

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

Note

2009

2008

RESTATE

ASSETS				
Current assets				
Cash and cash equivalents	1	77,662,763	166,113,783	184,401,778
Trade and other receivables from exchange transactions	2	3,632,779	8,194,517	1,504,380
Other receivables from non-exchange transactions	3	4,565,066	-	-
Inventories	4	904,467	-	-
Prepayments	5	1,630,454	136,975	8,452,123
Current portion of receivables	6	73,144	-	-
VAT receivable	11	40,174,755	136,975	8,452,123
Non-current assets				
Non-current receivables	6	859,404	855,046	908,927,487
Property, plant and equipment	7	1,071,383,311	907,500,620	571,821
Intangible assets	8	379,446	571,821	-
Total assets		1,201,265,591	1,093,329,265	
LIABILITIES				
Current liabilities				
Trade and other payables from exchange transactions	9	40,585,645	34,553,219	92,746,664
Consumer deposits	10	3,264,522	1,030,223	1,030,223
Bank overdraft	1	-	1,613,878	1,613,878
Current portion of unspent conditional grants and receipts	12	34,818,336	54,431,932	54,431,932
Current portion of borrowings	13	1,168,370	1,030,976	1,030,976
Current portion of finance lease liability	14	96,225	86,436	86,436
Other current financial liabilities	0	3,829,329	-	-
Non-current liabilities				
Non-current borrowings	13	4,078,983	5,247,353	5,628,364
Non-current finance lease liability	14	284,786	381,011	381,011
Total liabilities		88,126,196	98,375,028	
Net assets		1,113,139,395	994,954,237	
NET ASSETS				
Accumulated surplus / (deficit)		1,113,139,397	994,954,235	994,954,235
Total net assets		1,113,139,397	994,954,235	

ZULULAND DISTRICT MUNICIPALITY		STATEMENT OF FINANCIAL PERFORMANCE	
for the year ending 30 June 2009		Note	
2009	2008	RESTATED	
R	R		
16	17	18,321,998	17,659,663
17	17	83,345	78,229
18	18	21,194,644	17,617,716
19	19	271,592	-
20	20	350,874,413	268,357,953
22.2	22.2	70,000	-
22.1	22.1	460,612	452,997
Total revenue			
		391,276,604	304,166,558
Expenses			
23	23	59,638,236	50,734,427
24	24	4,934,083	5,017,271
		297,009	91,829
25	25	30,028,894	-
		19,276,561	17,085,116
26	26	832,563	3,391,489
27	27	25,188,286	20,014,825
28	28	3,008,486	-
29	29	813,167	709,639
30	30	123,347,501	201,193,370
Total expenses			
		267,364,786	298,237,966
30.1		60,897	-
Surplus / (deficit) for the period			
		123,972,714	5,928,591

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R	R
Balance at 30 June 2007	-	68,118,937	68,118,937	41,288,012	109,406,949
<i>Other items: Income received during the year/ Appropriations</i>		171,022,909	171,022,909	2,025,700	173,048,609
<i>Other items: Expenditure for the year</i>		(139,984,020)	(139,984,020)	5,928,591	(139,984,020)
Surplus / (deficit) for the period					5,928,591
Balance at 30 June 2008	-	99,157,826	99,157,826	49,242,303	148,400,129
Changes in accounting policy		(99,157,826)	(99,157,826)	946,191,449	847,033,623
Correction of prior period error				(479,518)	(479,518)
Restated balance 2008	-	-	-	994,954,235	994,954,235
Transfers to / from accumulated surplus/(deficit)				(5,787,552)	(5,787,552)
Surplus / (deficit) for the period				123,972,714	123,972,714
Balance at 30 June 2009	-	-	-	1,113,139,397	1,113,139,397

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ZULULAND DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2009

