



**Zululand District Municipality
Annual Financial Statements
for the year ended 30 June 2019**

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

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 Buthelezi TD

Speaker

Cllr BJ Mncwango (Replace Cllr SE Nkwanyana: 28 February 2019)

Deputy Mayor

Cllr Kunene MM

Member of the Executive Committee

Cllr Nkwanyana SE (Replace Cllr BJ Mncwango: 28 February 2019)

Member of the Executive Committee

Cllr Nkosi IS

Member of the Executive Committee

Cllr Nkosi SR

Member of the Executive Committee

Cllr Qwabe SE

Other Councillors

Member

Cllr Mncwango AM

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 Mhungu 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 Nyawo D

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

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General Information

Accounting Officer	MR Z.W. Mcineka
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
Attorneys	Stowell & Co Inc
Telephone:	035 874 5500
Fax number:	035 874 5589/91
Email address:	mm@zululand.org.za

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IFRS	International Financial Reporting Standards
CIGFARO	Chartered institute of Government Finance, Auditing and Risk 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
ASB	Accounting Standards Board.

Zululand District Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 70, 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 30 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.

MR Z.W. Mcineka
Accounting Officer

31 August 2019

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	12 478 331	13 201 448
Trade receivables from exchange transactions	4	17 601 411	13 824 715
Other receivables from exchange transactions	5	2 415 980	1 595 713
Receivables from non-exchange transactions	6	5 761 332	6 264 786
Other receivables from non-exchange transactions	7	1 152 606	1 790 512
VAT receivable	8	14 089 565	20 029 281
Inventories	9	2 133 781	3 132 284
		55 633 006	59 838 739
Non-Current Assets			
Property, plant and equipment	10	3 595 002 450	3 265 892 905
Heritage assets	11	1 212 635	1 212 635
Intangible assets	12	34 244	171 191
Other receivables from exchange transactions	5	14 644 481	12 438 779
		3 610 893 810	3 279 715 510
Total Assets		3 666 526 816	3 339 554 249
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	198 731 253	171 570 040
Consumer deposits	14	3 617 293	3 627 105
Payable from non - exchange	15	81 872	94 159
Unspent conditional grants and receipts	16	-	552 951
		202 430 418	175 844 255
Non-Current Liabilities			
Rental deposits held	17	2 420	2 420
Payables from exchange transactions	18	34 512 708	42 912 708
Employee benefit obligation	19	37 224 000	32 512 000
		71 739 128	75 427 128
Total Liabilities		274 169 546	251 271 383
Net Assets		3 392 357 270	3 088 282 866
Accumulated surplus	20	3 392 357 260	3 085 634 981

* See Note 59

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	33 512 747	27 148 111
Rental of facilities and equipment	22	155 504	144 952
Other income	23	1 718 201	1 853 344
Interest received - investment	24	7 802 779	9 472 244
Total revenue from exchange transactions		43 189 231	38 618 651
Revenue from non-exchange transactions			
Interest revenue			
Interest, Dividends and Rent on Land	25	40 391	94 501
Transfer revenue			
Government grants & subsidies	26	876 889 951	862 569 049
Public contributions and donations		11 764 579	-
Fines and penalties	27	12 167	8 873
Total revenue from non-exchange transactions		888 707 088	862 672 423
Total revenue		931 896 319	901 291 074
Expenditure			
Employee related costs	29	(196 964 559)	(177 209 749)
Remuneration of councillors	30	(8 088 737)	(7 715 207)
Employee benefit	19	(4 712 000)	(3 609 000)
Depreciation and amortisation	31	(63 734 104)	(57 372 054)
Lease rentals on operating lease	32	(1 474 565)	(1 329 064)
Debt Impairment	33	(14 807 435)	(12 185 740)
Collection costs	34	(836 804)	(858 484)
Bulk purchases	35	(32 058 798)	(19 216 092)
Contracted services	36	(201 797 557)	(252 181 241)
Transfers and Subsidies	37	(1 442 818)	(2 938 588)
Inventory Consumed	38	(10 698 839)	(29 846 994)
General Expenses	39	(91 205 708)	(86 331 642)
Total expenditure		(627 821 924)	(650 793 855)
Operating surplus		304 074 395	250 497 219
Loss on donated assets		-	(3 996 288)
Proceeds from Insurance claims		-	753 278
Inventories losses/write-downs		-	(1 353 515)
		-	(4 596 525)
Surplus for the year		304 074 395	245 900 694

* See Note 59

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2017	2 839 734 287	2 839 734 287
Changes in net assets		
Surplus for the year	245 900 694	245 900 694
Total changes	245 900 694	245 900 694
Opening balance as previously reported	3 085 634 970	3 085 634 970
Adjustments		
Correction of errors	2 647 895	2 647 895
Restated* Balance at 01 July 2018 as restated*	3 088 282 865	3 088 282 865
Changes in net assets		
Surplus for the year	304 074 395	304 074 395
Total changes	304 074 395	304 074 395
Balance at 30 June 2019	3 392 357 260	3 392 357 260
Note(s)		

* See Note 59

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		20 099 525	27 148 111
Grants		876 889 951	862 569 049
Rental Income		155 504	144 952
Other Income		1 718 201	1 853 344
Interest on service charges		40 391	94 501
Interest income		7 802 779	9 472 244
Fines and penalties		12 167	8 873
		<u>906 718 518</u>	<u>901 291 074</u>
Payments			
Employee costs		(205 053 296)	(184 924 956)
Suppliers		(321 446 216)	(325 202 722)
		<u>(526 499 512)</u>	<u>(510 127 678)</u>
Net cash flows from operating activities	45	<u>380 219 006</u>	<u>391 163 396</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(380 942 122)	(386 507 450)
Proceeds from sale of property, plant and equipment	10	-	4 001 696
Proceeds from insurance claim		-	753 278
Net cash flows from investing activities		<u>(380 942 122)</u>	<u>(381 752 476)</u>
Net increase/(decrease) in cash and cash equivalents		(723 116)	5 765 092
Cash and cash equivalents at the beginning of the year		13 201 448	7 436 356
Cash and cash equivalents at the end of the year	3	<u>12 478 332</u>	<u>13 201 448</u>

