 944)	(952 310 231)	-	-	-	-	-	-	-	-	(952 310 231)
Reclassified to work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Work in Progress</b>	<b>945 009 722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945 009 722</b>	<b>(172 972 657)</b>	<b>(22 636 687)</b>	<b>-</b>	<b>(195 609 344)</b>	<b>-</b>	<b>(1 005 802)</b>	<b>-</b>	<b>-</b>	<b>748 394 577</b>
Capital Work in Progress	658 703 287	-	-	293 606 944	952 310 231	-	-	-	-	-	(2 644 907)	-	-	949 665 324
Correction of error	658 703 287	-	-	293 606 944	952 310 231	-	-	-	-	-	(2 644 907)	171 687	-	949 837 011
<b>Community Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Heritage Assets	305 370	-	-	-	305 370	-	-	-	-	-	(305 370)	-	-	-
Paintings & Artefacts	305 370	-	-	-	305 370	-	-	-	-	-	(305 370)	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	<b>1 647 484 626</b>	<b>-</b>	<b>-</b>	<b>294 086 731</b>	<b>1 941 571 357</b>	<b>(180 788 893)</b>	<b>(23 716 937)</b>	<b>-</b>	<b>(204 505 830)</b>	<b>-</b>	<b>(3 956 079)</b>	<b>171 687</b>	<b>-</b>	<b>1 733 281 136</b>

APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2013

	Cost/Revaluation					Accumulated Depreciation					Transfers R'000	Other movements R'000	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of Impairment loss R'000	Closing Balance R'000			
<b>Total brought forward</b>	1 647 484 626	-	-	294 086 731	1 941 571 357	(180 788 893)	(23 716 937)	-	-	(204 505 830)	(3 956 079)	171 687	1 733 281 136
<b>Other Assets</b>													
Office Equipment	1 444 412	6 798	-	-	1 451 210	(1 081 921)	(147 346)	-	-	(1 235 267)	-	-	211 943
Furniture & Fixings	685 171	214 251	-	-	899 422	(953 695)	(90 761)	-	-	(484 356)	-	-	415 066
Emergency Equipment	139 476	-	-	-	139 476	(70 659)	(13 987)	-	-	(84 656)	-	-	54 820
Motor vehicles	33 967 611	3 386 234	-	-	37 353 845	(13 068 755)	(4 916 088)	-	-	(17 986 853)	2 644 907	-	22 011 899
Computer Equipment	5 614 417	619 522	-	-	6 233 939	(3 546 553)	(754 634)	-	-	(4 301 187)	-	-	1 932 752
Other Assets	2 826 197	26 988	-	-	2 853 185	(485 763)	(268 948)	-	-	(755 711)	-	-	2 097 474
	<b>44 677 284</b>	<b>4 253 793</b>	-	-	<b>48 931 077</b>	<b>(18 657 246)</b>	<b>(6 194 785)</b>	-	-	<b>(24 852 031)</b>	<b>2 644 907</b>	-	<b>26 723 952</b>
<b>Finance Lease Assets</b>													
Office Equipment	907 254	-	-	-	907 254	(803 035)	(104 219)	-	-	(907 254)	-	-	-
	<b>907 254</b>	-	-	-	<b>907 254</b>	<b>(803 035)</b>	<b>(104 219)</b>	-	-	<b>(907 254)</b>	-	-	-
<b>Total</b>	<b>1 683 069 163</b>	<b>4 253 793</b>	-	<b>294 086 731</b>	<b>1 981 409 687</b>	<b>(200 249 174)</b>	<b>(30 015 940)</b>	-	-	<b>(230 265 114)</b>	<b>(1 311 172)</b>	<b>171 687</b>	<b>1 760 005 088</b>

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APPENDIX C  
ANALYSIS OF HERITAGE ASSETS  
as at 30 June 2014

	Cost / Revaluation							Impairment loss/Reversal of impairment loss R'000	Transfers R'000	Other movements R'000	Carrying Value R'000		
	Opening Balance	Additions	Disposals	Under	Closing Balance	Impairment loss/Reversal of impairment loss R'000	Transfers R'000					Other movements R'000	Carrying Value R'000
	R'000	R'000	R'000	Construction R'000	R'000								
<b>Art collection</b>	988 478	-	-	162 974	1 151 452	-	-	-	-	1 151 452			
Work of arts	988 478	-	-	162 974	1 151 452	-	-	-	-	1 151 452			
Antiquities	-	-	-	-	-	-	-	-	-	-			
<b>Stamp collections</b>	-	-	-	-	-	-	-	-	-	-			
Collections of insects and butterflies	-	-	-	-	-	-	-	-	-	-			
Collections of fossils	-	-	-	-	-	-	-	-	-	-			
<b>Collections of rare books or manuscripts</b>	-	-	-	-	-	-	-	-	-	-			
Collection of rare books	-	-	-	-	-	-	-	-	-	-			
Manuscripts	-	-	-	-	-	-	-	-	-	-			
<b>Historical Buildings</b>	-	-	-	-	-	-	-	-	-	-			
Graves and burial grounds	-	-	-	-	-	-	-	-	-	-			
Historical Buildings	-	-	-	-	-	-	-	-	-	-			
<b>Total</b>	<b>988 478</b>	<b>-</b>	<b>-</b>	<b>162 974</b>	<b>1 151 452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 151 452</b>			