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		339,015,385	-
Cash Received from consumers, government and c	31.1	339,015,385	-
Payments		(251,301,484)	-
Cash Paid to employee costs, supplier and other	31.2	(251,301,484)	-
Net cash flows from operating activities	31	87,713,901	1,092,083,724
Interest Received		21,194,644	17,617,716
Finance Cost		(832,563)	(3,391,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		(193,658,314)	(940,027,553)
Purchase of fixed assets		(193,850,689)	(939,448,968)
Purchase of intangible assets		192,375	(578,585)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,168,369)	(1,030,976)
Proceeds from finance lease liability		9,789	83,891
Repayment of finance lease liability		(96,225)	398,929
Net increase / (decrease) in net cash and cash equivalents		(86,837,142)	165,734,242
Net cash and cash equivalents at beginning of period		164,499,905	(1,234,337)
Net cash and cash equivalents at end of period	32	77,662,763	164,499,905

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

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

These standards are summarised as follows:-

- GRAP 1 : Presentation of Financial Statements
- GRAP 2 : Cash Flow Statements
- GRAP 3 : Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 : The effects of Changes in Foreign Exchange Rates
- GRAP 5 : Borrowing Costs
- GRAP 6 : Consolidated and separate Financial Statements
- GRAP 7 : Investments in Associates
- GRAP 8 : Interests in Joint Ventures
- GRAP 9 : Revenue from Exchange Transactions
- GRAP 10 : Financial Reporting in Hyperinflationary Economies
- GRAP 11 : Construction Contracts
- GRAP 12 : Inventories
- GRAP 13 : Leases
- GRAP 14 : Events After the Reporting Date
- GRAP 16 : Investment Property
- GRAP 17 : Property, Plant and Equipment
- GRAP 19 : Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 : Non-current Assets Held for sale and Discontinued Operations
- GRAP 101 : Agriculture
- GRAP 102 : Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7.11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

Prior Year Comparatives:

Due to the implementation of Grap, prior period amounts have been reclassified. The reclassification is due to the change in Accounting Policy and the reclassification is depicted in the change in Accounting policy note.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 8 Interest in Joint Ventures - issued August 2006
- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost or fair value less accumulated depreciation. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an 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 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.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Water	15-70 years
	Sewerage	15-70 years
Community		
	Buildings	30 years
	Recreational facilities	20-30 years
Heritage assets		
	Paintings and artifacts	Indefinite
Finance lease assets		
	Office equipment	5 years
Other		
	Buildings	30 years
	Specialist vehicles	7 years
	Other vehicles	7 years
	Office equipment	3-7 years
	Furniture and fittings	7 years
	Emergency equipment	10 years
	Computer equipment	5 years

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

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.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

2.4 DEREGCOGNITION

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.

2.5 DIRECTIVE 4

Zuliland District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of property plant and equipment as set out in paragraphs 73 to 83.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5-7 years

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

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

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.5 DIRECTIVE 4

Zuliland District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of intangible asset as set out in paragraphs 110 to 118.

4 INVENTORIES

4.1 INITIAL RECOGNITION

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

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

4.2 SUBSEQUENT MEASUREMENT

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

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

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

4.3 DIRECTIVE 4

Zuliland District Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of inventories as set out in paragraphs 45 to 52.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

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

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

5.2.2 TRADE AND OTHER RECEIVABLES
 Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
 An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 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.
5.2.4 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 overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE
 Unauthorised 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.

7 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.

8 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.

9 LEASES

9.1 MUNICIPALITY AS LESSEE

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

9.2 MUNICIPALITY AS LESSOR

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

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Return for services rendered / goods sold, the value of which approximates the consideration received from exchange transactions refers to revenue that accrued to the municipality directly in service charges relating to water is based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system. Interest revenue is recognised on a time proportion basis.

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

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

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

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

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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.

