



**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

Annual Financial Statements for the year ended 30 June 2018

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 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

| Index | Page |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 5 |
| Statement of Financial Position | 6 |
| Statement of Financial Performance | 7 |
| Statement of Changes in Net Assets | 8 |
| Cash Flow Statement | 9 |
| Appropriation Statement | 10 - 12 |
| Accounting Policies | 13 - 25 |
| Notes to the Annual Financial Statements | 26 - 67 |
| Appendixes: | |
| Appendix B: Analysis of Property, Plant and Equipment | 68 |
| Appendix C: Segmental analysis of Property, Plant and Equipment | 74 |
| Appendix D: Segmental Statement of Financial Performance | 76 |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 77 |
| Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification) | 78 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

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) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

The 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 32 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 | 11 938 735 | 2 412 788 |
| 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 | 31 559 985 | 28 599 461 |
| Inventories | 9 | 3 132 284 | 4 653 922 |
| | | 69 483 463 | 49 040 793 |
| Non-Current Assets | | | |
| Other receivables from exchange transactions | 5 | 12 438 779 | 11 565 007 |
| Property, plant and equipment | 10 | 3 263 898 643 | 2 938 282 803 |
| Heritage assets | 11 | 1 212 635 | 1 212 636 |
| Intangible assets | 12 | 320 193 | 293 990 |
| | | 3 277 870 250 | 2 951 354 436 |
| Total Assets | | 3 347 353 713 | 3 000 395 229 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 13 | 160 594 711 | 94 882 947 |
| 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 | 127 381 193 |
| Non-Current Liabilities | | | |
| Rental deposits held | 19 | 2 420 | 2 420 |
| Employee benefit obligation | 20 | 23 028 000 | 19 779 000 |
| Payables from exchange transactions | 17 | 42 912 708 | - |
| | | 65 943 128 | 19 781 420 |
| Total Liabilities | | 242 612 130 | 147 162 613 |
| Reserves | | | |
| Accumulated surplus | 21 | 3 104 741 583 | 2 853 232 608 |
| Total Net Assets | | 3 104 741 583 | 2 853 232 608 |

Zululand District Municipality

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 | 861 622 000 | 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 | | 861 725 374 | 862 865 723 |
| Total revenue | 30 | 900 344 025 | 890 766 173 |
| Expenditure | | | |
| Employee related costs | 31 | (180 458 756) | (169 724 213) |
| Remuneration of councillors | 32 | (7 715 208) | (6 824 698) |
| Employee benefit | 20 | - | (219 000) |
| Depreciation and amortisation | 33 | (57 856 781) | (57 672 248) |
| Lease rentals on operating lease | 34 | (1 329 064) | (2 130 004) |
| Debt Impairment | 35 | (2 541 017) | (9 080 827) |
| Collection costs | 36 | (858 484) | (1 402 719) |
| Bulk purchases | 37 | (131 389 903) | (85 481 258) |
| Contracted services | 38 | (177 149 609) | (141 865 216) |
| Transfers and subsidies Paid | 39 | (1 991 539) | (1 347 448) |
| Inventory consumed | 40 | (28 793 542) | (18 321 956) |
| General Expenses | 41 | (51 853 666) | (47 143 952) |
| Total expenditure | | (641 937 569) | (541 213 539) |
| Operating surplus | | 258 406 456 | 349 552 634 |
| Gain on sales of assets | 42 | - | 211 332 |
| Loss on donated assets | 43 | (5 543 975) | (712 284) |
| Proceeds from Insurance claims | 44 | - | 1 542 899 |
| Inventories losses/write-downs | 45 | (1 353 515) | - |
| | | (6 897 490) | 1 041 947 |
| Surplus for the year | | 251 508 966 | 350 594 581 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|---|-----------------------------|--------------------------|
| Balance at 01 July 2016 | 2 502 638 027 | 2 502 638 027 |
| 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 | 2 853 423 079 | 2 853 423 079 |
| Adjustments | | |
| Prior year adjustments | (190 462) | (190 462) |
| Balance at 01 July 2017 as restated* | 2 853 232 617 | 2 853 232 617 |
| Changes in net assets | | |
| Surplus for the year | 251 508 966 | 251 508 966 |
| Total changes | 251 508 966 | 251 508 966 |
| Balance at 30 June 2018 | 3 104 741 583 | 3 104 741 583 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| | Note(s) | 2018 R | 2017 R |
|--|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 24 909 433 | 27 633 940 |
| Grants | | 860 798 479 | 862 775 391 |
| Interest income | | 9 472 244 | 6 095 079 |
| | | <u>895 180 156</u> | <u>896 504 410</u> |
| Payments | | | |
| Employee costs | | (194 155 312) | (169 724 213) |
| Suppliers | | (315 467 731) | (269 249 761) |
| Other payments | | (60 538) | - |
| | | <u>(509 683 581)</u> | <u>(438 973 974)</u> |
| Net cash flows from operating activities | 47 | <u>385 496 575</u> | <u>457 530 436</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (385 937 268) | (416 095 452) |
| Proceeds from sale of property, plant and equipment | 10 | 6 383 038 | (1 990 275) |
| Purchase of other intangible assets | 12 | (177 253) | (58 200) |
| Purchases of heritage assets | 11 | - | (61 184) |
| Proceeds from sale of biological assets that form part of an agricultural activity | | - | 1 542 899 |
| | | <u>(379 731 483)</u> | <u>(416 662 212)</u> |
| Net cash flows from investing activities | | <u>(379 731 483)</u> | <u>(416 662 212)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 5 765 092 | 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>13 201 448</u> | <u>7 436 352</u> |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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 | 391 492 000 | | - | 100 % | 100 % |
| Other own revenue | 132 244 000 | (130 746 000) | 1 498 000 | - | | 1 498 000 | 2 101 670 | | 603 670 | 140 % | 2 % |
| Total revenue (excluding capital transfers and contributions) | 553 926 763 | (125 746 000) | 428 180 763 | - | | 428 180 763 | 430 214 025 | | 2 033 262 | 100 % | 78 % |
| Employee costs | (171 637 648) | - | (171 637 648) | - | | (171 637 648) | (180 458 756) | | (8 821 108) | 105 % | 105 % |
| Remuneration of councillors | (7 416 052) | (1 000 000) | (8 416 052) | - | | (8 416 052) | (7 715 208) | | 700 844 | 92 % | 104 % |
| Debt impairment | (3 637 349) | - | (3 637 349) | | | (3 637 349) | (2 541 017) | | 1 096 332 | 70 % | 70 % |
| Depreciation and asset impairment | (75 444 626) | - | (75 444 626) | | | (75 444 626) | (57 856 781) | | 17 587 845 | 77 % | 77 % |
| 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) | (1 991 539) | | (37 839) | 102 % | 102 % |
| Other expenditure | (162 805 000) | (16 571 000) | (179 376 000) | - | | (179 376 000) | (266 881 855) | | (87 505 855) | 149 % | 164 % |
| Total expenditure | (541 542 375) | (62 055 000) | (603 597 375) | - | | (603 597 375) | (648 835 059) | | (45 237 684) | 107 % | 120 % |
| Surplus/(Deficit) | 12 384 388 | (187 801 000) | (175 416 612) | - | | (175 416 612) | (218 621 034) | | (43 204 422) | 125 % | (1 765)% |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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 |
| Transfers recognised - capital | 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 | 251 508 966 | | (42 904 422) | 85 % | 54 % |
| Surplus/(Deficit) for the year | 462 214 388 | (167 801 000) | 294 413 388 | - | | 294 413 388 | 251 508 966 | | (42 904 422) | 85 % | 54 % |
| 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) | - % | - % |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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 | - | - | - | - | - | - | 385 496 575 | | 385 496 575 | DIV/0 % | DIV/0 % |
| Net cash from (used) investing | - | - | - | - | - | - | (379 731 483) | | (379 731 483) | DIV/0 % | DIV/0 % |
| Net increase/(decrease) in cash and cash equivalents | - | - | - | - | - | - | 5 765 092 | | 5 765 092 | 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) | - | - | - | - | 13 201 448 | | (13 201 448) | DIV/0 % | 178 % |