APPENDIX C  
ANALYSIS OF HERITAGE ASSETS  
as at 30 June 2013

	Cost / Revaluation							Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Impairment loss/Reversal of impairment loss R'000	Transfers R'000	
<b>Art collection</b>	305 370	-	-	683 108	988 478	-	-	988 478
Work of arts	305 370	-	-	683 108	988 478	-	-	988 478
Antiquities	-	-	-	-	-	-	-	-
<b>Stamp collections</b>	-	-	-	-	-	-	-	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-
<b>Collections of rare books or manuscripts</b>	-	-	-	-	-	-	-	-
Collection of rare books	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-
<b>Historical Buildings</b>	-	-	-	-	-	-	-	-
Graves and burial grounds	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>305 370</b>	<b>-</b>	<b>-</b>	<b>683 108</b>	<b>988 478</b>	<b>-</b>	<b>-</b>	<b>988 478</b>

ZULULAND DISTRICT MUNICIPALITY  
APPENDIX D

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
for the year ended 30 June 2014

	Cost / Revaluation			Accumulated Depreciation				Carrying value R			
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R		Disposals R	Closing Balance R	Transfers
Executive & Council	43 946 034	-	-	-	43 946 034	(8 896 486)	(1 170 271)	-	(10 066 757)	-	33 879 277
Finance & Admin	49 480 576	6 708 367	-	(6 552 375)	49 646 569	(24 918 917)	(3 101 016)	5 738 304	(22 281 631)	-	27 364 938
Planning & Development	2 853 185	360 350	-	(91 383)	3 122 152	(755 711)	(294 153)	86 577	(963 287)	-	2 158 866
Health	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	139 476	14 270	-	-	153 746	(84 656)	(34 940)	-	(34 940)	-	(34 940)
Public Safety	944 003 920	-	-	-	944 003 920	(195 609 344)	(16 115)	-	(100 771)	-	52 975
Water	-	-	-	-	-	-	(25 039 804)	-	(220 649 148)	-	723 354 772
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 040 433 191</b>	<b>7 082 987</b>	<b>-</b>	<b>(6 643 757)</b>	<b>1 040 872 421</b>	<b>(230 265 114)</b>	<b>(29 656 301)</b>	<b>5 824 881</b>	<b>(254 056 533)</b>	<b>-</b>	<b>786 775 887</b>





Zululand District Municipality										
Appendix G										
Statement of comparative and actual information										
Both the Annual Budget and Financial Statements Adopt Actual basis.										
2013/2014										
Description	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Comments on variances
Financial Performance										
Service Charges	34 574 042.03			34 574 042.03	26 899 024.51		7 675 017.52	77.80	77.80	Under-billing of water revenue due to water restrictions and some consumers prefer free
Transfers recognised - Operational	292 472 000.00	7 164 000.00		299 636 000.00	318 733 352.95		(19 097 352.95)	106.37	108.98	The actual revenue include capital transfers
Other own revenue	153 778 378.30	7 950 000.00		161 728 378.30	10 084 812.31		151 043 565.99	6.61	6.95	appropriation of accumulated reserves used to finance the
<b>Total Revenue</b>	<b>480 824 420.33</b>	<b>15 114 000.00</b>		<b>495 938 420.33</b>	<b>356 317 189.77</b>		<b>139 621 230.56</b>	<b>74.85</b>	<b>74.11</b>	
Employee costs	129 968 454.80			129 968 454.00	128 570 711.89		1 397 742.11	98.92	98.92	savings in salaries
Remuneration of councillors	6 272 355.97			6 272 356.00	6 191 360.81		80 995.19	98.71	98.71	savings in allowances
Bad Debts	3 403 710.58			3 403 711.00	5 416 306.89		(3 012 595.89)	188.51	188.51	Based on actual debt impairment
Depreciation	35 280 259.30			35 280 259.00	29 700 571.22		5 579 687.78	84.18	84.18	Based on prior year actual depreciation Assets purchased at different intervals during the year.
Repairs and Maintenance	51 921 262.12			51 921 262.12	47 091 155.66		4 830 106.46	90.70	90.70	Savings achieved
Finance charges	10 902.37			10 902.37			10 902.37			Liabilities paid during the year
Materials and Bulk Purchases	75 574 609.60			75 574 609.60	76 016 153.21		(441 543.61)	100.58	100.58	bulk water purchases is fully spent as a result of refurbishment works conducted at the plants.
Transfers of grants	1 939 239.32			1 939 239.32	1 879 239.00		110 000.32	94.33	94.33	Funded organisations could not prove prior year expenditure
Other expenditure	148 056 224.20	81 171 799.00		213 442 474.20	226 082 562.38		(12 640 088.18)	105.92	152.70	Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset; that resulted to the expenditure being operating and included in the financial

Total Expenditure	452 427 018.26	81 121 799.00	•	533 548 817.26	521 899 061.06	•	11 650 756.20	97.82	1.15
Surplus / (Deficit)	28 397 402.07	(66 007 799.00)	•	(37 610 396.93)	(165 500 871.29)		127 970 474.36		
Transfers Recognised- capital Contributions Recognised	359 031 000.00	(4 724 192.45)		354 306 807.55	354 306 807.55		100.00	100.00	98.69
Surplus/Deficit after capital transfer	387 428 402.07	(70 731 991.45)	•	316 696 410.62	188 725 936.26		127 970 474.36	59.59	
Capital Expenditure	387 428 402.07	(63 966 540.82)		323 461 861.25	323 461 861.25		(0 00)	100.00	Fully spent
Transfers recognised- capital Public contributions Borrowings	359 031 000.00	(42 590 899.75)		316 440 100.25	316 440 100.25			100.00	88.14
Internally Generated funds	28 397 401.48	(14 890 000.00)		13 507 401.48	7 021 761.00		6 485 640.48	51.98	Some other expenditure was not qualifying to be assets
Total Sources of capital funds	387 428 401.48	(57 480 899.75)	•	329 947 501.73	323 461 861.25		6 485 640.48		