10.3 GRANTS, TRANSFERS AND DONATIONS

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

11 TRANSITIONAL PROVISIONS

Zululand District Municipality has taken advantage of the transitional provision permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements-paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions-paragraphs 37-38

GRAP 12 Inventories-paragraph 45-52

GRAP 13 Leases-paragraph 55-60

GRAP 17 Property, Plant and Equipment-paragraphs 73-83

GRAP 19 Provision, Contingent Liabilities and Contingent Assets-paragraph 93-94E

GRAP 102 Intangible Assets-paragraph 110-118

The municipality has developed a plan to implement the above transitional provisions within the window period established in Directive 4. Progress will be evaluated each reporting period.

12 BORROWING COSTS

Borrowing cost are recognised as an expense in Statement of Financial Performance.

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2009

Note
 2009
 2008
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1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:
 Cash on hand
 Cash at bank
 Call deposits

5,000	4,200
12,591,509	166,108,783
-	-
166,108,783	166,113,783

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA BANK-Newcastle Branch: 4047162045

Cash book balance at beginning of year 1,612,797

Cash book balance at end of year 1,612,797

Bank statement balance at beginning of year 16,308,670

Bank statement balance at end of year 29,835,617

Cash on hand 5,000

Total cash and cash equivalents 77,662,763

Total bank overdraft 1,613,878

Investments

Absa 83,758,008

FNB 42,350,775

STD 40,000,000

Total Investments 166,108,783

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables as at 30 June 2009

Service debtors 25,153,684

Water 439,359

Other Receivables 21,960,263

Total 49,553,306

as at 30 June 2008

Service debtors 17,326,086

Water 9,131,569

Other receivables 2,658,145

Total 29,115,799

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2009

	2009	2008
Water and Sewerage: Ageing		
Current (0 – 30 days)	1,513,336	2,895,204
31 - 60 Days	1,446,822	1,589,158
61 - 90 Days	981,561	991,855
91 - 120 Days	1,745,274	11,849,870
121 - 365 Days	19,154,251	
Total	24,841,244	17,326,087
Summary of Debtors by Customer Classification		
Consumers		
Industrial / Commercial / National & Provincial Government	R	R
995,805	517,531	844,005
844,005	602,817	602,817
645,846	335,715	425,817
1,319,457	425,817	17,028,410
17,028,410	2,125,841	
20,833,524	4,007,721	20,833,524
Less: Provision for doubtful debts		
Total debtors by customer classification	20,833,524	4,007,721
as at 30 June 2009		
Current (0 – 30 days)	1,952,803	798,656
31 - 60 Days	831,838	566,925
61 - 90 Days	615,830	337,350
91 - 120 Days	693,106	171,697
121 - 365 Days	10,277,571	1,080,310
Sub-total	14,371,148	2,954,938
Less: Provision for doubtful debts		
Total debtors by customer classification	14,371,148	2,954,938
2 Reconciliation of the doubtful debt provision		
Balance at beginning of the year	9,468,567	4,102,906
Contributions to provision	15,149,841	5,365,661
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	24,618,408	9,468,567

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note
2009
2008
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3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	4,565,066	1,504,380
Total Other Debtors	4,565,066	1,504,380

4 INVENTORIES

Closing balance of inventories:	904,467	-
Consumable stores	292,033	-
Water meters	525,600	-
Water	86,834	-

5 PREPAYMENTS

Prepaid expenses	1,630,454	-
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Includes fees paid for IMFO, lease rentals and provision of water to surrounding areas

6 NON-CURRENT RECEIVABLES

Car loans	31,268	104,979
Bursary Debtors	62,881	55,644
Other non-current receivables	838,399	831,399
Less : Current portion transferred to current receivables	932,548	992,021
Car loans	(10,263)	-
Bursary Debtors	(62,881)	-
Other non-current receivables	-	(136,975)
Total	859,404	855,046

Car Loans: 2008-2009 Senior staff were entitled to car loans which attract interest @ 8 % per annum and which were repayable over a maximum period of 6 years. However since staff appointed in terms of S 57 of the Municipal System Act 2000 are excluded from the scheme but existing loans at date of appointment attract interest at the official rate of interest 2006. With effect from 1 July 2004 the Municipal Finance Management Act prohibited the granting of loans to staff members. Existing loans at the time of discontinuance are payable over the remaining contract period. The employees who have the outstanding balances on the car loans, failed to settle the amount on termination.