Zululand District Municipality

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].

Zululand District Municipality

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.

Zululand District Municipality

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 |
|------|---------------------|---------------------|
|------|---------------------|---------------------|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

| | | |
|-------------------------------------|---------------|-------------|
| Infrastructure | Straight line | |
| • Water | | 15-70 years |
| • Sewerage | | 15-70 years |
| Community | Straight line | |
| • Buildings | | 30 years |
| • Recreational Facilities | | 20-30 years |
| Other property, plant and equipment | Straight line | |
| • Buildings | | 30 years |
| • Specialist vehicles | | 7 years |
| • Other vehicles | | 7 years |
| • Office equipment | | 3-7 years |
| • Furniture and fittings | | 7 years |
| • Emergency equipment | | 10 years |
| • Computer equipment | | 5 years |
| 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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

Annual Financial Statements for the year ended 30 June 2018

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

Annual Financial Statements for the year ended 30 June 2018

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

Annual Financial Statements for the year ended 30 June 2018

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 01 Jul 2017 to 30 Jun 2018.

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:

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

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.

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)

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

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

Annual Financial Statements for the year ended 30 June 2018

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

Annual Financial Statements for the year ended 30 June 2018

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 | | | | 61 509 104 | | 52 634 145 |
| Waste water | | | | 21 602 712 | | 18 311 204 |
| Other | | | | 102 961 | | 173 222 |
| | | | | 83 214 777 | | 71 118 571 |
| Less: Allowance for impairment | | | | | | |
| Water | | | | (50 139 120) | | (50 842 279) |
| Waste water | | | | (21 136 922) | | (17 863 504) |
| | | | | (71 276 042) | | (68 705 783) |
| Net balance | | | | | | |
| Water | | | | 11 369 984 | | 1 791 866 |
| Waste water | | | | 465 790 | | 447 700 |
| Other | | | | 102 961 | | 173 222 |
| | | | | 11 938 735 | | 2 412 788 |
| 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 | | | | 46 385 562 | | 40 650 140 |
| Less: Impairment | | | | (59 975 479) | | (50 842 280) |
| | | | | 11 369 984 | | 1 791 866 |

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 | 403 639 | 314 301 |
| 121 - 365 days | 2 644 420 | 2 203 842 |
| > 365 days | 16 123 923 | 14 220 698 |
| Less: Impairment | (21 134 983) | (17 863 504) |
| | 465 790 | 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 | 142 389 | 93 877 |
| Less: Impairment | (163 565) | - |
| | 102 961 | 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 | (71 276 043) | 68 735 026 |
| | - | 137 470 052 |
| 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) | 2 264 462 | 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 | 4 797 282 | 863 863 |
| | 9 606 817 | 1 729 932 |

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) | | |
| 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 | 62 651 875 | 55 906 529 |
| | <u>83 212 762</u> | <u>71 118 571</u> |
| Less: Allowance for impairment | (71 274 027) | (68 705 783) |
| | <u>11 938 735</u> | <u>2 412 788</u> |
| Less: Allowance for impairment | | |
| 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 | (56 758 698) | (54 705 988) |
| | <u>(71 276 042)</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 | (29 243) | (8 705 413) |
| Debt impairment written off against allowance | (2 541 016) | - |
| | <u>(71 276 042)</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 |
| Cross-border debtors | 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: S Khanyile | 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> |

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) | | |
| Non-current assets | 12 438 779 | 11 565 007 |
| Current assets | 1 595 713 | 454 165 |
| | 14 034 492 | 12 019 172 |

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: Dumbe 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 | - |
| | 6 264 786 | 4 617 339 |