* See Note 59

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

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		
2019											
Financial Performance											
Service charges	24 764 882	19 800 000	44 564 882	-		44 564 882	33 512 747		(11 052 135)	75 %	135 %
Investment revenue	6 995 800	3 000 000	9 995 800	-		9 995 800	7 802 779		(2 193 021)	78 %	112 %
Transfers recognised - operational	434 585 000	-	434 585 000	-		434 585 000	434 437 951		(147 049)	100 %	100 %
Other own revenue	96 327 527	557 896	96 885 423	-		96 885 423	1 926 263		(94 959 160)	2 %	2 %
Total revenue (excluding capital transfers and contributions)	562 673 209	23 357 896	586 031 105	-		586 031 105	477 679 740		(108 351 365)	82 %	85 %
Employee costs	(182 249 923)	(7 850 000)	(190 099 923)	-	-	(190 099 923)	(196 964 559)	-	(6 864 636)	104 %	108 %
Remuneration of councillors	(7 722 415)	(500 000)	(8 222 415)	-	-	(8 222 415)	(8 088 737)	-	133 678	98 %	105 %
Debt impairment	(7 768 939)	-	(7 768 939)			(7 768 939)	(14 807 435)	-	(7 038 496)	191 %	191 %
Depreciation and asset impairment	(83 194 238)	16 791 296	(66 402 942)			(66 402 942)	(63 734 104)	-	2 668 838	96 %	77 %
Materials and bulk purchases	(83 431 481)	(14 908 209)	(98 339 690)	-	-	(98 339 690)	(32 058 798)	-	66 280 892	33 %	38 %
Transfers and grants	(2 150 000)	484 049	(1 665 951)	-	-	(1 665 951)	(1 442 818)	-	223 133	87 %	67 %
Other expenditure	(257 666 789)	(37 070 148)	(294 736 937)	-	-	(294 736 937)	(310 725 473)	-	(15 988 536)	105 %	121 %
Total expenditure	(624 183 785)	(43 053 012)	(667 236 797)	-	-	(667 236 797)	(627 821 924)	-	39 414 873	94 %	101 %
Surplus/(Deficit)	(61 510 576)	(19 695 116)	(81 205 692)	-		(81 205 692)	(150 142 184)		(68 936 492)	185 %	244 %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R		
Transfers recognised - capital	469 624 000	-	469 624 000	-		469 624 000	442 452 000		(27 172 000)	94 %	94 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	11 764 579		11 764 579	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	408 113 424	(19 695 116)	388 418 308	-		388 418 308	304 074 395		(84 343 913)	78 %	75 %
Surplus/(Deficit) for the year	408 113 424	(19 695 116)	388 418 308	-		388 418 308	304 074 395		(84 343 913)	78 %	75 %
Capital expenditure and funds sources											
Total capital expenditure	408 113 412	(19 695 103)	388 418 309	-		388 418 309	380 942 122		(7 476 187)	98 %	93 %

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Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R		
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	380 219 006		380 219 006	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(380 942 122)		(380 942 122)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(723 116)		(723 116)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	13 201 448		13 201 448	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	12 478 332		(12 478 332)	DIV/0 %	DIV/0 %

The budget variances are explained in note 51

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

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:

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

In assessing the recoverability of trade receivables the assumption is that all organisations are excluded from the calculation. The remainder of accounts representing residential accounts are assessed as per their payment record. Those that have not been available to pay for the account in a more than twelve months are then provided for doubtful debt.

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 indigent 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 production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

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 - Provisions.

Contingent provisions on entity combinations

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

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 19.

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.

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

1.5 Property, plant and equipment

Initial Recognition

Zululand District Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Heritage assets (continued)

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.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Intangible assets (continued)

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.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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
Cash at bank	Financial asset measured at fair value
Account receivables and payables	Financial asset measured at amortised cost

Subsequent measurement of financial assets and financial liabilities

The entity 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

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

1.11 Trade payables and borrowings

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

1.12 Cash and cash equivalents

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

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

1.13 Unauthorised expenditure

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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.

1.21 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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Employee benefits (continued)

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.

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

1.22 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.

1.23 Budget information

The approved budget covers the financial period from 01 Jul 2018 to 30 Jun 2019.

It should be noted that the portion of MIG is used to fund the operating part of MIG, the allocation for VIP toilet and MIG project management. It is in operating expenditure because the toilets are handed over to the communities and project management fees are operational in nature hence the expenditure is not capitalised to asset. It must be noted that capital expenditure and its budget is less by the amount allocated to VIP toilet and MIG Project Management fees.

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

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

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2018 to 30 June 2019.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 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.

1.25 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.

1.26 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:

- 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

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Notes to the Annual Financial Statements

2019	2018
R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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 has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

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 has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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:

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- 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 has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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

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 has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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 has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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:

- 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

The municipality has early adopted the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of the standard is not material.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

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

The municipality has adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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 for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

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 for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

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

The municipality has early adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- 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

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

The municipality has early adopted the standard for the first time in the 2019/2019 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		6 000	6 000
Cash at bank		12 472 331	13 195 448
		<u>12 478 331</u>	<u>13 201 448</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA BANK - Primary bank account - 4047162045	12 744 698	15 248 171	20 808 573	12 472 331	13 195 448	7 430 356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. Trade receivable from exchange transaction

Gross balances

Water	84 077 020	69 986 812
Waste water	28 996 952	24 644 640
Other	192 118	112 089
	<u>113 266 090</u>	<u>94 743 541</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
4. Trade receivable from exchange transaction (continued)		
Less: Allowance for impairment		
Water	(70 640 548)	(59 508 508)
Waste water	(25 024 131)	(21 383 014)
	(95 664 679)	(80 891 522)
Net balance		
Water	13 436 472	12 725 695
Waste water	3 972 821	986 931
Other	192 118	112 089
	17 601 411	13 824 715
Water		
Current (0 -30 days)	4 947 710	13 901 293
31 - 60 days	1 548 693	1 277 748
61 - 90 days	2 385 604	1 063 191
91 - 120 days	2 173 674	1 224 413
121 - 365 days	12 817 098	7 493 256
> 365 days	60 204 241	47 274 302
	(70 640 548)	(59 508 508)
	13 436 472	12 725 695
Waste water		
Current (0 -30 days)	1 540 449	1 844 806
31 - 60 days	664 831	143 802
61 - 90 days	714 663	440 183
91 - 120 days	590 513	1 486 769
121 - 365 days	3 830 078	2 644 420
> 365 days	21 656 418	15 809 965
	(25 024 131)	(21 383 014)
	3 972 821	986 931
Other (specify)		
Current (0 -30 days)	2 690	16 862
31 - 60 days	-	8 770
61 - 90 days	-	8 079
91 - 120 days	335	7 913
121 - 365 days	50 998	82 513
> 365 days	138 095	151 517
	-	(163 565)
	192 118	112 089

