



**Zululand District Municipality
Annual Financial Statements
for the year ended 30 June 2018**

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Nature of business and principal activities

Water provision as per Water services Act and Schedule B of Municipal Structures Act

Mayoral committee

Mayor

Cllr Inkosi Buthelezi EM (Replaced by Cllr Buthelezi TD: 01.11.2017)

Speaker

Cllr Nkwanyana SE

Deputy Mayor

Cllr Kunene MM

Member of the Executive Committee

Cllr Dlamini SP (Replaced by Cllr Mncwango BJ: 26 June 2018)

Member of the Executive Committee

Cllr Nkosi IS

Member of the Executive Committee

Cllr Nkosi RS

Member of the Executive Committee

Cllr Qwabe SE

Other Councillors

Member

Cllr BJ Mncwango (Replaced by Cllr Prince M Zulu : 26 June 2018)

Member

Cllr Buthelezi SN

Member

Cllr Buthelezi Z

Member

Cllr Khumalo ME

Member

Cllr Mashabane SP

Member

Cllr Mavuso NP

Member

Cllr Mazibuko MA

Member

Cllr Mbatha SM

Member

Cllr Mhlungu MM

Member

Cllr Mkhize TK

Member

Cllr Mkhwanazi SB

Member

Cllr Mncwango SA

Member

Cllr Mthethwa JB

Member

Cllr Ndlela NP

Member

Cllr Ndlovu TD

Member

Cllr Nsele TJ

Member

Cllr Nxumalo NE

Member

Cllr Shabalala B

Member

Cllr Sibiya HZ

Member

Cllr Sikhakhane MZ

Member

Cllr Sithole ZN

Member

Cllr Siyaya SS

Member

Cllr Siyaya Z

Member

Cllr Tembe NH

Member

Cllr Victor M

Member

Cllr Ximba SP

Member

Cllr Zulu RM

Member

Cllr Zulu MMM

Member

Cllr Zungu JZ

Grading of local authority

Grade 4, category 3 in terms of Upper limit of office bearers

Jurisdiction

DC 26 as per the Demarcation Board

Senior Management

Chief Financial Officer - Mr RN Hlongwa

HOD: Corporate Services - Mr P M Manqele

HOD: Community Services - Mr S Mosia

HOD: Planning - Mr B Mnguni

HOD: Technical Services - Mr S Ngcobo

Zululand District Municipality

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General Information

Accounting Officer	MR S.B. NKOSI
Registered office	B-400 GAGANE STREET ULUNDI 3838
Business address	B-400 GAGANE STREET ULUNDI SOUTH AFRICA 3838
Postal address	PRIVATE BAG X76 ULUNDI 3838
Bankers	ABSA Bank Limited
Auditors	Auditor-General South Africa
Telephone number:	035 874 5500
Fax number:	035 874 5589/91
E-mail address:	mm@zululand.org.za

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

The management has concluded that the financial statements present fairly the municipality's financial position, financial performance and the cash flows.

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 79, 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 31 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 determination in accordance with this Act.

**Accounting Officer
Designation**

31 August 2018

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Cash and cash equivalents	3	13 201 448	7 436 356
Trade receivables from exchange transactions	4	13 824 715	12 200 063
Other receivables from exchange transactions	5	1 595 713	454 165
Receivables from non-exchange transactions	6	6 264 786	4 617 339
Other receivables from non-exchange transactions	7	1 790 512	866 762
VAT receivable	8	20 029 280	18 812 187
Inventories	9	3 132 284	4 653 922
		59 838 738	49 040 794
Non-Current Assets			
Other receivables from exchange transactions	5	12 438 779	11 565 007
Property, plant and equipment	10	3 264 069 757	2 938 282 803
Heritage assets	11	1 212 635	1 212 636
Intangible assets	12	171 191	293 990
		3 277 892 362	2 951 354 436
Non-Current Assets		3 277 892 362	2 951 354 436
Current Assets		59 838 738	49 040 794
Total Assets		3 337 731 100	3 000 395 230
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	160 594 711	99 787 733
Consumer deposits	14	3 627 105	3 681 115
Provisions	15	11 800 076	27 162 434
Payables from non-exchange transactions	16	94 159	154 697
Unspent conditional grants	18	552 951	1 500 000
		176 669 002	132 285 979
Non-Current Liabilities			
Rental deposits held	19	2 420	2 420
Employee benefit obligation	20	32 512 000	28 903 000
Payables from exchange transactions	17	42 912 708	-
		75 427 128	28 905 420
Non-Current Liabilities		75 427 128	28 905 420
Current Liabilities		176 669 002	132 285 979
Total Liabilities		252 096 130	161 191 399
Assets		3 337 731 100	3 000 395 230
Liabilities		(252 096 130)	(161 191 399)
Reserves			
Accumulated surplus	21	3 085 634 981	2 839 203 822
Total Net Assets		3 085 634 981	2 839 203 822

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Service charges	22	27 148 111	20 335 362
Rental of facilities and equipment	23	144 952	134 862
Other income	24	1 853 344	1 335 147
Interest received - investment	25	9 472 244	6 095 079
Total revenue from exchange transactions		38 618 651	27 900 450
Revenue from non-exchange transactions			
Interest, dividends and Rent on Land	26	94 501	-
Government grants & subsidies	27	862 569 049	862 775 391
Fines and penalties	28	8 873	81 683
Other revenue from non-exchange	29	-	8 649
Total revenue from non-exchange transactions		862 672 423	862 865 723
		38 618 651	27 900 450
		862 672 423	862 865 723
Total revenue		901 291 074	890 766 173
Expenditure			
Employee related costs	30	(177 209 749)	(169 724 213)
Remuneration of councillors	31	(7 715 207)	(6 824 698)
Employee benefit	20	(3 609 000)	(219 000)
Depreciation and amortisation	32	(57 372 054)	(57 672 248)
Lease rentals on operating lease	33	(1 329 064)	(2 130 004)
Debt Impairment	34	(12 185 740)	(9 080 827)
Collection costs	35	(858 484)	(1 402 719)
Bulk purchases	36	(131 389 903)	(85 481 258)
Contracted services	37	(174 308 153)	(141 865 216)
Transfers and subsidies Paid	38	(2 938 588)	(1 347 448)
Inventory consumed	39	(29 846 994)	(18 321 956)
General Expenses	40	(52 030 919)	(47 143 952)
Total expenditure		(650 793 855)	(541 213 539)
		-	-
Total revenue		901 291 074	890 766 173
Total expenditure		(650 793 855)	(541 213 539)
Operating surplus		250 497 219	349 552 634
Gain on sales of assets	41	-	211 332
Loss on donated assets	42	(3 996 288)	(712 284)
Proceeds from Insurance claims	43	753 278	1 542 899
Inventories losses/write-downs	44	(1 353 515)	-
		(4 596 525)	1 041 947
Operating surplus/deficit		(4 596 525)	1 041 947
Surplus before taxation		245 900 694	350 594 581
Taxation		-	-
Surplus for the year		245 900 694	350 594 581

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2016	2 488 609 241	2 488 609 241
Changes in net assets		
Surplus for the year	350 594 581	350 594 581
Total changes	350 594 581	350 594 581
Opening balance as previously reported	2 839 924 749	2 839 924 749
Adjustments		
Prior year adjustments	(190 462)	(190 462)
Balance at 01 July 2017 as restated*	2 839 734 287	2 839 734 287
Changes in net assets		
Surplus for the year	245 900 694	245 900 694
Total changes	245 900 694	245 900 694
Balance at 30 June 2018	3 085 634 981	3 085 634 981

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Cash Flow Statement

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		27 148 111	27 633 940
Grants		862 569 049	862 775 391
Rental facilities and equipment		144 952	-
Other income		1 853 344	-
Interest, dividends and rent on land		94 501	-
Interest income		9 472 244	6 095 079
Fines and penalties		8 873	-
		<u>901 291 074</u>	<u>896 504 410</u>
Payments			
Employee costs		(184 924 956)	(169 724 213)
Suppliers		(325 202 722)	(269 249 761)
		<u>(510 127 678)</u>	<u>(438 973 974)</u>
Total receipts		901 291 074	896 504 410
Total payments		(510 127 678)	(438 973 974)
Net cash flows from operating activities	46	<u>391 163 396</u>	<u>457 530 436</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(386 507 450)	(416 095 452)
Proceeds from sale of property, plant and equipment	10	4 001 700	(1 990 275)
Purchase of other intangible assets	12	-	(58 200)
Purchases of heritage assets	11	-	(61 184)
Proceeds from sale of biological assets that form part of an agricultural activity		753 278	1 542 899
Net cash flows from investing activities		<u>(381 752 472)</u>	<u>(416 662 212)</u>
Net increase/(decrease) in cash and cash equivalents		9 410 924	40 868 224
Cash and cash equivalents at the beginning of the year		7 436 356	(33 431 872)
Cash and cash equivalents at the end of the year	3	<u>16 847 280</u>	<u>7 436 352</u>