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 | 1 790 512 | 866 762 |
| Overpayments on Eskom Accounts as at 30 June 2018 | | |

8. VAT receivable

| | | |
|-----|------------|------------|
| VAT | 31 559 985 | 28 599 461 |
|-----|------------|------------|

The amount represent the invoices paid towards year end creditors

The municipality is on the payment basis

9. Inventories

| | | |
|-----------------------|------------------|------------------|
| Consumable stores | 3 063 892 | 4 585 530 |
| Fuel (Diesel, Petrol) | 68 392 | 68 392 |
| | 3 132 284 | 4 653 922 |

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 | 45 445 590 | (13 548 683) | 31 896 907 | 45 445 592 | (13 548 685) | 31 896 907 |
| Infrastructure | 2 293 154 172 | (383 065 806) | 1 910 088 366 | 2 152 584 588 | (332 998 486) | 1 819 586 102 |
| Community | 7 581 255 | (2 367 090) | 5 214 165 | 14 933 380 | (3 894 806) | 11 038 574 |
| Other property, plant and equipment | 66 303 882 | (45 268 901) | 21 034 981 | 56 009 789 | (38 816 533) | 17 193 256 |
| Capital work in Progress | 1 295 194 224 | - | 1 295 194 224 | 1 058 097 964 | - | 1 058 097 964 |
| Total | 3 708 149 123 | (444 250 480) | 3 263 898 643 | 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 | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|--------------------|--------------------|----------------------|---------------------|------------------|----------------------|
| Land | 470 000 | - | - | - | - | - | - | 470 000 |
| Buildings | 31 896 907 | - | - | - | - | - | - | 31 896 907 |
| Infrastructure | 1 819 586 102 | - | - | 141 342 737 | - | (50 840 473) | - | 1 910 088 366 |
| Community | 11 038 574 | - | (4 965 844) | - | - | (1 622 256) | 763 691 | 5 214 165 |
| Other property, plant and equipment | 17 193 256 | 4 388 478 | (1 417 194) | 5 052 108 | - | (5 242 998) | 1 061 331 | 21 034 981 |
| Capital work in Progress | 1 058 097 964 | 381 548 790 | - | - | (144 452 530) | - | - | 1 295 194 224 |
| | 2 938 282 803 | 385 937 268 | (6 383 038) | 146 394 845 | (144 452 530) | (57 705 727) | 1 825 022 | 3 263 898 643 |

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 | 381 548 790 | 381 548 790 |
| Transferred to completed items | (126 442 204) | (126 442 204) |
| | 1 313 204 550 | 1 313 204 550 |

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.

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 |
|--|-----------|-----------|
|--|-----------|-----------|

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 | 1 064 966 | (744 773) | 320 193 | 887 713 | (593 723) | 293 990 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | Amortisation | Total |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 293 990 | 177 253 | (151 050) | 320 193 |

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 | - |
| Department of water and sanitation | 8 400 000 | - |
| | 160 594 711 | 94 882 947 |

14. Consumer deposits

| | | |
|-------|-----------|-----------|
| Water | 3 627 105 | 3 681 115 |
|-------|-----------|-----------|

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 | |
| | Reversed during the year | Total | |
| Provision for Leave Payout | 7 603 898 | 656 531 | 8 260 429 |
| Bonus | 6 604 246 | - | 3 539 647 |
| Provision for Raw Water | 12 954 290 | - | - |
| | 27 162 434 | 656 531 | (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 |
| 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 | | - |
| 18. Unspent conditional grants | | | |
| Unspent conditional grants and receipts comprises of: | | | |
| KZN Environmental grant | 552 951 | | 1 500 000 |
| <p>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.</p> <p>These amounts are invested in a ring-fenced investment until utilised.</p> | | | |
| 19. Rental deposits held | | | |
| Rental deposits held | 2 420 | | 2 420 |
| <p>Rental for office space, refundable upon termination of contract</p> | | | |
| 20. Employee benefit obligations | | | |
| 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 2016 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> | | |
| 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>(23 028 000)</u> | <u>(19 779 000)</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

Assumptions used at the reporting date:

| | | |
|--|----------|----------|
| Average retirement age | 63 | 63 |
| Discount rates used | - % | 9.74 % |
| Medical cost trend rates | - % | 8.76 % |
| | - % | 7.26 % |
| | - % | 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 % |
| Age 30 | - % | 10.0 % |
| Age 40 | - % | 6.0 % |
| Age 50 | - % | 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 2016 is 9.74% which represents the average yield from the 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 2017.

The next contribution increase was assumed to occur with effect from 1 January 2017.

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.

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) | | |
| 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 % |
| General salary inflation (long term) | - % | 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 | 397 | 231 |
| Average age of members (years) | 42.7 | 39.2 |
| Average past service (years) | 9.2 | 7.5 |
| Average salary (annual) | - | 204 29 |
| Benefit Structure | | |
| Service years | Award (Number of days) | Award (Number of days) |
| 10 | - | 10 |
| 15 | - | 20 |
| 20 | - | 30 |
| 25 | - | 30 |
| 30 | - | 30 |
| 35 | - | 30 |
| 40 | - | 30 |
| 45 | - | 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 | 19 779 000 | 19 560 000 |
| Current service cost | 2 088 000 | 1 994 000 |
| Interest cost | 2 115 000 | 2 361 000 |
| Expected benefit payments | (55 000) | (50 320) |
| Recognised actuarial (gains)/losses | (899 000) | (4 085 680) |
| Balance at end of year | 23 028 000 | 19 779 000 |
| The amounts recognised in the Statement of Financial Performance were as follows: | | |
| Current service cost | 2 088 000 | 1 994 000 |
| Interest cost | 2 115 000 | 2 361 000 |
| Benefit payment | (55 000) | (50 320) |
| Actuarial (gains) / loss | (899 000) | (4 085 680) |
| | 3 249 000 | 219 000 |
| In conclusion: | | |
| Statement of Financial Position obligation for Retirement benefit liability | 23 028 000 | 19 779 000 |
| Statement of Financial Performance obligation for retirement benefit expense | 3 249 000 | 219 000 |
| 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 | 2 853 232 616 | 2 853 232 616 |
| Surplus | 251 508 973 | 251 508 973 |
| | 3 104 741 589 | 3 104 741 589 |