Summary of debtors by customer classification

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
4. Trade receivable from exchange transaction (continued)		
Consumers		
Current (0 -30 days)	4 009 276	2 970 056
31 - 60 days	1 303 545	842 060
61 - 90 days	1 715 875	1 089 417
91 - 120 days	1 991 702	1 144 243
121 - 365 days	13 879 443	8 471 568
> 365 days	78 463 697	56 758 699
	<u>101 363 538</u>	<u>71 276 043</u>
Less: Allowance for impairment	(95 664 679)	(71 276 043)
	<u>5 698 859</u>	<u>-</u>
Industrial/ commercial		
Current (0 -30 days)	526 011	528 443
31 - 60 days	157 910	149 633
61 - 90 days	175 314	86 617
91 - 120 days	108 434	64 382
121 - 365 days	1 274 861	404 934
> 365 days	1 854 308	1 095 893
	<u>4 096 838</u>	<u>2 329 902</u>
National and provincial government		
Current (0 -30 days)	1 955 560	264 110
31 - 60 days	752 069	438 627
61 - 90 days	1 209 079	335 419
91 - 120 days	664 386	427 340
121 - 365 days	1 543 870	1 343 687
> 365 days	1 680 750	1 000 176
	<u>7 805 714</u>	<u>3 809 359</u>
Total		
Current (0 -30 days)	6 494 212	5 762 961
31 - 60 days	2 213 524	1 430 320
61 - 90 days	3 100 267	1 511 452
91 - 120 days	2 764 521	1 635 965
121 - 365 days	16 694 811	10 220 189
> 365 days	81 998 755	74 155 351
	<u>113 266 090</u>	<u>94 716 238</u>
Less: Allowance for impairment	(95 664 679)	(80 891 523)
	<u>17 601 411</u>	<u>13 824 715</u>
Less: Allowance for impairment		
Current (0 -30 days)	(2 944 813)	(2 970 056)
31 - 60 days	(952 253)	(864 060)
61 - 90 days	(1 474 904)	(1 067 417)
91 - 120 days	(1 781 871)	(1 144 243)
121 - 365 days	(12 384 020)	(8 471 568)
> 365 days	(76 126 818)	(66 403 421)
	<u>(95 664 679)</u>	<u>(80 891 522)</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
4. Trade receivable from exchange transaction (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(80 857 244)	(68 705 783)
Contributions to allowance	(14 807 435)	(12 185 740)
Debt impairment written off against allowance	-	(27 303)
	(95 664 679)	(80 918 826)

Debt impairment 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

Debtors: Deposits Held	14 644 481	12 438 779
Debtor: Aqua Transport and Plants	1 161 352	1 161 352
Debtor: Tracker	134 248	134 248
Debtor: KZN Aviation	1 950	1 950
Debtor: World Focus	284 241	284 241
Debtor: Avis	3 487	3 487
Other debtors	830 702	10 435
	17 060 461	14 034 492
Non-current assets	14 644 481	12 438 779
Current assets	2 415 980	1 595 713
	17 060 461	14 034 492

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

Debtors: Deposits held includes deposits held by various companies as per agreement (i.e. Federal Air, Eskom, Property No 165 President (Vryheid), BP Drakensburg and Imbali Elegance Tourism).

6. Receivables from non-exchange transactions

Debtor: JB Dlamini	-	18 440
Debtor: Insurance Claim	80 488	80 488
Debtor: eDumbe Municipality	369 621	369 621
Debtor: Nongoma Municipality	304 255	304 255
Debtor: Water Affairs	2 717 840	2 717 840
Debtor: Other	1 950	560 584
Debtor: Enduneni contractors	855 190	855 190
Debtor: Amanzi ichweba	1 431 988	1 358 368
	5 761 332	6 264 786

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

Other receivables from non-exchange transactions	<u>1 152 606</u>	<u>1 790 512</u>
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Overpayments on Eskom Accounts as at 30 June 2019

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
8. VAT receivable		
VAT Output	(1 485 973)	(72 255 924)
VAT Input	15 575 538	92 285 205
	14 089 565	20 029 281
The amount represent the invoices paid towards year end creditors		
The municipality is on the payment basis		
9. Inventories		
Consumable stores	2 007 401	2 630 502
Water for distribution	57 988	433 390
Fuel (Diesel, Petrol)	68 392	68 392
	2 133 781	3 132 284
Consumable stores		
At cost	3 063 892	317 867
Additions	997 036	4 099 540
Issued/(expensed)	(1 620 137)	(1 353 515)
	2 440 791	3 063 892
Fuel		
At cost	68 392	104 097
Issued/(expensed)	-	(35 705)
	68 392	68 392

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 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2019			2018		
	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	45 445 591	(16 064 578)	29 381 013	44 187 001	(13 548 683)	30 638 318
Infrastructure	2 637 455 015	(439 371 379)	2 198 083 636	2 275 400 317	(379 760 788)	1 895 639 529
Community	9 967 535	(3 164 342)	6 803 193	9 411 903	(2 368 328)	7 043 575
Other property, plant and equipment	66 140 871	(47 300 131)	18 840 740	64 454 276	(46 122 112)	18 332 164
Capital work in Progress	1 341 423 868	-	1 341 423 868	1 313 769 319	-	1 313 769 319
Total	4 100 902 880	(505 900 430)	3 595 002 450	3 707 692 816	(441 799 911)	3 265 892 905

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	470 000	-	-	-	-	470 000
Buildings	30 638 318	-	-	-	(1 257 305)	29 381 013
Infrastructure	1 895 639 529	-	358 422 809	-	(55 978 702)	2 198 083 636
Community	7 043 575	-	-	-	(240 382)	6 803 193
Other property, plant and equipment	18 332 164	6 629 345	-	-	(6 120 769)	18 840 740
Capital work in Progress	1 313 769 319	374 312 777	-	(346 658 228)	-	1 341 423 868
	3 265 892 905	380 942 122	358 422 809	(346 658 228)	(63 597 158)	3 595 002 450

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	470 000	-	-	-	-	-	-	470 000
Buildings	31 896 907	-	-	-	-	-	(1 258 589)	30 638 318
Infrastructure	1 819 586 102	5 410	-	126 442 208	-	283 128	(50 677 319)	1 895 639 529
Community	11 038 574	-	(3 645 833)	-	-	14 385	(363 551)	7 043 575
Other property, plant and equipment	17 193 256	4 388 478	(355 863)	530 457	-	1 525 632	(4 949 796)	18 332 164
Capital work in Progress	1 058 097 964	382 113 562	-	-	(126 442 207)	-	-	1 313 769 319
	2 938 282 803	386 507 450	(4 001 696)	126 972 665	(126 442 207)	1 823 145	(57 249 255)	3 265 892 905