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2018											
Financial Performance											
Service charges	23 540 763	5 000 000	28 540 763	-	-	28 540 763	27 148 111	-	(1 392 652)	95 %	115 %
Investment revenue	6 650 000	-	6 650 000	-	-	6 650 000	9 472 244	-	2 822 244	142 %	142 %
Transfers recognised - operational	391 492 000	-	391 492 000	-	-	391 492 000	392 439 049	-	947 049	100 %	100 %
Other own revenue	132 244 000	(130 746 000)	1 498 000	-	-	1 498 000	2 854 948	-	1 356 948	191 %	2 %
Total revenue (excluding capital transfers and contributions)	553 926 763	(125 746 000)	428 180 763	-	-	428 180 763	431 914 352	-	3 733 589	101 %	78 %
Employee costs	(171 637 648)	-	(171 637 648)	-	-	(171 637 648)	(177 209 749)	-	(5 572 101)	103 %	103 %
Remuneration of councillors	(7 416 052)	(1 000 000)	(8 416 052)	-	-	(8 416 052)	(7 715 207)	-	700 845	92 %	104 %
Debt impairment	(3 637 349)	-	(3 637 349)	-	-	(3 637 349)	(12 185 740)	-	(8 548 391)	335 %	335 %
Depreciation and asset impairment	(75 444 626)	-	(75 444 626)	-	-	(75 444 626)	(57 372 054)	-	18 072 572	76 %	76 %
Materials and bulk purchases	(118 648 000)	(44 484 000)	(163 132 000)	-	-	(163 132 000)	(131 389 903)	-	31 742 097	81 %	111 %
Transfers and grants	(1 953 700)	-	(1 953 700)	-	-	(1 953 700)	(2 938 588)	-	(984 888)	150 %	150 %
Other expenditure	(162 805 000)	(16 571 000)	(179 376 000)	-	-	(179 376 000)	(267 332 417)	-	(87 956 417)	149 %	164 %
Total expenditure	(541 542 375)	(62 055 000)	(603 597 375)	-	-	(603 597 375)	(656 143 658)	-	(52 546 283)	109 %	121 %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Total revenue (excluding capital transfers and contributions)	553 926 763	(125 746 000)	428 180 763	-	-	428 180 763	431 914 352	-	3 733 589	101 %	78 %
Total expenditure	(541 542 375)	(62 055 000)	(603 597 375)	-	-	(603 597 375)	(656 143 658)	-	(52 546 283)	109 %	121 %
Surplus/(Deficit)	12 384 388	(187 801 000)	(175 416 612)	-	-	(175 416 612)	(224 229 306)	-	(48 812 694)	128 %	(1 811)%
Transfers recognised - capital	449 830 000	20 000 000	469 830 000	-	-	469 830 000	470 130 000	-	300 000	100 %	105 %
Surplus/(Deficit)	12 384 388	(187 801 000)	(175 416 612)	-	-	(175 416 612)	(224 229 306)	-	(48 812 694)	128 %	(1 811)%
Capital transfers and contributions	449 830 000	20 000 000	469 830 000	-	-	469 830 000	470 130 000	-	300 000	100 %	105 %
Surplus (Deficit) after capital transfers and contributions	462 214 388	(167 801 000)	294 413 388	-	-	294 413 388	245 900 694	-	(48 512 694)	84 %	53 %
Surplus (Deficit) after capital transfers and contributions	462 214 388	(167 801 000)	294 413 388	-	-	294 413 388	245 900 694	-	(48 512 694)	84 %	53 %
Surplus/(Deficit) for the year	462 214 388	(167 801 000)	294 413 388	-	-	294 413 388	245 900 694	-	(48 512 694)	84 %	53 %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	465 851 737	20 000 000	485 851 737	-		485 851 737	388 976 867		(96 874 870)	80 %	83 %
Sources of capital funds											
Transfers recognised - capital	449 830 000	20 000 000	469 830 000	-		469 830 000	-		(469 830 000)	- %	- %
Internally generated funds	16 021 737	-	16 021 737	-		16 021 737	-		(16 021 737)	- %	- %
Total sources of capital funds	465 851 737	20 000 000	485 851 737	-		485 851 737	-		(485 851 737)	- %	- %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	391 163 396		391 163 396	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(381 752 472)		(381 752 472)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	9 410 924		9 410 924	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	7 436 356	(7 436 356)	-	-	-	-	7 436 356		7 436 356	DIV/0 %	100 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	-	-	-	9 410 924		(9 410 924)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	7 436 356	(7 436 356)	-	-	-	-	7 436 356		(7 436 356)	DIV/0 %	100 %
Cash and cash equivalents at year end	7 436 356	(7 436 356)	-	-	-	-	16 847 280		(16 847 280)	DIV/0 %	227 %

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded to the nearest Rand.

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:

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note – Deferred tax.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The municipality recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The municipality recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the municipality to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the municipality to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The assessment is done as per note 49.

1.4 Comparative figures

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 Property, plant and equipment

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 period.

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.

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 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.

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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
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Zululand District Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure	Straight line	
• Water		7-70 years
• Sewerage		7-70 years
Community	Straight line	
• Buildings		15-70 years
• Recreational Facilities		15-70 years
Other property, plant and equipment	Straight line	
• Buildings		10-50 years
• Specialist vehicles		4-15 years
• Other vehicles		4-15 years
• Office equipment		3-25 years
• Furniture and fittings		3-5 years
• Emergency equipment		10-30 years
• Computer equipment		3-11 years
Finance leased assets	Straight line	
• Office equipment		5 years

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

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.

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.

1.6 Heritage assets

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Heritage assets (continued)

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.

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.

Derecognition

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 Intangible assets

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.

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Intangible assets (continued)

Any increase in the carrying amount of an intangible asset, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in the carrying amount of an intangible asset, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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.

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.

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	5-7 years

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.

1.8 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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Accounting Policies

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent measurement

Inventories, consisting of consumable stores and materials, 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.

1.9 Financial instruments

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.

Classification

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:

Class	Category
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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.

Impairment and uncollectibility of financial assets

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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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.

1.10 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.

Zululand District Municipality

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Accounting Policies

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

Operating leases - lessor

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

1.17 Provisions and contingencies

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.

Zululand District Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

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 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.

1.19 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 tampering 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 councillors or officials is virtually certain.

1.20 Grants, transfer 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.

Zululand District Municipality

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Accounting Policies

1.21 Borrowing costs

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

1.22 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 provision 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.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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.

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.

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.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.22 Employee benefits (continued)

Past-service costs are recognised immediately in the Statement of Financial Performance.

1.23 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.

1.24 Budget information

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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.

1.25 Commitments

Most of infrastructure projects are multi-year projects that requires budget funding over certain period of years. At year-end reporting date some funds are committed and contract signed with various contractors to carry out construction of infrastructure projects. Some funds are committed but not yet contracted for. Commitments are disclosed inclusive of VAT.