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 |
| 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 |
| 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 | - |
| 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 |
| | 391 492 000 | 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 |

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) | | |
| Road Asset Management Grant | 2 659 000 | - |
| | 470 130 000 | 505 927 391 |
| | 861 622 000 | 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) |
| | - | - |
| Financial Management Grant | | |
| Current-year receipts | 1 250 000 | 1 250 000 |
| Conditions met - transferred to revenue | (1 250 000) | (1 250 000) |
| | - | - |
| Roads Assets Management System | | |
| Current-year receipts | 2 659 000 | 2 229 000 |
| Conditions met - transferred to revenue | (2 659 000) | (2 229 000) |
| | - | - |
| Rural Bulk Infrastructure Grant | | |
| Current-year receipts | 130 000 000 | 168 542 391 |
| Conditions met - transferred to revenue | (130 000 000) | (168 542 391) |
| | - | - |

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) | | |
| 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 | 8 873 | 81 683 |
| | <u>-</u> | <u>-</u> |
| 29. Other revenue from non-exchange | | |
| Tampering fee | - | 8 649 |
| | <u>-</u> | <u>-</u> |
| 30. Revenue | | |
| Service charges | 27 148 111 | 20 335 362 |
| Rental of facilities and equipment | 144 952 | 134 862 |
| Other income | 1 853 344 | 1 335 147 |
| Interest received - investment | 9 472 244 | 6 095 079 |
| Interest, dividends and Rent on Land | 94 501 | - |
| Government grants & subsidies | 861 622 000 | 862 775 391 |
| Fines, Penalties and Forfeits | 8 873 | 81 683 |
| Other revenue from non-exchange | - | 8 649 |
| | <u>900 344 025</u> | <u>890 766 173</u> |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 27 148 111 | 20 335 362 |
| Rental of facilities and equipment | 144 952 | 134 862 |
| Other income | 1 853 344 | 1 335 147 |
| Interest received - investment | 9 472 244 | 6 095 079 |
| | <u>38 618 651</u> | <u>27 900 450</u> |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Interest, dividends and Rent on Land | 94 501 | - |
| Transfer revenue | | |
| Government grants & subsidies | 861 622 000 | 862 775 391 |
| Fines, Penalties and Forfeits | 8 873 | 81 683 |
| Other revenue from non-exchange | - | 8 649 |
| | <u>861 725 374</u> | <u>862 865 723</u> |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------|--------------------|
| 31. Employee related costs | | |
| Basic | 115 533 046 | 100 585 477 |
| Bonus | 4 776 808 | 11 844 787 |
| Medical aid - company contributions | 10 051 060 | 9 417 308 |
| UIF | 1 016 875 | 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 | 88 359 | 73 766 |
| Defined contribution plans | 17 924 294 | 13 655 129 |
| Travel, motor car, accommodation, subsistence and other allowances | 7 062 418 | 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 | 482 825 | 519 073 |
| Non-pensionable allowance | - | 1 011 613 |
| | 176 151 690 | 161 335 941 |
| Remuneration of municipal manager | | |
| Annual Remuneration | 533 201 | 894 020 |
| Car Allowance | 163 847 | 573 011 |
| Performance Bonuses | - | 171 060 |
| Contributions to UIF, Medical and Pension Funds | 65 327 | 47 407 |
| | 762 375 | 1 685 498 |
| Remuneration of chief finance officer | | |
| Annual Remuneration | 627 988 | 573 212 |
| Car Allowance | 224 593 | 380 127 |
| Performance Bonuses | - | 120 006 |
| Contributions to UIF, Medical and Pension Funds | (5 101) | 45 118 |
| | 847 480 | 1 118 463 |
| Employee costs - Director of Planning | | |
| Annual Remuneration | 413 246 | 779 945 |
| Car Allowance | 124 131 | 457 528 |
| Performance Bonuses | - | 120 006 |
| Contributions to UIF, Medical and Pension Funds | 62 122 | 92 010 |
| | 599 499 | 1 449 489 |
| Employee costs - Director of Technical Service | | |
| Annual Remuneration | 463 993 | 579 245 |
| Car Allowance | 134 527 | 301 230 |
| Performance Bonuses | - | 120 006 |
| Contributions to UIF, Medical and Pension Funds | 66 050 | 39 125 |
| | 664 570 | 1 039 606 |
| Employee costs - Director of Corporate services | | |
| Annual Remuneration | 482 286 | 779 945 |
| Car Allowance | 138 720 | 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 |
|---|--------------------|--------------------|
| 31. Employee related costs (continued) | | |
| Performance Bonuses | - | 120 006 |
| Contributions to UIF, Medical and Pension Funds | 28 274 | 108 382 |
| | 649 280 | 1 587 395 |