Property, plant and equipment in the process of being constructed or developed

Causes of delays to all projects has been mainly on service providers cashflow which is due to delayed payments cause by an inadequate provision in project funds from treasury funding model.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Nongoma CBD Reservoir 2.5 ML Nongoma CBD Reservoir 2.5 ML [Service provider abandoned the site.]	15 414 043	-
Frischgewaagd WTW [Consultant went bankrupt.]	74 755 547	-
Usuthu RWSS PH2: Inlet Work: Pumpstation [Funds were exhausted.]	10 068 306	-
Nkonjeni RWSS: Babanango Water Supply [Service provider abandoned the site.]	5 320 439	-
Simdlangentsha East Funds were exhausted.	11 152 819	-
	-	-
	116 711 154	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
10. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2019		
	Included within Infrastructure	Total
Opening balance	1 313 769 319	1 313 769 319
Additions/capital expenditure	374 312 777	374 312 777
Transferred to completed items	(346 658 232)	(346 658 232)
	<u>1 341 423 864</u>	<u>1 341 423 864</u>

Reconciliation of Work-in-Progress 2018

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

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. Part of Repairs and Maintenance as disclosed in Note 36 is an amount of R 68 554 568 spent on Property Plant and Equipment items.

Class of Property Plant and Equipment (Repairs and Maintenance)

Motor vehicles	4 789 574	4 008 306
Computers	9 225	7 720
Buildings	5 075 582	4 247 661
Infrastructure	64 262 318	132 267 456
Other	466 007	389 993
	<u>74 602 706</u>	<u>140 921 136</u>

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Work in Progress	1 212 635	-	1 212 635	1 212 635	-	1 212 635

Reconciliation of heritage assets 2019

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

Reconciliation of heritage assets 2018

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R																					
11. Heritage assets (continued)																							
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)	1 212 635	1 212 635																					
The Municipality is yet to confirm the location where the stature will be located.																							
	<u>1 212 635</u>	<u>1 212 635</u>																					
12. Intangible assets																							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;">2019</th> <th colspan="3" style="text-align: center;">2018</th> </tr> <tr> <th></th> <th style="text-align: center;">Cost / Valuation</th> <th style="text-align: center;">Accumulated amortisation and accumulated impairment</th> <th style="text-align: center;">Carrying value</th> <th style="text-align: center;">Cost / Valuation</th> <th style="text-align: center;">Accumulated amortisation and accumulated impairment</th> <th style="text-align: center;">Carrying value</th> </tr> </thead> <tbody> <tr> <td>Computer software</td> <td style="text-align: right;">231 419</td> <td style="text-align: right;">(197 175)</td> <td style="text-align: right;">34 244</td> <td style="text-align: right;">887 713</td> <td style="text-align: right;">(716 522)</td> <td style="text-align: right;">171 191</td> </tr> </tbody> </table>			2019			2018				Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Computer software	231 419	(197 175)	34 244	887 713	(716 522)	171 191
	2019			2018																			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value																	
Computer software	231 419	(197 175)	34 244	887 713	(716 522)	171 191																	
Reconciliation of intangible assets - 2019																							
	Opening balance	Amortisation	Total																				
Computer software	171 191	(136 947)	34 244																				
Reconciliation of intangible assets - 2018																							
	Opening balance	Amortisation	Total																				
Computer software	293 990	(122 799)	171 191																				
13. Payables from exchange transactions																							
Accrued leave pay	9 279 982	8 260 429																					
Accrued bonus	3 872 825	3 539 647																					
Creditors	84 858 454	74 663 770																					
Unallocated deposits	344 915	160 264																					
Rental deposit: Avis	2 682	2 682																					
Rental deposit: Waphatha Group (Pty) Ltd	2 682	2 682																					
Retention Services	52 789 550	41 636 688																					
Debtors with Credit	1 552 707	1 171 770																					
Other Creditors	2 518 157	-																					
Water and sanitation services	23 252 065	32 918 133																					
Department of water and sanitation	8 400 000	8 400 000																					
Aqua Transport	11 857 234	813 975																					
	<u>198 731 253</u>	<u>171 570 040</u>																					
14. Consumer deposits																							
Water	3 617 293	3 627 105																					

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
14. Consumer deposits (continued)		
No guaranties are held in lieu of water deposits		
15. Payable from - non-exchange		
Creditor: Deceased Staff Member	1 384	13 671
Creditor: Deceased Staff Member	80 488	80 488
	<u>81 872</u>	<u>94 159</u>
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
KZN Environmental grant	-	552 951
	<u>-</u>	<u>552 951</u>
The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited.		
These amounts are invested in a ring-fenced investment until utilised.		
17. Rental deposits held		
Rental deposits held	2 420	2 420
	<u>2 420</u>	<u>2 420</u>
Rental for office space, refundable upon termination of contract		
18. Payables from exchange transactions		
Department of water and sanitation	34 512 708	42 912 708
	<u>34 512 708</u>	<u>42 912 708</u>
19. Employee benefit obligations		

20.1 Post retirement medical benefit plan

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.

The municipality operated on six accredited medical aid schemes, namely Keyhealth, LA Health, Samwumed, Fedhealth, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
19. Employee benefit obligations (continued)		
20.2 Multi-employer pension funds		
The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.		
All councillors belong to the pension fund for municipal councillors.		
Employees belong to a variety of approved pension and provident funds.		
These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.		
All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.		
Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:		
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.		
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.		
(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.		
It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.		
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.		
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.		
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>(37 224 000)</u>	<u>(32 512 000)</u>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	23 028 000	19 779 000
Net expense recognised in the statement of financial performance	3 322 000	3 249 000
	<u>26 350 000</u>	<u>23 028 000</u>
Net expense recognised in the statement of financial performance		
Current service cost	2 090 000	2 088 000
Interest cost	2 381 000	2 115 000
Actuarial (gains) losses	(925 000)	(899 000)
Benefits paid	(224 000)	(55 000)
	<u>3 322 000</u>	<u>3 249 000</u>