1.26 Non-cash-generating assets

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP 21 is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

1.27 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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Accounting Policies

1.27 Impairment of cash-generating assets (continued)

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

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Notes to the Annual Financial Statements

2018	2017
R	R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual 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.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

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

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

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

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

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

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Zululand District Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

Zululand District Municipality

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Notes to the Annual Financial Statements

	2018 R	2017 R				
3. Cash and cash equivalents						
Cash and cash equivalents consist of:						
Cash on hand	6 000	6 000				
Cash at bank	13 195 448	7 430 356				
	13 201 448	7 436 356				
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Primary bank account - 4047162045	15 248 171	7 430 356	-	13 195 448	7 430 356	(33 437 872)
4. Trade receivable from exchange transaction						
Gross balances						
Water				69 986 812		62 421 420
Waste water				24 646 579		18 311 204
Other				112 089		173 222
				94 745 480		80 905 846
Less: Allowance for impairment						
Water				(59 508 508)		(50 842 279)
Waste water				(21 383 014)		(17 863 504)
				(80 891 522)		(68 705 783)
Net balance						
Water				12 725 695		11 579 141
Waste water				986 931		447 700
Other				112 089		173 222
				13 824 715		12 200 063
Water						
Current (0 -30 days)				13 901 293		2 829 179
31 - 60 days				1 277 748		946 468
61 - 90 days				1 063 191		822 850
91 - 120 days				1 224 413		843 447
121 - 365 days				7 493 256		6 542 062
> 365 days				47 274 302		50 437 415
Less: Impairment				(59 508 508)		(50 842 280)
				12 725 695		11 579 141

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
4. Trade receivable from exchange transaction (continued)		
Waste water		
Current (0 -30 days)	1 844 806	971 940
31 - 60 days	143 802	308 918
61 - 90 days	440 183	291 505
91 - 120 days	1 486 769	314 301
121 - 365 days	2 644 420	2 203 842
> 365 days	15 809 965	14 220 698
Less: Impairment	(21 383 014)	(17 863 504)
	986 931	447 700
Other (specify)		
Current (0 -30 days)	16 862	13 554
31 - 60 days	8 770	6 659
61 - 90 days	8 079	6 637
91 - 120 days	7 913	6 530
121 - 365 days	82 513	45 965
> 365 days	151 517	93 877
Less: Impairment	(163 565)	-
	112 089	173 222
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2 970 056	2 864 172
31 - 60 days	842 060	812 040
61 - 90 days	1 089 417	1 050 579
91 - 120 days	1 144 243	1 103 451
121 - 365 days	8 471 568	8 169 553
> 365 days	56 758 699	54 735 231
	71 276 043	68 735 026
Less: Allowance for impairment	(80 891 522)	(59 988 020)
	(9 615 479)	8 747 006
Industrial/ commercial		
Current (0 -30 days)	528 443	148 245
31 - 60 days	149 633	41 977
61 - 90 days	86 617	24 299
91 - 120 days	64 382	18 061
121 - 365 days	404 934	113 597
> 365 days	1 095 893	307 433
	2 329 902	653 612
National and provincial government		
Current (0 -30 days)	264 110	407 769
31 - 60 days	438 627	78 985
61 - 90 days	335 419	60 400
91 - 120 days	427 340	76 953
121 - 365 days	1 343 687	241 962
> 365 days	1 000 176	1 933 376
	3 809 359	2 799 445

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Notes to the Annual Financial Statements

	2018 R	2017 R
4. Trade receivable from exchange transaction (continued)		
Total		
Current (0 -30 days)	5 762 961	3 420 187
31 - 60 days	1 430 320	933 002
61 - 90 days	1 511 452	1 135 277
91 - 120 days	1 635 965	1 198 464
121 - 365 days	10 220 189	8 525 112
> 365 days	74 155 351	65 693 804
	<u>94 716 238</u>	<u>80 905 846</u>
Less: Allowance for impairment	(80 891 523)	(68 705 783)
	<u>13 824 715</u>	<u>12 200 063</u>
Less: Allowance for impairment		
Current (0 -30 days)	(2 970 056)	(2 864 172)
31 - 60 days	(864 060)	(812 040)
61 - 90 days	(1 067 417)	(1 050 579)
91 - 120 days	(1 144 243)	(1 103 451)
121 - 365 days	(8 471 568)	(8 169 553)
> 365 days	(66 403 421)	(54 705 988)
	<u>(80 891 522)</u>	<u>(68 705 783)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(68 705 783)	(60 000 370)
Contributions to allowance	(12 185 740)	(8 705 413)
	<u>(80 891 522)</u>	<u>(68 705 783)</u>
Debt imparment is only calculated on service debtors for exchange transactions		
Consumer debtors pledged as security		
Consumer deposits as reflected under note 14 are held as security for consumer debtors.		
5. Other receivables from exchange transactions		
Trade debtors	12 438 779	11 565 007
Debtor: D Khali	-	89 500
Debtor: Clyde	-	15 000
Debtor: Booyesen & Co Inc	-	475
Debtors: Aqua Transport and Plants	1 161 352	-
Debtor: B Sangweni	-	12 500
Debtor: N Moodley	-	40 000
Debtor: Tracker	134 248	134 248
Debtor: KZN Aviation	1 950	1 950
Debtor: P Biyela	-	73 000
Debtor: World Focus	284 241	12 500
Debtors interest on investments	-	34 348
Debtor: Avis	3 487	3 487
Debtor: Waphatha Group Pty Ltd	-	37 157
Other debtors	10 435	-
	<u>14 034 492</u>	<u>12 019 172</u>
Non-current assets	12 438 779	11 565 007
Current assets	1 595 713	454 165
	<u>14 034 492</u>	<u>12 019 172</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
5. Other receivables from exchange transactions (continued)		
No security is held against any financial assets under the receivables from other exchange transactions.		
6. Receivables from non-exchange transactions		
Debtor: JB Dlamini	18 440	18 440
Debtor: DGM Event Management	-	13 300
Debtor: Insurance Claim	80 488	80 488
Debtor: Ulundi Municipality	-	503 854
Debtor: Dumba Municipality	369 621	369 621
Debtor: Abaqulusi Municipality	-	519 266
Debtor: Nongoma Municipality	304 255	304 255
Debtor: Water Affairs	2 717 840	2 717 840
Other	560 584	90 275
Debtor: Enduneni contractors	855 190	-
Debtor: Amanzi ichweba	1 358 368	-
	<u>6 264 786</u>	<u>4 617 339</u>

There are no receivables from non exchange transactions that are subject to restrictions.

No security is held against any financial assets under the receivables from non exchange transactions.

7. Other receivables from non-exchange transactions

Prepayments	<u>1 790 512</u>	<u>866 762</u>
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Overpayments on Eskom Accounts as at 30 June 2018

8. VAT receivable

VAT	<u>20 029 280</u>	<u>18 812 187</u>
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The amount represent the invoices paid towards year end creditors

The municipality is on the payment basis

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
9. Inventories		
Consumable stores	3 063 892	4 585 530
Fuel (Diesel, Petrol)	68 392	68 392
	3 132 284	4 653 922
Consumable stores		
At cost	317 867	465 071
Additions	4 099 540	620 975
Issued/(expensed)	(1 353 515)	(768 179)
	3 063 892	317 867
Fuel		
At cost	104 097	173 019
Additions	-	48 378
Issued/(expensed)	(35 705)	(117 300)
	68 392	104 097

Inventory pledged as security

There was no inventory pledged for as security for any overdraft facility.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	470 000	-	470 000	470 000	-	470 000
Buildings	44 187 001	(13 548 683)	30 638 318	45 445 592	(13 548 685)	31 896 907
Infrastructure	2 275 400 314	(380 043 916)	1 895 356 398	2 152 584 588	(332 998 486)	1 819 586 102
Community	9 397 518	(2 368 327)	7 029 191	14 933 380	(3 894 806)	11 038 574
Other property, plant and equipment	64 454 276	(47 647 748)	16 806 528	56 009 789	(38 816 533)	17 193 256
Capital work in Progress	1 313 769 322	-	1 313 769 322	1 058 097 964	-	1 058 097 964
Total	3 707 678 431	(443 608 674)	3 264 069 757	3 327 541 313	(389 258 510)	2 938 282 803

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	470 000	-	-	-	-	-	470 000
Buildings	31 896 907	-	-	-	-	(1 258 589)	30 638 318
Infrastructure	1 819 586 102	5 410	-	126 442 204	-	(50 677 318)	1 895 356 398
Community	11 038 574	-	(3 645 832)	-	-	(363 551)	7 029 191
Other property, plant and equipment	17 193 256	4 388 478	(355 868)	530 458	-	(4 949 796)	16 806 528
Capital work in Progress	1 058 097 964	382 113 562	-	-	(126 442 204)	-	1 313 769 322
	2 938 282 803	386 507 450	(4 001 700)	126 972 662	(126 442 204)	(57 249 254)	3 264 069 757

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	470 000	-	-	-	-	470 000
Buildings	33 170 894	-	-	-	(1 273 987)	31 896 907
Infrastructure	1 611 857 122	-	2 920 764	253 191 802	(48 383 586)	1 819 586 102
Community	12 009 600	-	-	-	(971 026)	11 038 574
Other property, plant and equipment	21 438 388	3 349 241	(719 157)	-	(6 875 216)	17 193 256
Capital work in Progress	898 543 555	412 746 211	-	(253 191 802)	-	1 058 097 964
	2 577 489 559	416 095 452	2 201 607	-	(57 503 815)	2 938 282 803

Pledged as security

Carrying value of assets pledged as security:

No security is held against any financial assets under the property, plant and equipment.