| Employee costs - Director of Community services | | |
| Annual Remuneration | 441 829 | 330 000 |
| Car Allowance | 170 510 | 1 005 868 |
| Performance Bonuses | - | 120 006 |
| Contributions to UIF, Medical and Pension Funds | 171 523 | 51 947 |
| | 783 862 | 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 | 180 458 756 | 169 724 213 |
| 32. Remuneration of councillors | | |
| Mayor | 390 713 | 787 061 |
| Deputy Mayor | 276 101 | 392 411 |
| Executive Committee Members | 1 408 872 | 2 361 184 |
| Speaker | 344 111 | 629 647 |
| Councillors | 5 043 202 | 2 390 073 |
| Councilors' pension contribution | 252 209 | 264 322 |
| | 7 715 208 | 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> | | |
| 33. Depreciation and amortisation | | |
| Property, plant and equipment | 57 705 731 | 57 503 816 |
| Intangible assets | 151 050 | 168 432 |
| | 57 856 781 | 57 672 248 |
| 34. 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 |
|--|--------------------|--------------------|
| 35. Debt impairment | | |
| Debt impairment | 2 541 017 | 9 080 827 |
| Debt impairment is only calculated on service debtors from exchange transactions | | |
| 36. Collection costs | | |
| Collection costs | 858 484 | 1 402 719 |
| Collection cost is based on serviced provided to disconnect, restrictions and reconnections of consumers | | |
| 37. Bulk purchases | | |
| Electricity | 34 235 166 | 35 223 063 |
| Water | 97 154 737 | 46 990 446 |
| Sewer purification | - | 3 267 749 |
| | 131 389 903 | 85 481 258 |
| 38. 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 | 65 697 014 | 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 |
| | 177 149 609 | 141 865 216 |
| 39. Grants and subsidies paid | | |
| Other subsidies | | |
| Poverty alleviation | 1 973 539 | 1 346 999 |
| Tourism contribution | 18 000 | 449 |
| | 1 991 539 | 1 347 448 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|--|--------------------------|--------------------------|
| 39. Grants and subsidies paid (continued) | | |
| This amount is expended towards the poverty alleviation programmes where destitute families and disaster affected communities are assisted with. | | |
| 40. Inventory consumed | | |
| Sale of goods | <u>28 793 542</u> | <u>18 321 956</u> |
| 41. 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 | 3 765 | 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 |
| | <u>51 853 666</u> | <u>47 143 952</u> |
| 42. Gain on sales of assets | | |
| Gain on sales of assets | <u>-</u> | <u>211 332</u> |
| Disposal of assets as per approved Council resolution | | |
| 43. Loss on donated assets | | |
| Loss on donated assets | <u>(5 543 975)</u> | <u>(712 284)</u> |
| Donated assets to outgoing councillors in August 2016 | | |
| 44. Proceeds from Insurance claims | | |
| Proceeds from Insurance claims | <u>-</u> | <u>1 542 899</u> |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 R | 2017 R |
|---|--------------------|--------------------|
| 45. Inventories losses/write-downs | | |
| Inventories losses/write-downs | (1 353 515) | - |
| 46. Auditors' remuneration | | |
| Fees | 3 059 212 | 2 180 872 |
| 47. Cash generated from operations | | |
| Surplus | 251 508 966 | 350 594 581 |
| Adjustments for: | | |
| Depreciation and amortisation | 57 856 781 | 57 672 248 |
| Loss on sale of assets and liabilities | - | (1 754 231) |
| Debt impairment | 2 541 017 | 9 080 827 |
| Movements in retirement benefit assets and liabilities | 3 249 000 | 219 000 |
| Movements in provisions | (15 362 358) | 7 252 418 |
| Movement in tax receivable and payable | - | (10 635 912) |
| Other non-cash items | (3 767 339) | - |
| Changes in working capital: | | |
| Inventories | 1 521 638 | (777 534) |
| Other receivables from exchange transactions | (2 015 320) | (415 475) |
| Trade receivable from exchange transaction | (12 066 964) | (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 | 65 711 764 | 50 173 922 |
| VAT | (2 960 524) | 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 |
| Non-current payables from exchange transactions | 42 912 708 | - |
| | 385 496 575 | 457 530 436 |
| 48. Commitments | | |
| Authorised capital expenditure | | |
| Approved and contracted for | | |
| • Infrastructure | 203 408 623 | 337 225 107 |
| Approved but not yet contracted for | | |
| • Infrastructure | 35 166 735 | 7 116 741 |
| Total capital commitments | | |
| Already contracted for but not provided for | 203 408 623 | - |
| Not yet contracted for and authorised by accounting officer | 35 166 735 | - |
| | 238 575 358 | - |