Key assumptions used

Zululand District Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
19. Employee benefit obligations (continued)		
<p>Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 29 June 2019 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period. The average retirement age for all employees was assumed to be 63 years hence this assumption allows for ill-health and early retirements. Normal retirement age for all active employees was assumed to be 65 years. Mortality rate before retirement was based on SA 85-90 mortality tables whilst mortality post-employment (for pensioners) was based on PA (90) ultimate mortality tables. The assumption was made that the marital status for married members will remain the same until retirement and 90% of all single employees will be married at retirement with no dependent children. The female spouses were assumed to be five (5) years younger than their male spouses.</p>		
Average retirement age	63	63
Medical cost trend rates	3.00 %	3.00 %
Mortality table	SA 85-90	SA 85-90
Ultimate mortality rate	PA 90-1	PA 90-1
<p>Percentage of in-service members withdrawing before retirement We have used the yield curve for discounting purposes. This yield curve is a series of more than 1000 different interest rates, depending on the duration.</p>		
Age 20	16.0 %	16.0 %
Age 30	10.0 %	10.0 %
Age 40	6.0 %	6.0 %
Age 50	2.0 %	2.0 %
Age 55+	1.0 %	1.0 %
<p>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.</p>		
<p>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 2019 is 8.76% which represents the average yield from zero coupon government bond curve over a 15 to 20 year term</p>		
<p>Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.</p>		
<p>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.</p>		
<p>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.</p>		
<p>It has been assumed that the next salary increase will take place on 1 July 2019</p>		
<p>The next contribution increase was assumed to occur with effect from 1 July 2020</p>		
<p>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.</p>		

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
19. 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:		
General salary inflation (long term)	7.00 %	7.00 %
Net effective discount rate	1.00 %	1.00 %
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment		
Members resigned from service. We have used the yield curve for discounting purposes. This yield curve is a series of more than 1000 different interest rates, depending on the duration.		
	Per 1,000 members	Per 1,000 members
Age 20	160	160
Age 25	120	120
Age 30	100	100
Age 35	80	80
Age 40	60	60
Age 45+	40	40
Age 50	20	20
Age 55+	10	10
Membership summary		
Number of members	478	526
Average age of members (years)	42.7	42.7
Average past service (years)	8.6	8.6
Average salary (annual)	224 920	201 69
Benefit Structure		
Service years	Award (Number of days)	Award (Number of days)
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

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Notes to the Annual Financial Statements

	2019 R	2018 R
19. Employee benefit obligations (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	9 484 000	9 124 000
Current service cost	1 056 000	1 020 000
Interest cost	972 000	956 000
Expected benefit payments	(767 000)	(447 000)
Recognised actuarial (gains)/losses	129 000	(1 169 000)
Balance at end of year	10 874 000	9 484 000
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1 056 000	1 020 000
Interest Cost	972 000	956 000
Expected benefit payments	(767 000)	(447 000)
Recognised actuarial (gains)/losses	129 000	(1 169 000)
	1 390 000	360 000
In conclusion:		
Statement of Financial Position obligation for	10 874 000	9 484 000
Statement of Financial Performance obligation for	1 390 000	360 000
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.		
20. Accumulated surplus		
Ring-fenced internal funds and reserves within accumulated surplus - 2019		
	Accumulated surplus	Total
Opening balance	3 088 282 869	3 088 282 869
Surplus	304 074 399	304 074 399
	3 392 357 268	3 392 357 268

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Notes to the Annual Financial Statements

	2019 R	2018 R
20. Accumulated surplus (continued)		
Ring-fenced internal funds and reserves within accumulated surplus - 2018		
	Government grant reserve	Total
Opening balance	2 839 734 280	2 839 734 280
Prior period error adjustment	2 647 895	2 647 895
Surplus for the year	245 900 694	245 900 694
	3 088 282 869	3 088 282 869
21. Service charges		
Sale of water	23 073 349	18 558 001
Sewerage and sanitation charges	10 439 398	8 590 110
	33 512 747	27 148 111
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	155 504	144 952
Included in the above rentals are operating lease rental of equipment at a straight line.		
23. Other income		
Marathon entry fee	-	86 476
Connections fee - Water	184 293	67 012
Connections fee - Sewerage	39 490	10 132
Skills Levy Refunds	417 287	311 287
Non-refundable tender deposit	1 052 790	1 331 176
Clearance certification	116	2 478
Handling fees	18 009	21 542
Consumer deposits forfeited	6 216	23 241
	1 718 201	1 853 344
24. Investment revenue		
Interest revenue		
Bank	7 802 779	9 472 244
The amount included in Investment revenue arising from exchange transactions amounted to R 7 802 779.		
25. Interest, dividends and Rent on Land		
Interest - Receivables	40 391	94 501

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies		
Operating grants		
Equitable share	424 766 000	382 571 000
Expanded Public Works Program	5 908 000	5 760 000
Indonsa grant	1 911 000	1 911 000
Financial Management Grant	1 000 000	1 250 000
KZN Environmental grant	552 951	947 049
Shared Service	300 000	-
	434 437 951	392 439 049
Capital grants		
Regional Bulk Infrastructure Grant	131 498 000	130 000 000
Municipal Infrastructure Grant	220 762 000	229 725 000
Water Services Infrastructure Grant	87 828 000	107 746 000
Rural Road Asset Management Grant	2 364 000	2 659 000
	442 452 000	470 130 000
	876 889 951	862 569 049
Equitable Share		
Balance unspent at the beginning		
	424 766 000	382 571 000
	(424 766 000)	(382 571 000)
	-	-
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	552 951	1 500 000
Conditions met - transferred to revenue	(552 951)	(947 049)
	-	552 951
Municipal Infrastructure Grant		
Current-year receipts	220 762 000	229 725 000
Conditions met - transferred to revenue	(220 762 000)	(229 725 000)
	-	-
Road Asset Management Grant		
Current-year receipts	2 364 000	2 659 000
Conditions met - transferred to revenue	(2 364 000)	(2 659 000)
	-	-
Regional Bulk Infrastructure Grant		
Current-year receipts	131 498 000	130 000 000
Conditions met - transferred to revenue	(131 498 000)	(130 000 000)
	-	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
26. Government grants and subsidies (continued)		
Water Infrastructure Grant		
Current-year receipts	87 828 000	107 746 000
Conditions met - transferred to revenue	(87 828 000)	(107 746 000)
	<u>-</u>	<u>-</u>
Financial Management Grant		
Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
	<u>-</u>	<u>-</u>
Expanded Public Works Program		
Current-year receipts	5 908 000	5 760 000
Conditions met - transferred to revenue	(5 908 000)	(5 760 000)
	<u>-</u>	<u>-</u>
INDONSA		
Current-year receipts	1 911 000	1 911 000
Conditions met - transferred to revenue	(1 911 000)	(1 911 000)
	<u>-</u>	<u>-</u>
Shared Service		
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(300 000)	-
	<u>-</u>	<u>-</u>
27. Fines, Penalties and Forfeits		
Illegal Connections Fines	<u>12 167</u>	<u>8 873</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
28. Other revenue from non-exchange		
29. Employee related costs		
Basic	124 167 329	113 622 971
Bonus	8 688 792	4 776 808
Medical aid - company contributions	10 557 289	10 014 776
UIF	1 058 789	1 016 399
Stand by allowance	4 544 828	1 573 293
Leave pay provision charge	4 756 104	4 276 470
Industrial bargaining council levy	111 493	88 557
Defined contribution plans	15 751 036	14 756 224
Motor car allowances	6 011 168	6 795 990
Overtime payments	10 569 957	9 924 415
Long-service awards	1 011 500	1 499 096
Acting allowances	978 079	888 951
Housing benefits and allowances	1 120 597	1 053 780
Cellular phone Allowance	491 248	462 400
Other # 6	12 105	-
	189 830 314	170 750 130
Remuneration of Municipal Manager		
Annual Remuneration	393 149	1 089 368
Car Allowance	88 064	333 735
Contributions to UIF, Medical and Pension Funds	6 513	37 317
	487 726	1 460 420
The position for the Municipal Manager was vacant for a period of seven months.		
Remuneration of Chief Financial Officer		
Annual Remuneration	1 204 066	618 657
Car Allowance	238 750	187 383
Contributions to UIF, Medical and Pension Funds	1 890	1 189
	1 444 706	807 229
As part of the total annual remuneration is an acting allowance in the Accounting Officer position for a period of six months in the current financial year.		
Remuneration - Director of Planning		
Annual Remuneration	1 003 390	819 749
Car Allowance	222 087	250 419
Contributions to UIF, Medical and Pension Funds	39 603	20 094
	1 265 080	1 090 262
Remuneration - Director of Technical Service		
Annual Remuneration	961 567	696 146
Car Allowance	218 325	209 545
Contributions to UIF, Medical and Pension Funds	1 732	1 337
	1 181 624	907 028
Remuneration - Director of Corporate services		