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	1 058 097 964	1 058 097 964
Additions/capital expenditure	382 113 562	382 113 562
Transferred to completed items	(126 442 204)	(126 442 204)
	1 313 769 322	1 313 769 322

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
10. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2017		
	Included within	Total
	Infrastructure	
Opening balance	898 543 555	898 543 555
Additions/capital expenditure	412 746 211	412 746 211
Transferred to completed items	(253 191 802)	(253 191 802)
	1 058 097 964	1 058 097 964

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Work in Progress	1 212 635	-	1 212 635	1 212 636	-	1 212 636

Reconciliation of heritage assets 2018

	Opening balance	Total
Work in Progress	1 212 635	1 212 635

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Work in Progress	1 151 452	61 184	1 212 636

Heritage assets which fair values cannot be reliably measured

The Heritage Asset represents the Zulu King's Stature. The heritage asset is not yet erected subject to confirmation of the location site. The heritage asset is measured at cost.

Heritage assets used for more than one purpose

The following heritage assets are used by the entity for more than one purpose:

Heritage assets in the process of being constructed or developed

Carrying value of Heritage assets where construction or development has been halted either during the current or previous reporting period(s)

Project 1 or Class 1 or Asset 1	1 212 635	1 212 635
The delay to finish this construction is the identification of the site to erect the statue		
No impairment is recognised.		
	1 212 635	1 212 635

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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12. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	887 713	(716 522)	171 191	887 713	(593 723)	293 990

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	293 990	(122 799)	171 191

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	404 222	58 200	(168 432)	293 990

13. Payables from exchange transactions

Creditors	74 663 770	55 065 173
Unallocated deposits	160 264	27 255
Rental deposit: Avis	2 682	2 682
Rental deposit: Waphatha Group (Pty) Ltd	2 682	2 682
Rental deposit: Ekhethelo	-	5 000
Retention	43 275 410	38 390 020
Water & Sanitation Debtors with Credit	1 171 770	1 390 135
Water and sanitation services	32 918 133	4 904 786
Department of water and sanitation	8 400 000	-
	160 594 711	99 787 733

14. Consumer deposits

Water	3 627 105	3 681 115
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No guaranties are held in lieu of water deposits

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R			
15. Provisions					
Reconciliation of provisions - 2018					
	Opening Balance	Additions			
	Utilised during the year	Reversed during the year			
		Total			
Provision for Leave Payout	7 603 898	4 276 470	(3 619 939)	-	8 260 429
Bonus	6 604 246	-	-	(3 064 599)	3 539 647
Provision for Raw Water	12 954 290	-	-	(12 954 290)	-
	27 162 434	4 276 470	(3 619 939)	(16 018 889)	11 800 076

Reconciliation of provisions - 2017

	Opening Balance	Total
Provision for Leave Payout	7 603 898	7 603 898
Bonus	6 604 246	6 604 246
Provision for Raw Water	12 954 290	12 954 290
	27 162 434	27 162 434

It is uncertain that the timing of the outflow will happen during the next 12 months period. The major assumption was made that all employees would have been used all their leave days within the next 12 months period and their bonuses be paid within the period as well.

16. Payable from - non-exchange

Creditors Deceased Staff (EP Zulu)	13 671	735
Creditors (LB Shange)	80 488	80 488
Standby allowance	-	73 474
	94 159	154 697

17. Payables from exchange transactions

Department of water and sanitation	42 912 708	-
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18. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

KZN Environmental grant	552 951	1 500 000
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The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited.

These amounts are invested in a ring-fenced investment until utilised.

19. Rental deposits held

Rental deposits held	2 420	2 420
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Rental for office space, refundable upon termination of contract

20. Employee benefit obligations

20.1 Post retirement medical benefit plan

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Employee benefit obligations (continued)		
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p>		
<p>The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, SAMWU, Bonitas and Hosmed.</p>		
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Independent Actuaries & Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.</p>		
20.2 Multi-employer pension funds		
<p>The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.</p>		
<p>All councillors belong to the pension fund for municipal councilors.</p>		
<p>Employees belong to a variety of approved pension and provident funds.</p>		
<p>These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.</p>		
<p>All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.</p>		
<p>Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:</p>		
<p>(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.</p>		
<p>(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.</p>		
<p>(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.</p>		
<p>It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.</p>		
<p>The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.</p>		
<p>The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.</p>		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	<u>(32 512 000)</u>	<u>(28 903 000)</u>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	19 779 000	19 560 000
Net expense recognised in the statement of financial performance	<u>3 249 000</u>	<u>219 000</u>
	<u>23 028 000</u>	<u>19 779 000</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	2 088 000	1 994 000
Interest cost	2 115 000	2 361 000
Actuarial (gains) losses	(899 000)	(4 085 680)
Benefits payment	(55 000)	(50 320)
	3 249 000	219 000

Key assumptions used

Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 29 June 2018 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period. The average retirement age for all employees was assumed to be 63 years hence this assumption allows for ill-health and early retirements. Normal retirement age for all active employees was assumed to be 65 years. Mortality rate before retirement was based on SA 85-90 mortality tables whilst mortality post-employment (for pensioners) was based on PA (90) ultimate mortality tables. The assumption was made that the marital status for married members will remain the same until retirement and 90% of all single employees will be married at retirement with no dependent children. The female spouses were assumed to be five (5) years younger than their male spouses.

Average retirement age	63	63
Discount rates used	9,74 %	9,74 %
Medical cost trend rates	8,76 %	8,76 %
	7,26 %	7,26 %
	0,90 %	0,90 %
Mortality tables	SA 85-90	SA 85-90
Ultimate mortality table	PA 90-1	PA 90-1
Percentage of in-service members withdrawing before retirement		
Age 20	16,0 %	16,0 %
Age 30	10,0 %	10,0 %
Age 40	6,0 %	6,0 %
Age 50	2,0 %	2,0 %
Age 55+	-	-

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2018 is 8.76% which represents the average yield from zero coupon government bond curve over a 15 to 20 year term

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

General Salary Inflation: This assumption is more stable relative to the growth in consumer Price Index (CPI) than in the absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The implied inflation assumption is 7.26% per annum which represents the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 0.5% per annum.

It has been assumed that the next salary increase will take place on 1 July 2018

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Employee benefit obligations (continued)		
The next contribution increase was assumed to occur with effect from 1 January 2018		
Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.		
Long service awards and retirement gifts		
The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8,95 %	8,95 %
General salary inflation (long term)	7,56 %	7,56 %
Net effective discount rate	1,00 %	1,30 %
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment		SA 85-90
Members resigned from service		
	Per 1,000 members	Per 1,000 members
Age 20	160	160
.	120	-
Age 30	100	100
Age 35	80	-
Age 40	60	60
Age 45+	40	-
Age 50	20	20
Age 55+	10	-
Membership summary		
Number of members	526	231
Average age of members (years)	42,7	39,2
Average past service (years)	8,6	7,5
Average salary (annual)	201 696	204 29
Benefit Structure		
Service years	Award (Number of days)	Award (Number of days)
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Employee benefit obligations (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	9 124 000	8 841 000
Current service cost	1 020 000	970 000
Interest cost	956 000	904 000
Expected benefit payments	(447 000)	(723 000)
Recognised actuarial (gains)/losses	(1 169 000)	(868 000)
Balance at end of year	9 484 000	9 124 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1 020 000	970 000
Interest cost	956 000	904 000
Benefit payment	(447 000)	(723 000)
Actuarial (gains) / loss	(1 169 000)	(868 000)
	360 000	283 000

In conclusion:

Statement of Financial Position obligation for

Retirement benefit liability	9 484 000	9 124 000
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Statement of Financial Performance obligation for

retirement benefit expense	360 000	283 000
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Key assumptions used

In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA- this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 8.95% which represents the average yield from the zero coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

21. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Accumulated surplus	Total
Opening balance	2 840 907 132	2 840 907 132
Surplus	244 727 842	244 727 842
	3 085 634 974	3 085 634 974

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
22. Service charges		
Sale of water	18 558 001	13 281 786
Sewerage and sanitation charges	8 590 110	7 053 576
	27 148 111	20 335 362
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	144 952	134 862
Premises	-	-
Garages and parking	-	-
Facilities and equipment	144 952	134 862
Included in the above rentals are operating lease rental of equipment at a straight line.		
24. Other income		
Marathon entry fee	86 476	76 744
Connections fee - Water	67 012	112 526
Connections fee - Sewerage	10 132	8 894
Sundry income	-	9 867
Sale of Aviation fuel	-	48 438
Night Shift Allowance	-	34 348
Skills Levy Refunds	311 287	289 849
Non-refundable tender deposit	1 331 176	303 069
Revenue from flight tickets	-	426 588
Discount received	-	24 610
Clearance certification	2 478	-
Handling fees	21 542	-
Deposit	23 241	-
Bad debt recovered	-	214
	1 853 344	1 335 147
25. Investment revenue		
Interest revenue		
Bank	9 472 244	6 095 079
	-	-
	9 472 244	6 095 079
The amount included in Investment revenue arising from non-exchange transactions amounted to R 8 991 110.		
26. Interest, dividends and Rent on Land		
Interest - Receivables	94 501	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
27. Government grants and subsidies		
Operating grants		
Equitable share	382 571 000	347 834 000
Expanded Public Works Program	5 760 000	3 624 000
INDONSA	1 911 000	1 911 000
Financial Management Grant	1 250 000	1 250 000
Roads Assets Management System	-	2 229 000
Government grant (operating) 5	947 049	-
	392 439 049	356 848 000
Capital grants		
Rural Bulk Infrastructure Grant	130 000 000	168 542 391
Municipal Infrastructure Grant	229 725 000	228 314 000
Water Infrastructure Grant	107 746 000	109 071 000
Road Asset Management Grant	2 659 000	-
	470 130 000	505 927 391
	392 439 049	356 848 000
	470 130 000	505 927 391
	862 569 049	862 775 391
Equitable Share		
Balance unspent at the beginning		
Current year receipts	382 571 000	347 834 000
Conditions met - transferred to revenue	(382 571 000)	(347 834 000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
KZN Environmental grant		
Balance unspent at beginning of year	1 500 000	1 500 000
Conditions met - transferred to revenue	(947 049)	-
	552 951	1 500 000
INDONSA		
Current-year receipts	1 911 000	1 911 000
Conditions met - transferred to revenue	(1 911 000)	(1 911 000)
	-	-
Expanded Public Works Program		
Current-year receipts	5 760 000	3 624 000
Conditions met - transferred to revenue	(5 760 000)	(3 624 000)
	-	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
27. Government grants and subsidies (continued)		
Financial Management Grant		
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	<u>-</u>	<u>-</u>
Roads Assets Management System		
Current-year receipts	2 659 000	2 229 000
Conditions met - transferred to revenue	(2 659 000)	(2 229 000)
	<u>-</u>	<u>-</u>
Rural Bulk Infrastructure Grant		
Current-year receipts	130 000 000	168 542 391
Conditions met - transferred to revenue	(130 000 000)	(168 542 391)
	<u>-</u>	<u>-</u>
Municipal Infrastructure Grant		
Current-year receipts	229 725 000	228 314 000
Conditions met - transferred to revenue	(229 725 000)	(228 314 000)
	<u>-</u>	<u>-</u>
Water Infrastructure Grant		
Current-year receipts	107 746 000	109 071 000
Conditions met - transferred to revenue	(107 746 000)	(109 071 000)
	<u>-</u>	<u>-</u>
28. Fines, Penalties and Forfeits		
Illegal Connections Fines	<u>8 873</u>	<u>81 683</u>
29. Other revenue from non-exchange		
Tampering fee	<u>-</u>	<u>8 649</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
30. Employee related costs		
Basic	113 622 971	100 585 477
Bonus	4 776 808	11 844 787
Medical aid - company contributions	10 014 776	9 417 308
UIF	1 016 399	955 946
Stand by allowance	1 573 293	1 323 918
Leave pay provision charge	4 276 470	4 436 655
Industrial bargaining council levy	88 557	73 766
Defined contribution plans	14 756 224	13 655 129
Travel, motor car, accommodation, subsistence and other allowances	6 795 990	7 261 249
Overtime payments	9 924 415	9 215 952
Long-service awards	1 499 096	-
Acting allowances	888 951	-
Housing benefits and allowances	1 053 780	1 035 068
Telephone allowance	462 400	519 073
Non-pensionable allowance	-	1 011 613
	170 750 130	161 335 941
Remuneration of municipal manager		
Annual Remuneration	1 089 368	894 020
Car Allowance	333 735	573 011
Performance Bonuses	-	171 060
Contributions to UIF, Medical and Pension Funds	37 317	47 407
	1 460 420	1 685 498
Remuneration of chief finance officer		
Annual Remuneration	618 657	573 212
Car Allowance	187 383	380 127
Performance Bonuses	-	120 006
Contributions to UIF, Medical and Pension Funds	1 189	45 118
	807 229	1 118 463
Employee costs - Director of Planning		
Annual Remuneration	819 749	779 945
Car Allowance	250 419	457 528
Performance Bonuses	-	120 006
Contributions to UIF, Medical and Pension Funds	20 094	92 010
	1 090 262	1 449 489
Employee costs - Director of Technical Service		
Annual Remuneration	696 146	579 245
Car Allowance	209 545	301 230
Performance Bonuses	-	120 006
Contributions to UIF, Medical and Pension Funds	1 337	39 125
	907 028	1 039 606
Employee costs - Director of Corporate services		
Annual Remuneration	847 696	779 945
Car Allowance	213 310	579 062

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
30. Employee related costs (continued)		
Performance Bonuses	-	120 006
Contributions to UIF, Medical and Pension Funds	34 157	108 382
	1 095 163	1 587 395
Employee costs - Director of Community services		
Annual Remuneration	801 001	330 000
Car Allowance	250 861	1 005 868
Performance Bonuses	-	120 006
Contributions to UIF, Medical and Pension Funds	47 655	51 947
	1 099 517	1 507 821
<p>The reasons for the major decrease on expenditure as compared to prior year is based on fact that the positions for dictors were vacant for the big part of the financial year.</p>		
Total employee related costs	177 209 749	169 724 213
31. Remuneration of councillors		
Mayor	850 098	787 061
Deputy Mayor	443 051	392 411
Executive Committee Members	2 561 296	2 361 184
Speaker	725 919	629 647
Councillors	3 039 972	2 390 073
Councilors' pension contribution	94 871	264 322
	7 715 207	6 824 698
In-kind benefits		
<p>The Speaker, the Mayor, the Deputy Mayor the and Executive Committee Members are full-time.</p>		
<p>The Speaker, Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.</p>		
<p>The Speaker, Mayor and Deputy Mayor are provided with bodyguards.</p>		
<p>The Councillors are provided with body guards where request has been approvedl.</p>		
32. Depreciation and amortisation		
Property, plant and equipment	57 218 153	57 503 816
Intangible assets	153 901	168 432
	57 372 054	57 672 248
33. Lease rentals on operating lease		
Premises		
Contractual amounts	130 987	223 686
Motor vehicles		
Contractual amounts	217 497	1 006 146
Equipment		
Contractual amounts	980 580	900 172
	1 329 064	2 130 004

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
34. Debt impairment		
Debt impairment	12 185 740	9 080 827
Debt impairment is only calculated on service debtors from exchange transactions		
35. Collection costs		
Collection costs	858 484	1 402 719
Collection cost is based on serviced provided to disconnect, restrictions and reconnections of consumers		
36. Bulk purchases		
Electricity	34 300 723	35 223 063
Water	97 089 180	46 990 446
Sewer purification	-	3 267 749
	131 389 903	85 481 258
37. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	53 707
Burial Services	-	12 700
Business and Advisory	1 215 235	851 648
Catering Services	6 127 279	4 667 115
Cleaning Services	2 743 169	2 888 151
Hygiene Services	166 660	251 200
Internal Auditors	1 521 482	2 238 205
Meter Management	-	35 424
Security Services	19 310 751	12 875 588
Water Takers	38 106 922	48 956 154
Consultants and Professional Services		
Business and Advisory	17 571 582	15 934 541
Infrastructure and Planning	9 402	4 768
Legal Cost	413 416	469 142
Contractors		
Artists and Performers	1 022 299	736 100
Audio-visual Services	428 100	456 249
Maintenance of Equipment	192 490	-
Maintenance of Unspecified Assets	62 855 558	20 548 477
Medical Services	42 500	317 596
Sewerage Services	21 782 258	30 372 521
Stage and Sound Crew	799 050	195 930
Presented previously	-	-
Outsourced Services	69 191 498	72 829 892
Consultants and Professional Services	17 994 400	16 408 451
Contractors	87 122 255	52 626 873
	174 308 153	141 865 216