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 |
|---|-----------|-------------------|
| 49. Contingencies | | |
| Year - 2018 | | |
| 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 |
| Claim for damages An Applicant is reviewing an award of a tender in the High Court. | | 450 000 |
| Claim for damages Black Carrot | | 1 500 000 |
| Claim for damages | | <u>4 776 725</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 The Department of Water and Sanitation has issued statements to the Zululand District Municipality in terms of National Water Act (NWA) No. 36 of 1998 for raw water abstraction and other related charges. The Municipality has disputed this amount with the Department. As at 30 June 2017 the outstanding amount was R 49 768 689 and R 12 954 290 has been raised as provision against the total disputed amount. Thus the balance of contingent liability is disclosed. | | 36 814 399 |
| Claim for damages An Applicant is reviewing an award of a tender in the High Court. | | 450 000 |
| | | <u>40 091 124</u> |
| 50. 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 risk include interest rate and liquidity risk. Compliance with policy and procedures is reviewed by internal auditors on a continuous basis an annual 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 |

50. 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.

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.

51. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 3 104 741 583 and that the municipality's total liabilities exceed its assets by R 3 104 741 583.

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 |
|---|--------------|--------------|
| 52. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Current year subscription / fee | 1 716 898 | 1 716 898 |
| Amount paid - current year | (1 716 898) | (1 716 898) |
| | <u>-</u> | <u>-</u> |
| Audit fees | | |
| Current year subscription / fee | 2 180 872 | 2 180 872 |
| Amount paid - current year | (2 180 872) | (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 | 276 | - | 276 |
| 30 June 2017 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| Cllr B J Mncwango | 714 | - | 714 |

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

53. 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 | | | |
|---|----------------------|----------------------|-------------------|----------|--|
| 53. Budget differences (continued) | | | | | |
| <p>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.</p> <p>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.</p> | | | | | |
| Details | Budget | Actual | Variance | % | Comments |
| Services charges | 28 540 763 | 27 148 111 | 1 392 652 | 95 % | This is due to under billing on bulk supply of electricity on Umngeni water as the project could not start early |
| Investments revenue | 6 650 000 | 9 472 244 | (2 822 244) | 142 % | This is due to low levels of cash and cash equivalents balances |
| Transfers recognised | 861 322 000 | 861 622 000 | (300 000) | 100 % | Due to roll-overs on massification and INEP grants that has ment grant conditions |
| Other income | 1 498 000 | 2 086 670 | (588 670) | 139 | Due to donated assets for housing project by Department of Housing and settlement and electricity network by Umngeni water |
| Employee related costs | (171 637 648) | (180 458 756) | 8 821 108 | 105 % | |
| Remuneration of councillors | (8 416 052) | (7 715 208) | (700 844) | 92 % | Due to non increase on full time office bearers |
| Debt impairment | (3 637 349) | (2 541 017) | (1 096 332) | 70 % | Based on the increase on the domant customers as per the provision assumptions |
| Depreciation | (75 444 626) | (57 856 781) | (17 587 845) | 77 % | Due to assets acquired increase |
| Materials and Bulk purchases | (163 132 000) | (131 389 903) | (31 742 097) | 81 % | Due to low power supply to Umngeni water works as per the delay on project commissioning |
| Transfers and grants | (1 953 700) | (1 991 539) | 37 839 | 102 % | Due to grants on Massification and INEP and rollover |
| General expenditure | (179 376 000) | (264 072 941) | 84 696 941 | 147 % | |
| Capital : Grants | (469 830 000) | (470 130 000) | 300 000 | 100 % | Due to allocation of NDPG outside adjustment budget |
| | (175 416 612) | (215 827 120) | 40 410 508 | | |

Changes from the approved budget to the final budget

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| 2018 | 2017 |
|------|------|
| R | R |

53. Budget differences (continued)

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 to in the annual report

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Prior period errors

Statement of Financial Position

| | Audited | Prior year | Reclassifying | Restated |
|--|----------------------|------------------|---------------|----------------------|
| Note(s) | R | adjustments | adjustments | R |
| | | R | R | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 7 436 356 | - | - | 7 436 356 |
| Receivables from exchange transactions | 12 200 063 | - | (9 787 275) | 2 412 788 |
| 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 | - | 9 787 275 | 28 599 461 |
| Other receivables from non-exchange transactions | 866 762 | - | - | 866 762 |
| | 49 231 255 | (190 462) | - | 49 040 793 |
| 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 |
| Total Assets | 3 000 585 691 | (190 462) | - | 3 000 395 229 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Payables from exchange transactions | 94 882 947 | - | - | 94 882 947 |
| 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 | - | - | 127 381 193 |
| Non-Current Liabilities | | | | |
| Employee benefit obligation | 19 779 000 | - | - | 19 779 000 |
| Rental deposits held | 2 420 | - | - | 2 420 |
| | 19 781 420 | - | - | 19 781 420 |
| Total Liabilities | 147 162 613 | - | - | 147 162 613 |
| Net Assets | 2 853 423 078 | (190 462) | - | 2 853 232 616 |
| Net Assets | | | | |
| Accumulated surplus | 2 853 423 081 | (190 462) | - | 2 853 232 608 |

54.1 Receivables from exchange transactions

| | |
|-----------------------------|------------------|
| Balance previously reported | 12 200 063 |
| Reclassification | (9 787 275) |
| | 2 412 788 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Prior period errors (continued)

54.2 Inventories

| | |
|-----------------------------|------------------|
| Balance previously reported | 4 844 384 |
| Proir year error | (190 462) |
| | <u>4 653 922</u> |

54.3 VAT receivable

| | |
|-----------------------------|-------------------|
| Balance previously reported | 18 812 186 |
| Reclassification | 9 787 275 |
| | <u>28 599 461</u> |

54.4 Payables from non exchange transactions

| | |
|-----------------------------|----------------|
| Balance previously reported | 1 654 697 |
| Reclassification | (1 500 000) |
| | <u>154 697</u> |

54.5 Unspent conditional grants

| | |
|-----------------------------|------------------|
| Balance previously reported | - |
| Reclassification | 1 500 000 |
| | <u>1 500 000</u> |

54.6 Accumulated surplus

| | |
|-----------------------------|----------------------|
| Balance previously reported | 2 853 423 081 |
| Proir year error | (190 473) |
| | <u>2 853 232 608</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

54. 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 |
| 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 | (47 143 939) |
| 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 for the year | 350 594 380 | (214) | - | 350 594 581 |

54.7 Other Income

| | |
|-----------------------------|------------------|
| Balance previously reported | 1 416 830 |
| Reclassified | (81 683) |
| | 1 335 147 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Prior period errors (continued)

54.8 Fine, Penalties and Forfeits

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

54.9 Collection costs

| | |
|------------------|------------------|
| Reclassification | 1 402 719 |
| | <u>1 402 719</u> |

54.10 Repairs and maintenance

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

54.11 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".

54.12 'Grants and subsidies paid

| | |
|------------------|------------------|
| Reclassification | 1 347 448 |
| | <u>1 347 448</u> |

54.13 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.