Bursary Debtors: Comprises staff members who have not met the conditions of the bursary and are obliged to repay the amount. **Other non-current receivables:** Comprises of Eskom Deposit- which is payable when an application is made to connect a new water scheme to the Eskom supply line. The deposit can either be a bank guarantee or a cheque payment. **Fuel Deposit, Rent Deposit & Ondini Motors:** Comprises a deposit payable in advance to a service station due to the fact that fuel is not sold on credit. **Fuel Deposit-** this is the deposit payable in terms of the office lease agreement. **Ondini Motors-** this is the debtor in respect of misused petrol cards. The arrangements were made with the owner.

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009**

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land		Buildings		Infrastructure		Community		Heritage		Other Assets		Finance lease assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2008	400,000	26,925,030	873,212,330	-	-	-	-	-	-	6,523,260	440,000	907,500,620				
Cost/Revaluation	400,000	30,592,666	940,383,321	-	-	-	-	-	-	13,702,133	550,000	985,628,120				
Correction of error (note 48)	-	(3,667,636)	(67,170,991)	-	-	-	-	-	-	(7,178,873)	(110,000)	(78,127,500)				
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-	-	-	-	-				
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-				
Acquisitions	70,000	-	64,313,884	-	-	-	-	-	-	8,522,306	-	72,906,190				
Capital under Construction	-	-	120,991,494	-	-	-	-	-	-	-	-	120,991,494				
Depreciation	-	(992,381)	(26,734,910)	-	-	-	-	-	-	(1,973,749)	(110,000)	(29,811,040)				
Carrying value of disposals	-	-	-	-	-	-	-	-	-	(203,953)	-	(203,953)				
Cost/Revaluation	-	-	-	-	-	-	-	-	-	(461,367)	-	(461,367)				
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	257,414	-	257,414				
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-	-	-				
Transfers	-	-	-	-	-	-	-	-	-	-	-	-				
Other movements*	-	-	-	-	-	-	-	-	-	-	-	-				
as at 30 June 2009	470,000	25,932,649	1,031,782,798	-	-	-	-	-	-	12,867,864	330,000	1,071,383,311				
Cost/Revaluation	470,000	30,592,666	1,125,688,699	-	-	-	-	-	-	21,763,072	550,000	1,179,064,437				
Accumulated depreciation and impairment losses	-	(4,660,017)	(93,905,901)	-	-	-	-	-	-	(8,895,208)	(220,000)	(107,681,126)				

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008**

7.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2007	400,000	24,555,498	662,036,749	-	-	8,294,199	-	695,286,446
Cost/Revaluation	400,000	27,307,666	707,261,206	-	-	14,716,601	-	749,685,473
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	(2,752,168)	(45,224,457)	-	-	(6,422,402)	-	(54,399,027)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	3,285,000	233,122,115	-	-	790,974	550,000	237,748,088
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(915,468)	(21,946,534)	-	-	(1,990,091)	(110,000)	(24,962,093)
Carrying value of disposals	-	-	-	-	-	(571,821)	-	(571,821)
Cost/Revaluation	-	-	-	-	-	(1,805,441)	-	(1,805,441)
Accumulated depreciation and impairment losses	-	-	-	-	-	1,233,620	-	1,233,620
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2008	400,000	26,925,030	873,212,330	-	-	6,523,260	440,000	907,500,620
Cost/Revaluation	400,000	30,592,666	940,383,321	-	-	13,702,133	550,000	985,628,120
Accumulated depreciation and impairment losses	-	(3,667,636)	(67,170,991)	-	-	(7,178,873)	(110,000)	(78,127,500)