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
38. Grants and subsidies paid		
Other subsidies		
Poverty alleviation	1 973 539	1 346 999
Tourism contribution	18 000	449
Group co ID 11	947 049	-
	2 938 588	1 347 448
Grants paid to ME's	-	-
Other subsidies	2 938 588	1 347 448
<p>This amount is expended towards the poverty alleviation programmes where destitute families and disaster affected communities are assisted with.</p>		
39. Inventory consumed		
Sale of goods	29 846 994	18 321 956
40. General expenses		
Achievements and awards	192 500	580 809
Advertising	3 365 024	1 165 851
Assets expensed	-	75 547
Audit fees	3 059 212	2 180 872
Bank charges	304 729	284 128
Entertainment	358 860	293 282
Workmen's compensation	887 900	927 531
Honoraria	119 000	157 972
Vehicle tracking	204 692	1 022 970
Staff Bursary	5 135	11 130
Fuel and oil	5 051 016	5 563 845
Hire	2 370 784	3 392 522
External Computer Service	181 018	152 524
Insurance	521 130	438 856
Skills development levies	1 708 753	1 559 199
Driver's licenses and permits	510 929	503 949
Communication	5 586	17 062
Printing and Publication	807 477	611 341
Registration	51 037	104 167
Subscriptions and membership fees	1 730 033	1 716 898
Telephone and fax	2 904 310	2 579 780
Transport and freight	3 678 262	2 780 644
Travel - local	11 746 713	13 035 592
Uniforms	1 806 694	26 166
Utilities - Other	5 179 900	-
Management fees	5 280 225	7 961 315
	52 030 919	47 143 952
41. Gain on sales of assets		
Gain on sales of assets	-	211 332
42. Loss on donated assets		
Loss on donated assets	(3 996 288)	(712 284)

Sports field and other computer items were donated as per the approved Council resolutions.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
43. Proceeds from Insurance claims		
Proceeds from Insurance claims	753 278	1 542 899
44. Inventories losses/write-downs		
Inventories losses/write-downs	(1 353 515)	-
45. Auditors' remuneration		
Fees	3 059 212	2 180 872
46. Cash generated from operations		
Surplus	245 900 694	350 594 581
Adjustments for:		
Depreciation and amortisation	57 372 054	57 672 248
Loss on sale of assets and liabilities	(753 278)	(1 754 231)
Loss on donated assets	3 996 288	-
Inventories losses/write-downs	1 353 515	-
Interest income	-	-
Debt impairment	12 185 740	9 080 827
Movements in retirement benefit assets and liabilities	3 609 000	219 000
Movements in provisions	-	7 252 418
Movement in tax receivable and payable	-	(10 635 912)
Changes other receivables from exchange	(1 145 548)	-
Changes in working capital:		
Inventories	1 521 638	(777 534)
Other receivables from exchange transactions	(1 624 652)	(415 475)
Trade receivable from exchange transaction	12 790 860	(1 074)
Receivables from non-exchange transactions	(1 647 447)	920 693
Other receivables from non-exchange transactions	(923 750)	(634 018)
Payables from exchange transactions	60 806 978	50 173 922
VAT	(1 217 099)	8 912 808
Payables from non - exchange transactions	(60 538)	(14 924 826)
Unspent conditional grants	(947 049)	1 500 000
Consumer deposits	(54 010)	347 009
	391 163 396	457 530 436

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
47. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	<u>461 075 980</u>	<u>337 225 107</u>
Approved but not yet contracted for		
• Infrastructure	<u>-</u>	<u>7 116 741</u>
Total capital commitments	<u>461 075 980</u>	<u>344 341 848</u>

The Municipality has entered into a various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
48. Contingencies		
Year - 2018		
The Plaintiff is suing the Municipality out of the High Court for a certain amount. The Municipality is defending the matter awaiting for the trial date.		1 012 069
The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water supply scheme and tourism hub programme. The municipality is defending the matter and has filed a plea and claim reconvention		1 666 848
The Plaintiff is suing the Municipality out of the Magistrate Court for alleged services rendered. The Municipality is defending the matter and has filed a Notice of Intention to defend and plea in order to dispute thi		147 808
An Applicant is reviewing an award of a tender in the High Court.		120 000
Claim for damages		
Claim for damages		<u>2 946 725</u>
Year - 2017		
Claim for damages		
The Plaintiff is suing the Municipality out of the High Court for a certain amount. The Municipality is defending the matter awaiting for the trial date.		1 012 069
Claim for damages		
The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water supply scheme and tourism hub programme. The municipality is defending the matter and has filed a plea and claim reconvention.		1 666 848
Claim for damages		
The Plaintiff is suing the Municipality out of the Magistrate Court for alleged services rendered. The Municipality is defending the matter and has filed a Notice of Intention to defend and plea in order to dispute this matter.		147 808
Final demand for payment of outstanding water use charges		
Claim for damages		
An Applicant is reviewing an award of a tender in the High Court.		450 000
		<u>3 276 725</u>

49. Risk management

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 liquidity risk. Compliance with policy and procedures is reviewed by internal auditors on a continuous basis and annually by external auditor. The municipality does not enter into or trade financial instruments for speculative purposes.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018	2017
R	R

49. Risk management (continued)

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 reputations.

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. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.

Capital risk management

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

Gearing ratio

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

50. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 3 085 634 981 and that the municipality's total liabilities exceed its assets by R 3 085 634 981.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

- The municipality is operating at a net asset position.
- There are no fixed term borrowings.
- There is no indication of withdrawals of support from creditors.
- The Municipality is not operating at an overdraft facility.
- The current ratio (CA/CL) is 0.35:1. However included in this calculation is retention of R 43 275 410 which is dependent on the future grant receipts and R 53 317 478 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.
- The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.
- The municipality is still able to pay its creditors as they become due.
- National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.
- There is no loss of key Management without replacement.
- There are no labour difficulties that will render the Municipality dysfunctional.
- All conditional grants requirements are met.
- There are no material pending legal claims that may render municipality dysfunctional.
- There are no legal changes in law or regulation or government policy that may result in the liquidation of the municipality.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
51. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 693 865	1 716 898
Amount paid - current year	(1 693 865)	(1 716 898)
	<u>-</u>	<u>-</u>
Audit fees		
Current year subscription / fee	3 059 212	2 180 872
Amount paid - current year	(3 059 212)	(2 180 872)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	27 166 923	22 610 481
Amount paid - current year	(27 166 923)	(22 610 481)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	37 965 506	35 759 220
Amount paid - current year	(37 965 506)	(35 759 220)
	<u>-</u>	<u>-</u>

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TK Mkhize	<u>276</u>	<u>-</u>	<u>276</u>
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr B J Mncwango	<u>714</u>	<u>-</u>	<u>714</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

52. Budget differences

Material differences between budget and actual amounts

The material difference between approved budget and actual result are the consequence of activities during the financial period. For details on the comparatives please refer to the annual report.