54.14 Sale of goods/Inventory

| | |
|------------------|-------------------|
| Reclassification | 18 321 956 |
| | <u>18 321 956</u> |

54.15 Bad debts written off

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

55. Unauthorised expenditure

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

56. Fruitless and wasteful expenditure

| | | |
|--|----------------|----------------|
| Opening balance | 381 729 | 90 017 |
| Fruitless and wasteful incurred during the year | - | 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>381 729</u> | <u>381 729</u> |

57. Irregular expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance | 185 026 191 | 11 252 819 |
| Add: Irregular Expenditure - current year | 107 389 970 | 190 836 232 |
| Irregular expenditure written-off by council | (185 026 191) | (17 062 860) |
| | <u>107 389 970</u> | <u>185 026 191</u> |

Analysis of expenditure awaiting condonation per age classification

| | | |
|-----------------------|-------------|---|
| Irregular Expenditure | 107 389 970 | - |
|-----------------------|-------------|---|

| Age Classification | Non-compliance with Roster process | Non-Compliance with 3 Quotes | Deviation was approved after service/good have been delivered | Insufficient supporting documentation or reason to warrant a deviation | Total |
|--------------------|------------------------------------|------------------------------|---|--|--------------------|
| Current | 89 753 825 | 15 090 935 | 169 045 | 2 376 165 | 107 389 970 |
| - | 1 | - | - | - | 1 |
| | <u>89 753 826</u> | <u>15 090 935</u> | <u>169 045</u> | <u>2 376 165</u> | <u>107 389 971</u> |

Irregular expenditure relates to procurements that were made from companies who have directors or members who are in the service of the state. This was due to the members making misrepresentations on the Municipal Bidding Documentation (MBD 4) forms which are official declarations from National Treasury. Investigations are ongoing and further actions will be taken in accordance with the merits of each case. A legal opinion regarding the action that can be instituted has been obtained. However, the municipality does not have access to the database of government employees and cannot reasonably be expected to know all government employees. As a result, the declarations by members of respective companies are considered adequate. In June 2012 the municipality procured the services of a company that verifies the status of a company or individual before an appointment can be made. This has gone a long way to ensure that companies whose members are in the service of the state are not appointed. At the moment the municipality is utilising Central Supplier Database (CSD) to verify that government employees are not awarded any tender/quotation.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

57. Irregular expenditure (continued)

Summary of Irregular Expenditure:

| | | |
|---|---|--------------------|
| Maintenance Officer | - | 4 602 990 |
| General Assistant (A1 & A2) | - | 10 091 545 |
| Acting as CFO | - | 94 783 |
| Local Content | - | 102 685 279 |
| Bid Adjudication | - | 9 473 397 |
| Irregular Expenditure disclosed inclusive of VAT | - | (44 097) |
| Competitive Bidding Process | - | 53 865 809 |
| Additional goals evaluated not specified in invitation to quote | - | 108 000 |
| Payments made to Vryheid Office Shop | - | 2 470 417 |
| Invalid deviations (July 2016 to June 2017) MPAC Review | - | 3 339 624 |
| Irregular expenditure identified by I/A report (Creditors & Payments) | - | 746 704 |
| Bid not advertised for the required 30 days | - | 3 401 780 |
| | - | <u>190 836 231</u> |

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

59. Water losses

| | | |
|---|------------------|------------------|
| Water losses average 9% during the year | <u>7 214 257</u> | <u>5 828 673</u> |
|---|------------------|------------------|

60. Paragraph 17.c appointments

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

61. Report on approved deviation

| | | |
|---|------------------|------------------|
| Opening balance | 5 156 335 | - |
| Deviation incurred during the year | 13 682 897 | 3 469 163 |
| Deviation reported to council | - | 10 384 869 |
| Deviation awaiting reporting to council | (12 424 197) | (8 697 697) |
| | <u>6 415 035</u> | <u>5 156 335</u> |

Zululand District Municipality
Zululand District Municipality

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2012
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
Zululand District Municipality

Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2012
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 |

Zululand District Municipality
Zululand District Municipality
Appendix B

June 2018

Analysis of property, plant and equipment as at 30 June 2012
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 |

Zululand District Municipality
Zululand District Municipality
Appendix B

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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Zululand District Municipality
Zululand District Municipality
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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Segmental analysis of property, plant and equipment as at 30 June 2010
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 |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------------|---------------------------|
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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 | - | 50 083 116 | (50 083 116) |
| 357 888 557 | 109 198 898 | 248 689 659 | Finance & Admin/Finance | 394 740 565 | 92 443 804 | 302 296 761 |
| 2 229 000 | 21 020 340 | (18 791 340) | Planning and Development/Economic Development/Plan | 2 659 000 | 22 857 876 | (20 198 876) |
| - | 2 000 304 | (2 000 304) | Health/Clinics | - | 9 652 151 | (9 652 151) |
| 1 911 000 | 33 251 806 | (31 340 806) | Comm. & Social/Libraries and archives | 1 040 190 | 24 716 329 | (23 676 139) |
| - | - | - | - 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 | 486 429 987 | 416 690 759 | 69 739 228 |
| - | - | - | Electricity /Electricity Distribution | - | - | - |
| 475 026 | 11 508 916 | (11 033 890) | Other/Air Transport | - | 11 715 658 | (11 715 658) |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| 891 808 122 | 541 213 530 | 350 594 592 | | 893 469 984 | 636 870 217 | 256 599 767 |

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 | |
| Public Works Programme | Dept of Public Works | - | 40 000 | 92 000 | 28 000 | - | - | 00 466 | 58 574 | 87 945 | 13 015 | - | - | - | - | - | Yes | |
| Indonsa Grant | Art & Culture | - | 55 500 | - | 55 500 | - | - | 70 794 | 40 206 | - | - | - | - | - | - | - | Yes | |
| Municipal Infrastructure Grant | COGTA | - | 00 000 | 00 000 | 49 725 | - | - | 03 841 | 60 002 | 74 928 | 86 229 | - | - | - | - | - | Yes | |
| Regional Bulk Infrastructure Grant (Schedule 5B) | DWS | - | 00 000 | 00 000 | 00 000 | - | - | 98 801 | 12 042 | 50 620 | 38 537 | - | - | - | - | - | Yes | |
| Water Services Infrastructure Grant (Schedule 5B) | DWS | - | 73 000 | 24 000 | 49 000 | - | - | 48 788 | 50 141 | 84 769 | 62 304 | - | - | - | - | - | Yes | |
| Rural Road Assets Management Systems Grant | COGTA | - | 51 000 | - | 08 000 | - | - | 47 640 | 50 172 | 85 207 | 75 924 | - | - | - | - | - | Yes | |
| Environmental Management Framework & Strategic Environmental Assessment | Environmental Development | 00 000 | - | - | - | - | - | - | - | - | 47 049 | - | - | - | - | - | 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.