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
29. Employee related costs (continued)		
Annual Remuneration	1 169 372	847 696
Car Allowance	234 108	213 310
Contributions to UIF, Medical and Pension Funds	1 890	34 157
	1 405 370	1 095 163
<p>As part of the total annual remuneration is an acting allowance in the Accounting Officer position for a period of one month in the current financial year</p>		
Employee costs - Director of Community services		
Annual Remuneration	1 059 341	801 001
Car Allowance	238 744	250 861
Contributions to UIF, Medical and Pension Funds	51 654	47 655
	1 349 739	1 099 517
Total Employees Related costs	196 964 559	177 209 749
30. Remuneration of councillors		
Mayor	900 271	850 098
Deputy Mayor	466 423	443 051
Executive Committee Members	2 817 115	2 561 296
Speaker	738 395	725 919
Councillors	2 966 963	3 039 972
Councillors' pension and medical aid contribution	199 570	94 871
	8 088 737	7 715 207
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 approved.</p>		
31. Depreciation and amortisation		
Property, plant and equipment	63 597 157	57 249 255
Intangible assets	136 947	122 799
	63 734 104	57 372 054

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
32. Lease rentals on operating lease		
Premises		
Contractual amounts	413 086	130 987
Motor vehicles		
Contractual amounts	183 817	217 497
Equipment		
Contractual amounts	877 662	980 580
	1 474 565	1 329 064
33. Debt impairment		
Debt impairment	14 807 435	12 185 740
Debt impairment is only calculated on service debtors from exchange transactions		
34. Collection costs		
Collection costs	836 804	858 484
Collection cost is based on services provided to disconnect, restrictions and reconnections of consumers.		
35. Bulk purchases		
Electricity - Eskom	72 007	-
Water	31 986 791	19 216 092
	32 058 798	19 216 092
36. Contracted services		
Outsourced Services		
Burial Services	110 500	-
Business and Advisory	1 587 508	1 215 235
Catering Services	3 383 238	6 127 279
Cleaning Services	3 173 354	2 743 169
Hygiene Services	163 024	166 660
Internal Auditors	3 735 782	1 521 482
Meter Management	1 428 250	-
Personnel and Labour	134 212	-
Security Services	29 229 948	19 310 751
Water Takers	55 406 230	38 106 922
Consultants and Professional Services		
Business and Advisory	19 243 381	17 571 582
Infrastructure and Planning	15 817	9 402
Legal Cost	2 001 545	413 416
Contractors		
Artists and Performers	674 119	1 022 299
Audio-visual Services	117 976	428 100
Maintenance of Equipment	272 569	192 490
Maintenance of Infrastructure Assets	74 330 137	140 728 646
Medical Services	60 000	42 500
Sewerage Services	6 458 467	21 782 258
Stage and Sound Crew	271 500	799 050
	201 797 557	252 181 241

Zululand District Municipality

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Notes to the Annual Financial Statements

	2019 R	2018 R
37. Grants and subsidies paid		
Other subsidies		
Poverty alleviation	883 821	1 973 539
Tourism contribution	78 170	18 000
KZN Environmental protection	480 827	947 049
	1 442 818	2 938 588
38. Inventory consumed		
Materials and Supplies	10 698 839	29 846 994
39. General expenses		
Achievements and awards	189 500	192 500
Advertising	6 465 054	3 365 024
Audit fees	3 283 768	3 059 212
Bank charges	335 967	304 729
Discount allowed	201 836	-
Donations	-	-
Entertainment	325 065	358 860
Workmen's compensation	1 021 973	887 900
Honoraria	130 000	119 000
Vehicle tracking	233 837	204 692
Staff Bursary	191 097	5 135
Fuel and oil	5 237 833	5 051 016
Hire Charges (Functions)	2 166 501	2 370 784
External Computer Service	-	181 018
Insurance	472 642	521 130
Skills development levies	1 976 255	1 708 753
Driver's licenses and permits	431 780	510 929
Communication	714	5 586
Printing and Publication	632 420	807 477
Registration	119 069	51 037
Subscriptions and membership fees	2 048 074	1 730 033
Telephone and fax	3 788 295	2 904 310
Transport and freight	3 773 625	3 678 262
Travel - local	14 885 850	11 746 713
Uniforms	621 143	1 806 694
Utilities - Eskom Accounts	39 995 561	39 480 623
Consultants fees	2 677 849	5 280 225
	91 205 708	86 331 642
40. Gain on sales of assets		
41. Loss on donated assets		
Loss on donated assets	-	(3 996 288)
Sports field and other computer items were donated as per the approved Council resolutions.		
42. Proceeds from Insurance claims		
Proceeds from Insurance claims	-	753 278