Differences between budget and actual amounts are basis of preparation and presentation

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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52. Budget differences (continued)

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Variance is calculated by subtracting actual expenditure from budget

Details	Budget	Actual	Variance	%	Comments
Services charges	28 540 763	27 148 111	1 392 652	95 %	
Investments revenue	6 650 000	9 472 244	(2 822 244)	142 %	This depends on the availability of funds that were not immediately required
Transfers recognised	861 322 000	862 569 049	(1 247 049)	100 %	
Other income	1 498 000	2 101 670	(603 670)	140 %	This is based on the new tender document tariff
Employee related costs	(171 637 648)	(177 209 749)	5 572 101	103 %	Excessive overtime claims
Remuneration of councillors	(8 416 052)	(7 715 207)	(700 845)	92 %	
Debt impairment	(3 637 349)	(12 185 740)	8 548 391	335 %	Based on the actual debtors at year end
Depreciation	(75 444 626)	(57 372 054)	(18 072 572)	76 %	Based on assets in use, due to delays in projects under work in progress
Materials and Bulk purchases	(163 132 000)	(131 389 903)	(31 742 097)	81 %	Due to reclassification of Repairs and maintenance to contracted services
Transfers and grants	(1 953 700)	(2 938 588)	984 888	150 %	Due to increase in poverty alleviation expenditure
General expenditure	(179 376 000)	(261 982 614)	82 606 614	146 %	includes a portion of assets not qualifying to be capitalised
Capital : Grants	(469 830 000)	(470 130 000)	300 000	100 %	Due to allocation of NDPG outside adjustment budget
	(175 416 612)	(219 632 781)	44 216 169		

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 10 to 11 in the annual report

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Prior period errors

Statement of Financial Position

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets					
Current Assets					
Cash and cash equivalents		7 436 356	-	-	7 436 356
Receivables from exchange transactions		12 200 063	-	-	12 200 063
Other receivables from exchange transactions		454 165	-	-	454 165
Receivables from non-exchange transactions		4 617 339	-	-	4 617 339
Inventories		4 844 384	(190 462)	-	4 653 922
VAT receivable		18 812 186	-	-	18 812 187
Other receivables from non-exchange transactions		866 762	-	-	866 762
		49 231 255	(190 462)	-	49 040 794
Non-Current Assets					
Property, plant and equipment		2 938 282 803	-	-	2 938 282 803
Intangible assets		293 990	-	-	293 990
Heritage assets		1 212 636	-	-	1 212 636
Other receivables from exchange transactions		11 565 007	-	-	11 565 007
		2 951 354 436	-	-	2 951 354 436
Non-Current Assets		2 951 354 436	-	-	2 951 354 436
Current Assets		49 231 255	(190 462)	-	49 040 794
Non-current assets held for sale (and) (assets of disposal groups)		-	-	-	-
Total Assets		3 000 585 691	(190 462)	-	3 000 395 230
Liabilities					
Current Liabilities					
Payables from exchange transactions		94 882 947	4 904 786	-	99 787 733
Unspent conditional grants		-	-	1 500 000	1 500 000
Consumer deposits		3 681 115	-	-	3 681 115
Provisions		27 162 434	-	-	27 162 434
Payables from exchange transactions (non- exchange)		1 654 697	-	(1 500 000)	154 697
		127 381 193	4 904 786	-	132 285 979
Non-Current Liabilities					
Employee benefit obligation		19 779 000	9 124 000	-	28 903 000
Rental deposits held		2 420	-	-	2 420
		19 781 420	9 124 000	-	28 905 420
Non-Current Liabilities		19 781 420	9 124 000	-	28 905 420
Current Liabilities		127 381 193	4 904 786	-	132 285 979
Liabilities of disposal groups		-	-	-	-
Total Liabilities		147 162 613	14 028 786	-	161 191 399
Assets		3 000 585 691	(190 462)	-	3 000 395 230
Liabilities		(147 162 613)	(14 028 786)	-	(161 191 399)
Net Assets		2 853 423 078	(14 219 248)	-	2 839 203 831

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Prior period errors (continued)

Net Assets

Accumulated surplus	<u>2 853 423 081</u>	<u>(14 028 785)</u>	<u>-</u>	<u>2 839 203 822</u>
53.1 Inventories				
Balance previously reported				4 844 384
Proir year error				(190 462)
				<u>4 653 922</u>
53.2 Payables from non exchange transactions				
Balance previously reported				1 654 697
Reclassification				(1 500 000)
				<u>154 697</u>
53.3 Unspent conditional grants				
Balance previously reported				-
Reclassification				1 500 000
				<u>1 500 000</u>
53.4 Accumulated surplus				
Balance previously reported				2 853 423 081
Proir year error				(190 473)
Long service awards				(9 142 000)
Creditors:WSSA				(4 904 786)
)ther				18 000
				<u>2 839 203 822</u>

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year	Reclassifying	Restated
Note(s)	R	adjustments	adjustments	R
		R	R	
Revenue				
Revenue from exchange transactions				
Service charges	20 335 362	-	-	20 335 362
Rental of facilities and equipment	134 862	-	-	134 862
Other income	1 416 830	-	(81 683)	1 335 147
Investment revenue	6 095 079	-	-	6 095 079
Total revenue from exchange transactions	27 982 133	-	(81 683)	27 900 450
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies	862 775 391	-	-	862 775 391
Fines, Penalties and Forfeits	-	-	81 683	81 683
Other revenue from non-exchange	8 649	-	-	8 649
Total revenue from non-exchange transactions	862 784 040	-	81 683	862 865 723
	27 982 133	-	(81 683)	27 900 450
	862 784 040	-	81 683	862 865 723
Total revenue	890 766 173	-	-	890 766 173
Expenditure				
Employee related costs	(169 724 213)	-	-	(169 724 213)
Remuneration of councillors	(6 824 698)	-	-	(6 824 698)
Employee benefits	(219 000)	-	-	(219 000)
Lease rentals on operating lease	-	-	(2 130 004)	(2 130 004)
Depreciation and amortisation	(57 672 248)	-	-	(57 672 248)
Debt impairment	(9 080 827)	-	-	(9 080 827)
Bad debts written off	(214)	(214)	-	-
Collection costs	-	-	1 402 719	(1 402 719)
Sale of goods/Inventory	-	-	(18 321 956)	(18 321 956)
Bulk purchases	(85 481 258)	-	-	(85 481 258)
Contracted services	(17 812 748)	-	(124 052 468)	(141 865 216)
Transfers and subsidies	-	-	(1 347 448)	(1 347 448)
Repairs and maintenance	(19 017 684)	-	19 017 684	-
General Expenses	(175 380 850)	-	128 236 911	(47 143 952)
Total expenditure	(541 213 740)	(214)	-	(541 213 539)
	-	-	-	-
Total revenue	890 766 173	-	-	890 766 173
Total expenditure	(541 213 740)	(214)	-	(541 213 539)
Operating surplus	349 552 433	(214)	-	349 552 634
Gain on disposal of assets and liabilities	211 332	-	-	211 332
Loss on donated assets	(712 284)	-	-	(712 284)
Proceeds from Insurance claims	1 542 899	-	-	1 542 899
	1 041 947	-	-	1 041 947
Surplus before taxation	350 594 380	(214)	-	350 594 581
Taxation	-	-	-	-
Surplus for the year	350 594 380	(214)	-	350 594 581

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Prior period errors (continued)

53.5 Other Income

Balance previously reported	1 416 830
Reclassified	(81 683)
	<u>1 335 147</u>

53.6 Fine, Penalties and Forfeits

Balance previously reported	-
Reclassification	81 683
	<u>81 683</u>

53.7 Collection costs

Reclassification	<u>1 402 719</u>
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53.8 Repairs and maintenance

Balance previously reported	19 017 684
Reclassification	(19 017 684)
	<u>-</u>

53.9 Contracted services

Balance previously reported	17 812 748
Reclassification	124 052 468
	<u>141 865 216</u>

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

This group of accounts distinguish between "Outsourced Services, Contractors and Professional and Special Services".

53.10 'Grants and subsidies paid

Reclassification	<u>1 347 448</u>
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53.11 General Expenses

Balance previously reported	175 380 850
Reclassification	(128 236 898)
	<u>47 143 952</u>

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

53.12 Sale of goods/Inventory

Reclassification	<u>18 321 956</u>
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Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Prior period errors (continued)

53.13 Bad debts written off

Balance previously reported		(214)
Prior year error		214
		<u>-</u>

54. Unauthorised expenditure

Unauthorised incurred during the year	-	2 733 609
Unauthorised written-off by council	-	(2 733 609)
	<u>-</u>	<u>-</u>

55. Fruitless and wasteful expenditure

Opening balance	381 729	90 017
Fruitless and wasteful incurred during the year	38 682	483 047
Prior year fruitless and wasteful expenditure incurred in the current year	-	54 000
Fruitless and wasteful written-off by council	-	(245 335)
	<u>420 411</u>	<u>381 729</u>

56. Irregular expenditure

Opening balance	185 026 191	11 252 819
Add: Irregular Expenditure - current year	122 883 183	190 836 232
Irregular expenditure written-off by council	-	(17 062 860)
	<u>307 909 374</u>	<u>185 026 191</u>

Analysis of expenditure awaiting condonation per age classification

Investigation to the root causes for irregular expenditure is still in process and no steps have been taken yet.