Zululand District Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2018

2018/2017

2017/2016

| | 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 of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|--|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Functional | | | | | | | | | | | | | | | |
| Municipal governance and administration | 843 449 741 | (660 027 777) | 183 421 964 | - | | 183 421 964 | 869 409 770 | | 685 987 806 | 474 % | 103 % | | | | - |
| Executive and council | (450 000) | 900 000 | 450 000 | - | | 450 000 | - | | (450 000) | - % | - % | | | | - |
| Finance and administration | 843 899 741 | (660 927 777) | 182 971 964 | - | | 182 971 964 | 869 409 770 | | 686 437 806 | 475 % | 103 % | | | | - |
| Internal audit | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Community and public safety | 1 911 000 | (1 911 000) | - | - | | - | 955 500 | | 955 500 | DIV/0 % | 50 % | | | | - |
| Community and social services | 1 911 000 | (1 911 000) | - | - | | - | 955 500 | | 955 500 | DIV/0 % | 50 % | | | | - |
| Sport and recreation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Public safety | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Housing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Health | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Economic and environmental services | 2 359 000 | (2 359 000) | - | - | | - | 2 659 000 | | 2 659 000 | DIV/0 % | 113 % | | | | - |
| Planning and development | 2 359 000 | (2 359 000) | - | - | | - | 2 659 000 | | 2 659 000 | DIV/0 % | 113 % | | | | - |
| Road transport | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Environmental protection | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Trading services | 23 915 429 | (18 915 429) | 5 000 000 | - | | 5 000 000 | 27 319 757 | | 22 319 757 | 546 % | 114 % | | | | - |
| Energy sources | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Water management | 16 038 246 | (11 038 246) | 5 000 000 | - | | 5 000 000 | 18 719 515 | | 13 719 515 | 374 % | 117 % | | | | - |
| Waste water management | 7 877 183 | (7 877 183) | - | - | | - | 8 600 242 | | 8 600 242 | DIV/0 % | 109 % | | | | - |
| Waste management | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Total Revenue - Functional | 871 635 170 | (683 213 206) | 188 421 964 | - | | 188 421 964 | 900 344 027 | | 711 922 063 | 478 % | 103 % | | | | - |

Zululand District Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification)

for the year ended 30 June 2018

2018/2017

2017/2016

| | 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 (i.t.o. s28 and s31 of the MFMA) | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Budget Rand | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|--|--------------------|---|--------------------------|--|---|---|--------------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure - Functional | | | | | | | | | | | | | | | |
| Governance and administration | 320 127 037 | (321 890 463) | (1 763 426) | - | - | (1 763 426) | 194 791 256 | - | 196 554 682 | (11 046)% | 61 % | - | - | - | 6 938 783 |
| Executive and council | 49 047 294 | (49 933 694) | (886 400) | - | - | (886 400) | 50 083 116 | - | 50 969 516 | (5 650)% | 102 % | - | - | - | 1 685 498 |
| Finance and administration | 271 079 743 | (271 956 769) | (877 026) | - | - | (877 026) | 144 708 140 | - | 145 585 166 | (16 500)% | 53 % | - | - | - | 5 253 285 |
| Internal audit | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Community and public safety | 20 160 447 | (20 340 447) | (180 000) | - | - | (180 000) | 15 461 542 | - | 15 641 542 | (8 590)% | 77 % | - | - | - | - |
| Community and social services | 10 484 452 | (10 664 452) | (180 000) | - | - | (180 000) | 5 809 391 | - | 5 989 391 | (3 227)% | 55 % | - | - | - | - |
| Sport and recreation | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | 9 675 995 | (9 675 995) | - | - | - | - | 9 652 151 | - | 9 652 151 | DIV/0 % | 100 % | - | - | - | - |
| Economic and environmental services | 23 506 292 | (23 506 292) | - | - | - | - | 22 857 876 | - | 22 857 876 | DIV/0 % | 97 % | - | - | - | 1 449 489 |
| Planning and development | 23 506 292 | (23 506 292) | - | - | - | - | 22 857 876 | - | 22 857 876 | DIV/0 % | 97 % | - | - | - | 1 449 489 |
| Road transport | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Trading services | 220 648 362 | (212 031 177) | 8 617 185 | - | - | 8 617 185 | 323 193 734 | - | 314 576 549 | 3 751 % | 146 % | - | - | - | - |
| Energy sources | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Water management | 211 980 277 | (203 363 092) | 8 617 185 | - | - | 8 617 185 | 314 484 252 | - | 305 867 067 | 3 650 % | 148 % | - | - | - | - |
| Waste water management | 8 668 085 | (8 668 085) | - | - | - | - | 8 709 482 | - | 8 709 482 | DIV/0 % | 100 % | - | - | - | - |
| Waste management | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | 9 322 644 | (9 342 803) | (20 159) | - | - | (20 159) | 11 700 766 | - | 11 720 925 | (58 042)% | 126 % | - | - | - | - |
| Other | 9 322 644 | (9 342 803) | (20 159) | - | - | (20 159) | 11 700 766 | - | 11 720 925 | (58 042)% | 126 % | - | - | - | - |
| Total Expenditure - Functional | 593 764 782 | (587 111 182) | 6 653 600 | - | - | 6 653 600 | 568 005 174 | - | 561 351 574 | 8 537 % | 96 % | - | - | - | 8 388 272 |
| Surplus/(Deficit) for the year | 277 870 388 | (96 102 024) | 181 768 364 | - | - | 181 768 364 | 332 338 853 | - | 150 570 489 | 183 % | 120 % | - | - | - | (8 388 272) |