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
43. Inventories losses/write-downs		
Inventories losses/write-downs	-	(1 353 515)
44. Auditors' remuneration		
Fees	3 283 768	3 059 212
45. Cash generated from operations		
Surplus	304 074 395	245 900 694
Adjustments for:		
Depreciation and amortisation	63 734 104	57 372 054
Loss on sale of assets and liabilities	-	(753 278)
Loss on donated assets	-	3 996 288
Inventories losses/write-downs	-	1 353 515
Interest income	-	-
Debt impairment	14 807 435	12 185 740
Movements in retirement benefit assets and liabilities	4 712 000	3 609 000
Changes other receivables from exchange	-	(1 145 548)
Other non-cash items(Donated assets)	(11 764 570)	-
Changes in working capital:		
Inventories	998 503	1 521 638
Other receivables from exchange transactions	(3 025 969)	(1 624 652)
Trade receivable from exchange transaction	(18 584 131)	12 790 860
Receivables from non-exchange transactions	503 454	(1 647 447)
Other receivables from non-exchange transactions	637 906	(923 750)
Payables from exchange transactions	27 161 213	60 806 978
VAT	5 939 716	(1 217 099)
Payables from non - exchange transactions	(12 287)	(60 538)
Unspent conditional grants and receipts	(552 951)	(947 049)
Consumer deposits	(9 812)	(54 010)
Other liability	(8 400 000)	-
	380 219 006	391 163 396
46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	702 889 427	461 075 980
Total capital commitments		
Already contracted for but not provided for	702 889 427	461 075 980

The Municipality has entered into 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 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
47. Contingencies		
Year - 2019		
Litigation		
Matter between Zululand District Municipality and M Shandu on dismissal disputes.		58 851
Litigation		
Matter between Zululand District Municipality and S Nkosi on dismissal dispute		70 000
Litigation		
Matter between Zululand District Municipality and S Nkosi on dismissal dispute		200 000
Litigation		
An Applicant is reviewing an award of a tender in a High Court.		100 000
Litigation		
The municipality is being sued by plaintiff in respect of a balance for service rendered by the plaintiff for a water supply scheme and tourism hub program. The municipality is defending the matter and has filled plea and claim reconvention. Plaintiff has expected to defendants claim in reconvention.		1 866 848
Claim		
Zululand District Municipality is putting a counter claim on the matter in respect of balance for service rendered by the plaintiff for a water supply scheme and tourism mentioned above		638 612
Litigation		
Matter between Zululand District Municipality and Health Systems Trust.		44 976
		<u>2 979 287</u>
Year 2018		
Litigation		
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
Litigation		
The Municipality is being sued by a Plaintiff in respect for a balance due for service rendered by the Plaintiff for a water supply scheme and tourism hub program. The municipality is defending the matter and has filled plea and claim reconvention. Plaintiff has expected to defendants claim in reconvention.		1 666 848
Litigation		
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
Litigation		
An Applicant is reviewing an award of a tender in a High Court.		120 000
		<u>2 946 725</u>
48. 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 policies and procedures is reviewed by internal auditors on a continuous basis annually by external auditors. 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 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
48. Risk management (continued)		
Liquidity risk		
Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputations.		
Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.		
Capital risk management		
The capital structure of the municipality consists of accumulated surplus as disclosed in the statement of changes in net assets.		
Gearing ratio		
The gearing ratio is nil since the municipality does not have long term liabilities.		
49. Going concern		
We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 3 392 357 260 and that the municipality's total assets exceed its liabilities by R 3 392 357 260.		
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.		
<ul style="list-style-type: none">• 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 0,3:1. However included in this calculation is retention of R 52 789 550 which is dependent on the future grant receipts and R 84 858 454 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 is 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.		
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	2 036 248	1 693 865
Amount paid - current year	(2 036 248)	(1 693 865)
	<u>-</u>	<u>-</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	3 283 768	3 059 212
Amount paid - current year	(3 283 768)	(3 059 212)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	28 112 131	27 166 923
Amount paid - current year	(28 112 131)	(27 166 923)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	40 124 604	37 965 506
Amount paid - current year	(40 124 604)	(37 965 506)
	<u>-</u>	<u>-</u>

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor (DC217)	<u>1 988</u>	<u>-</u>	<u>1 988</u>

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

51. 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019	2018
R	R

51. Budget differences (continued)

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

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

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

Variance is calculated by subtracting actual expenditure from budget

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

				2019 R	2018 R
51. Budget differences (continued)					
Details	Budget	Actual	Variance	%	Comments
Services charges	44 564 882	33 512 747	11 052 135	75 %	Delayed project on meter installation
Investments revenue	9 995 800	7 802 779	2 193 021	78 %	This depends on the availability of funds that were not immediately required
Transfers recognised	904 369 476	876 889 951	27 479 525	97 %	Withdrawal of a Grant
Other income	96 885 423	1 718 201	95 167 222	2	This is based on the new tender document tariff and reclassification of VAT refund
Employee related costs	(190 099 923)	(196 964 559)	6 864 636	104 %	Excessive overtime claims
Remuneration of councillors	(8 222 415)	(8 088 737)	(133 678)	98 %	
Debt impairment	(7 768 939)	(14 807 435)	7 038 496	191 %	Based on the actual debtors at year end
Depreciation	(66 402 942)	(63 734 104)	(2 668 838)	96 %	Based on assets in use, due to delays in projects under work in progress
Materials and Bulk purchases	(99 412 414)	(32 058 798)	(67 353 616)	32 %	Reclassification of expenditure
Transfers and grants	(1 502 851)	(1 442 818)	(60 033)	96 %	Due to decrease in poverty alleviation expenditure
General expenditure	(224 477 745)	(238 119 782)	13 642 037	106 %	includes a portion of assets not qualifying to be capitalised
Capital : Grants	(469 830 000)	(470 130 000)	300 000	100 %	Due to allocation of NDPG outside adjustment budget
	(11 901 648)	(105 422 555)	93 520 907		

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details refer to annual report.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
52. Fruitless and wasteful expenditure		
Opening balance as previously reported	420 411	381 729
Incurred	1 333 903	38 682
Opening balance as restated	1 754 314	420 411
Less: Amount written off - current	(130 665)	-
Closing balance	1 623 649	420 411
53. Irregular expenditure		
Opening balance	307 909 374	185 026 191
Add: Irregular Expenditure - current year	123 776 198	122 883 183
	431 685 572	307 909 374
Less: Amounts written-off	(273 719 400)	-
Closing balance	157 966 172	307 909 374
Incidents/cases identified in the current year include those listed below:		
Non-compliance MSCMRs	- 150 820 634	
Non-compliance PPRs-2017	- 1 261 641	
Non-Compliance SCM policy	- 5 883 897	
	- 157 966 172	
54. Awards to close family members of person in the service of the state		
Employee Number 371	-	26 625
Employee Number 358	-	254 453
	-	281 078
55. Water losses		
Water lost in distribution	14 348 786	10 450 228
Prior year error adjustment	-	10 932 578
	14 348 786	21 382 806
56. Report on approved deviation		
Approved Municipal Supply Chain Management Regulation 36 awards.	-	1
	21 835 177	16 473 490
	21 835 177	16 473 491