57. Awards to close family members of person in the service of the state

Employee Number 371	26 625	3 206 724
Employee Number 524	-	136 271
Employee Number 499	-	55 000
Employee Number 358	254 453	-
	<u>281 078</u>	<u>3 397 995</u>

58. Water losses

Water losses average 9% during the year	<u>10 450 228</u>	<u>5 828 673</u>
---	-------------------	------------------

59. Paragraph 17.c appointments

Reported to council	-	3 936 779
Awards awaiting to be reported to council	-	(3 936 779)
	<u>-</u>	<u>-</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

60. Report on approved deviation

Opening balance	5 156 335	-
Deviation incurred during the year	11 317 155	3 469 163
Deviation reported to council	-	10 384 869
Deviation awaiting reporting to council	-	(8 697 697)
	<u>16 473 490</u>	<u>5 156 335</u>

61. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Shareholder with significant influence	No shareholder with significant influence.
Shareholder with joint control	No shareholding with joint control.
Close family member of key management	No close family member for key management identified.
Joint venture of key management	No Joint ventures of Key Management
Associate of close family member of key management	No associate of close family member of key management

62. Events after the reporting date

No material adjusting or non-adjusting events have been identified after reporting date.

Zululand District Municipality
Zululand District Municipality

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	470 000	-	-	-	-	-	470 000	-	-	-	-	-	-	470 000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	45 445 591	-	-	-	-	-	45 445 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	30 638 203
	45 915 591	-	-	-	-	-	45 915 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	215 221 810	-	-	-	-	-	215 221 810	(30 926 001)	-	-	(3 436 316)	-	(34 362 317)	180 859 493
Water purification	278 930 699	-	-	-	-	-	278 930 699	(36 125 540)	-	-	(5 670 598)	-	(41 796 138)	237 134 561
Reticulation	1 339 235 027	-	-	-	-	-	1 339 235 027	(198 311 450)	-	-	(31 944 792)	-	(230 256 242)	1 108 978 785
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	55 391 761	-	-	-	-	-	55 391 761	(18 310 142)	-	-	(1 694 148)	-	(20 004 290)	35 387 471
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	24 312 868	-	-	-	-	-	24 312 868	(3 640 343)	-	-	(1 219 496)	-	(4 859 839)	19 453 029
Housing	95 159 301	-	-	-	-	-	95 159 301	(11 192 932)	-	-	(1 728 141)	-	(12 921 073)	82 238 228
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	144 333 122	5 410	-	-	-	-	144 338 532	(34 492 078)	-	-	(3 545 147)	-	(38 037 225)	106 301 307
	2 152 584 588	5 410	-	-	-	-	2 152 589 998	(332 998 486)	-	-	(49 238 638)	-	(382 237 124)	1 770 352 874
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187

Zululand District Municipality
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Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	41 292 214	-	-	-	-	-	41 292 214	(29 164 101)	-	-	(3 702 296)	-	(32 866 397)	8 425 817
Plant & equipment	5 226 228	-	-	-	-	-	5 226 228	(2 769 517)	-	-	(408 359)	-	(3 177 876)	2 048 352
Computer Equipment	4 590 253	504 552	-	-	-	-	5 094 805	(3 443 760)	-	-	(573 946)	-	(4 017 706)	1 077 099
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 955 826	29 143	-	-	-	-	1 984 969	(1 032 114)	-	-	(257 329)	-	(1 289 443)	695 526
Office Equipment	2 466 184	-	-	-	-	-	2 466 184	(2 126 038)	-	-	(144 815)	-	(2 270 853)	195 331
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equipment	256 419	72 000	-	-	-	-	328 419	(110 568)	-	-	(65 284)	-	(175 852)	152 567
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	139 475	-	-	-	-	-	139 475	(138 332)	-	-	(1 143)	-	(139 475)	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	30 245	-	-	-	-	-	30 245	(4 654)	-	-	(2 523)	-	(7 177)	23 068
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	52 945	-	-	-	-	-	52 945	(27 449)	-	-	(2 608)	-	(30 057)	22 888
	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 158 303)	-	(43 974 836)	12 640 648

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June 2018

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	45 915 591	-	-	-	-	-	45 915 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure	2 152 584 588	5 410	-	-	-	-	2 152 589 998	(332 998 486)	-	-	(49 238 638)	-	(382 237 124)	1 770 352 874
Community Assets	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 158 303)	-	(43 974 836)	12 640 648
	2 269 443 348	611 105	-	(4 965 844)	-	-	2 265 088 609	(389 258 509)	1 320 009	-	(56 019 197)	-	(443 957 697)	1 821 130 912
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	45 915 591	-	-	-	-	-	45 915 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure	2 152 584 588	5 410	-	-	-	-	2 152 589 998	(332 998 486)	-	-	(49 238 638)	-	(382 237 124)	1 770 352 874
Community Assets	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 158 303)	-	(43 974 836)	12 640 648
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 270 331 061	611 105	-	(4 965 844)	-	-	2 265 976 322	(389 852 232)	1 320 009	-	(56 165 366)	-	(444 697 589)	1 821 278 733

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Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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June 2018

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Segmental analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated Depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(1 875)	-	-	(1 875)	-	-	-	-	-	-	(1 875)

Zululand District Municipality

Appendix D

June 2018

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
(712 284)	33 594 527	(34 306 811)	Executive & Council/Mayor and Council	-	49 879 228	(49 879 228)
357 888 557	109 198 898	248 689 659	Finance & Admin/Finance	394 740 565	102 722 070	292 018 495
2 229 000	21 020 340	(18 791 340)	Planning and Development/Economic Development/Plan	2 659 000	22 864 019	(20 205 019)
-	2 000 304	(2 000 304)	Health/Clinics	-	9 639 445	(9 639 445)
1 911 000	33 251 806	(31 340 806)	Comm. & Social/Libraries and archives	1 040 190	24 753 580	(23 713 390)
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
7 071 119	6 340 327	730 792	Waste Water Management/Sewerage	8 600 242	8 710 524	(110 282)
-	-	-	Road Transport/Roads	-	-	-
522 945 704	324 298 412	198 647 292	Water/Water Distribution	488 304 679	414 272 230	74 032 449
-	-	-	Electricity /Electricity Distribution	-	-	-
475 026	11 508 916	(11 033 890)	Other/Air Transport	-	11 719 160	(11 719 160)
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
891 808 122	541 213 530	350 594 592		895 344 676	644 560 256	250 784 420

Zululand District Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2018

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar			
Equitable Share	National Treasury	-	06 000	23 000	42 000	-	-	42 750	42 750	42 750	42 750	-	-	-	-	-	Yes	
Financial Management Expanded Public Works Programme	National Treasury Dept of Public Works	-	50 000	-	-	-	-	67 760	19 644	43 523	19 072	-	-	-	-	-	Yes	
Indonsa Grant	Art & Culture	-	40 000	92 000	28 000	-	-	00 466	58 574	87 945	13 015	-	-	-	-	-	Yes	
Municipal Infrastructure Grant	COGTA	-	55 500	-	55 500	-	-	70 794	40 206	-	-	-	-	-	-	-	Yes	
Regional Bulk Infrastructure Grant (Schedule 5B)	DWS	-	00 000	00 000	00 000	-	-	03 841	60 002	74 928	86 229	-	-	-	-	-	Yes	
Water Services Infrastructure Grant (Schedule 5B)	DWS	-	00 000	00 000	00 000	-	-	98 801	12 042	50 620	38 537	-	-	-	-	-	Yes	
Rural Road Assets Management Systems Grant	COGTA	-	73 000	24 000	49 000	-	-	48 788	50 141	84 769	62 304	-	-	-	-	-	Yes	
Environmental Management Framework & Strategic Environmental Assessment	Environmental Development	00 000	51 000	-	08 000	-	-	47 640	50 172	85 207	75 924	-	-	-	-	-	Yes	
		00 000	75 500	39 000	32 225	-	-	80 840	33 531	69 742	84 880	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.