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009	2008	Note
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Accrued Expenses	14 261,945	20 299,375	
Trade creditors	6 729,149	-	
Water Debtors with Credit Balances	480,585	-	
Retention	16 399,631	11 873,810	
Staff leave accrual	2 714,335	2 380,033	
Total creditors	40 586,645	34 553,218	
10 CONSUMER DEPOSITS			
Water	3 264,522	1 030,223	
Total consumer deposits	3 264,522	1 030,223	
11 VAT RECEIVABLE			
VAT receivable	40 174,755	8 452,123	
VAT is payable on the receipts basis VAT is paid over to SARS only once payment is received from debtors.			
12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
12.1 Unspent Conditional Grants from other spheres of Government			
Municipal Infrastructure Grant	17 214,680	-	
DWARF Bulk Implementation Grant	-	37 290,645	
Municipal Development Info Services	415,971	1 000,000	
Gumbi Land Settlement	226,971	500,000	
GIS Shared Services	250,000	-	
Spatial Development Planning	250,000	-	
Development Admin	250,000	-	
LGSETA- Road Construction	20,000	-	
LGSETA	139,363	141,961	
Building for Sport & Recreation	454,884	747,478	
Municipal Systems Improvement Grant	360,344	1 179,548	
Development Planning Shared Services	1 050,000	-	
Belgrade MPCC (NATIONAL TREASURY)	2 791,656	-	
Infrastructure Backlog Studies	455,318	1 658,444	
Transport Plan	627,418	627,418	
IDP	-	60 000	
DPLG GIS Capacity	-	14 066	
KZN Infrastructure Grant	450,000	450,000	
Gijima KZN	206,753	2 699	
Ulundi Airport	3 937,495	210,618	
Ulundi Airport Resurfacing	0	1 854,350	
P700 Infrastructure	108,634	427,656	
Ulundi Tourism Hub	805,467	1 378,868	
Project Consolidate: Nongoma	1 464,268	1 746,768	
Shared Services	-	253,651	
Cengeni Development	2 870,548	2 759,500	
Indonsa	468,565	2 108,260	
Total Unspent Conditional Grants and Receipts	34 818,336	54 431,932	
Current portion of unspent conditional grants and receipts	34 818,336	54 431,932	

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009	2008
13 BORROWINGS		
INCA Loan	5,247,353	6,278,329
Less : Current portion transferred to current liabilities	1,168,370	1,030,976
Annuity Loans	1,168,370	1,030,976
Total borrowings	4,078,983	5,247,353
Refer to Appendix A for more detail on borrowings.		
14 FINANCE LEASE LIABILITY		
2009		
Amounts payable under finance leases		
Minimum lease payment	183,867	96,225
Future finance charges	67,642	284,786
Present value of minimum lease payments	139,946	284,786
Less: Amount due for settlement within 12 months (current portion)	608,599	381,011
	424,732	284,786
Within one year	183,867	96,225
Within two to five years	240,865	188,561
	608,599	381,011
2008		
Amounts payable under finance leases		
Minimum lease payment	167,151	86,436
Future finance charges	80,715	381,011
Present value of minimum lease payments	167,151	381,011
Less: Amount due for settlement within 12 months (current portion)	775,750	467,447
	308,303	467,447
Within one year	167,151	86,436
Within two to five years	608,599	381,011
	775,750	467,447
The average lease term is 5 years and the average effective borrowing rate is 30.06%. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.		
15 OTHER CURRENT FINANCIAL LIABILITIES		
Other current financial liabilities	3,829,329	-
16 SERVICE CHARGES		
Sale of water	12,252,894	
Sewerage and sanitation charges	5,406,769	
Total Service Charges	17,659,663	
17 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	83,345	
Total rentals	83,345	
18 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	21,194,613	
Other	31	
Total interest	21,194,644	
19 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Debtors	271,592	
Total interest	271,592	