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019	2018
R	R

57. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Shareholder with significant influence	Zululand Development Agency
Shareholder with joint control	None
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None

Remuneration of management

Mayoral committee members

2019

Name

Mayor
Deputy Mayor
Speaker
Exco Members

Executive management

2019

Name

Municipal Manager
Chief Financial Officer
Director: Planning Services
Director: Technical Services
Director: Corporate Services
Director: Community Services

58. Events after the reporting date

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

59. Prior period errors

Statement of Financial Position

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets					
Current Assets					
Cash and cash equivalents		13 201 448	-	-	13 201 448
Receivables from exchange transactions		13 824 715	-	-	13 824 715
Other receivables from exchange transactions		1 595 713	-	-	1 595 713
Receivables from non-exchange transactions		6 264 786	-	-	6 264 786
Other receivables from non-exchange transactions		1 790 512	-	-	1 790 512
VAT receivable		20 029 280	-	-	20 029 280
Inventories		3 132 284	-	-	3 132 284
		59 838 738	-	-	59 838 738
Non-Current Assets					
Other receivables from exchange transactions		12 438 779	-	-	12 438 779
Property, plant and equipment		3 264 069 757	1 823 148	-	3 265 892 905
Heritage assets		1 212 635	-	-	1 212 635
Intangible assets		171 191	-	-	171 191
		3 277 892 362	1 823 148	-	3 279 715 510
Total Assets		3 337 731 100	1 823 148	-	3 339 554 248
Liabilities					
Current Liabilities					
Payables from exchange transactions		160 594 711	10 975 329	-	171 570 040
Consumer deposits		3 627 105	-	-	3 627 105
Provisions		11 800 076	(11 800 076)	-	-
Payables from non- exchange transactions		94 159	-	-	94 159
Unspent conditional grants and receipts		552 951	-	-	552 951
		176 669 002	(824 747)	-	175 844 255
Non-Current Liabilities					
Rental deposits held		2 420	-	-	2 420
Employee benefit obligation		32 512 000	-	-	32 512 000
Payables from exchange transactions		42 912 708	-	-	42 912 708
		75 427 128	-	-	75 427 128
Total Liabilities		252 096 130	(824 747)	-	251 271 383
Net Assets		3 085 634 970	2 647 895	-	3 088 282 865
Net Assets					
Accumulated surplus		3 085 634 981	2 647 884	-	3 088 282 865
59.1 Property, plant and equipment					
Balance previously reported					3 264 069 757
Restatement					1 823 148
					3 265 892 905

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

59. Prior period errors (continued)

59.2 Payables from exchange transactions

Balance previously reported	160 594 711
Adjustment - Retention	(1 638 722)
Reclassification	12 614 051
	<hr/>
	171 570 040

Retention correction was done to reduce the asset in line with the reduction in the retention provision amount.

Leave and Bonus provisions were re-classify from provisions to accruals.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

59. 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	27 148 111	-	-	27 148 111
Rental of facilities and equipment	144 952	-	-	144 952
Other income	1 853 344	-	-	1 853 344
Investment revenue	9 472 244	-	-	9 472 244
Total revenue from exchange transactions	38 618 651	-	-	38 618 651
Revenue from non-exchange transactions				
Taxation revenue				
Interest, Dividends and Rent on Land	94 501	-	-	94 501
Transfer revenue				
Government grants & subsidies	862 569 049	-	-	862 569 049
Fines, Penalties and Forfeits	8 873	-	-	8 873
Total revenue from non-exchange transactions	862 672 423	-	-	862 672 423
Total revenue	901 291 074	-	-	901 291 074
Expenditure				
Employee related costs	(177 209 749)	-	-	(177 209 749)
Remuneration of councillors	(7 715 207)	-	-	(7 715 207)
Employee benefits	(3 609 000)	-	-	(3 609 000)
Lease rentals on operating lease	(1 329 064)	-	-	(1 329 064)
Depreciation and amortisation	(57 372 054)	-	-	(57 372 054)
Debt impairment	(12 185 740)	-	-	(12 185 740)
Collection costs	(858 484)	-	-	(858 484)
Sale of goods/Inventory	(29 846 994)	-	-	(29 846 994)
Bulk purchases	(131 389 903)	112 173 811	-	(19 216 092)
Contracted services	(174 308 153)	(77 873 088)	-	(252 181 241)
Transfers and subsidies	(2 938 588)	-	-	(2 938 588)
General Expenses	(52 030 919)	(34 300 723)	-	(86 331 642)
Total expenditure	(650 793 855)	-	-	(650 793 855)
Operating surplus	250 497 219	-	-	250 497 219
Loss on donated assets	(3 996 288)	-	-	(3 996 288)
Proceeds from Insurance claims	753 278	-	-	753 278
Inventories (losses/write-downs)/ reversal of write downs	(1 353 515)	-	-	(1 353 515)
	(4 596 525)	-	-	(4 596 525)
Surplus for the year	245 900 694	-	-	245 900 694

Zululand District Municipality
Zululand District Municipality

Appendix B

June 2019

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	470 000	-	-	-	-	-	470 000	-	-	-	-	-	-	470 000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	45 445 591	-	-	-	-	-	45 445 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	30 638 203
	45 915 591	-	-	-	-	-	45 915 591	(13 548 683)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	215 221 810	-	-	-	-	-	215 221 810	(30 926 001)	-	-	(3 436 316)	-	(34 362 317)	180 859 493
Water purification	278 930 699	-	-	-	-	-	278 930 699	(36 125 540)	-	-	(5 670 598)	-	(41 796 138)	237 134 561
Reticulation	1 339 235 027	-	-	-	-	-	1 339 235 027	(198 311 450)	-	-	(31 944 792)	-	(230 256 242)	1 108 978 785
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	55 391 761	-	-	-	-	-	55 391 761	(18 310 142)	-	-	(1 694 148)	-	(20 004 290)	35 387 471
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	24 312 868	-	-	-	-	-	24 312 868	(3 640 343)	-	-	(1 219 496)	-	(4 859 839)	19 453 029
Housing	95 159 301	-	-	-	-	-	95 159 301	(11 192 932)	-	-	(1 728 141)	-	(12 921 073)	82 238 228
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 2019

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

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

Zululand District Municipality
Zululand District Municipality

Appendix B

June 2019

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

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

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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 infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B

June 2019

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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Zululand District Municipality
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Appendix B

June 2019

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

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

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

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(664 048)	-	-	38 472	-	-	-	(63 356)	-	(62 018)	(23 546)

