



Zululand
District Municipality

**Zululand District Municipality
Annual Financial Statements
for the year ended 30 June 2022**

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Nature of business and principal activities

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

Newly elected Mayoral committee - 01-11-2021

Mayor

Cllr. Buthelezi TD

Speaker

Cllr. Memela DT

Deputy Mayor

Cllr. Ndlovu TD

Member of the Executive Committee

Cllr. Hadebe ISM

Member of the Executive Committee

Cllr. Khumalo BK

Member of the Executive Committee

Cllr. Ndlela NP

Newly elected Councillors - 01-11-2021

Member

Cllr. Dlamini FM

Member

Cllr. Dlamini VV

Member

Cllr. Dubazane MR

Member

Cllr. Magagula NS

Member

Cllr. Masondo ND

Member

Cllr. Mavundla CN

Member

Cllr. Mavuso NP

Member

Cllr. Mbatha SI

Member

Cllr. Mdalose SM

Member

Cllr. Mdletshe AT

Member

Cllr. Mncwango BJ

Member

Cllr. Mngomezulu ND

Member

Cllr. Mtambo M

Member

Cllr. Ndwandwe TM

Member

Cllr. Nhlabathi BC

Member

Cllr. Nkwanyana SE

Member

Cllr. Ntombela SS

Member

Cllr. Ntshangase TA

Member

Cllr. Nxumalo B

Member

Cllr. Nxumalo SV

Member

Cllr. Nxumalo-Sibiya CM

Member

Cllr. Selepe PP

Member

Cllr. Shelembe S

Member

Cllr. Sibiya AM

Member

Cllr. Sithole BH

Member

Cllr. Williams MP

Member

Cllr. Zulu Prince MMM

Member

Cllr. Zulu RM

Member

Cllr. Zulu SM

Member

Cllr. Zungu NF

Member

Cllr. Zungu ZH

Previous Mayoral committee - last day in office 01-11-2021

Mayor

Cllr. Buthelezi TD

Speaker

Cllr. Mncwango BJ

Deputy Mayor

Cllr. Kunene MM

Member of the Executive Committee

Cllr. Nkwanyana SE

Member of the Executive Committee

Cllr. Khumalo BK

Member of the Executive Committee

Cllr. Ndlela NP

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Member of the Executive Committee

Cllr. Mhlungu MM

Member of the Executive Committee

Cllr. Qwabe SE

Previous term Councillors - last day in office 01-11-2021

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. Mkhize TK

Member

Cllr. Mkhwanazi SB

Member

Cllr. Mncwango AM

Member

Cllr. Mncwango SA

Member

Cllr. Mthethwa JB

Member

Cllr. Ndlela NP

Member

Cllr. Ndlovu TD

Member

Cllr. Ngema JB

Member

Cllr. Nhlabathi BC

Member

Cllr. Nsele TJ

Member

Cllr. Nyawo D

Member

Cllr. Shabalala B

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 the Upper limit of Office bearers Act

Chief Finance Officer (CFO)

Acting Chief Financial Officer - Ms Msibi NS

Chief Operations Officer - Mr Mosia SP

Accounting Officer

Mr RN Hlongwa

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Bankers	ABSA Bank Limited
Auditors	Auditor-General South Africa
Attorneys	Stowels & Co. Inc. Garlicke & Bousfield Inc.
Telephone	035 874 5500
Fax Number	035-874 5589/91
Email address	mm@zululand.org.za

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the annual financial statements to be presented to the provincial legislature:

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Abbreviations used:

CIGFARO	Chartered Institute of Government Finance, Auditing and Risk Officers
GRAP	Generally Recognised Accounting Practice
RBIG	Regional Bulk Infrastructure Grant
WSIG	Water Services Infrastructure Grant
MIG	Municipal Infrastructure Grant (Previously CMIP)
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive Council

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

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 page 6 in terms of Section 126(1) of the Municipal Finance Management Act and which I signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 28 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 Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Mr RN Hlongwa
Accounting Officer

Wednesday, 31 August 2022

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	20 468 193	20 058 248
Trade Receivables from exchange transactions	4	32 888 635	38 045 390
Receivables from exchange transactions	5	719 310	1 181 823
Receivables from non-exchange transactions	6	12 865 472	8 205 453
VAT Receivable	7	45 551 086	24 312 640
Inventories	8	2 556 479	4 140 345
		115 049 175	95 943 899
Non-Current Assets			
Receivables from non-exchange transactions	6	17 334 576	16 302 248
Property, plant and equipment	9	4 593 488 173	4 192 079 054
Heritage assets	10	7 806 633	1 212 635
Intangible assets	11	14 860	31 999
		4 618 644 242	4 209 625 936
Total Assets		4 733 693 417	4 305 569 835
Liabilities			
Current Liabilities			
Finance lease obligation	12	901 761	-
Payables from exchange transactions	13	328 369 652	252 392 929
Consumer deposits	14	3 621 245	3 633 124
Taxes and transfers payable (non-exchange)	15	-	81 137
Unspent conditional grants and receipts	16	2 410 794	2 290 444
Employee benefit obligation (Medical Aid)	18	405 000	249 000
Employee benefit obligation (Long Service Award)	18	1 973 000	1 506 000
		337 681 452	260 152 634
Non-Current Liabilities			
Finance lease obligation	12	1 091 760	-
Payables from exchange transactions	17	13 357 945	21 757 945
Employee benefit obligation (Medical Aid)	18	27 166 000	22 289 000
Employee benefit obligation (Long Service Award)	18	13 552 000	11 615 000
		55 167 705	55 661 945
Total Liabilities		392 849 157	315 814 579
Net Assets		4 340 844 260	3 989 755 256
Accumulated surplus		4 340 844 253	3 989 755 248
Total Net Assets		4 340 844 253	3 989 755 248

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	50 999 303	52 852 833
Rental of facilities	20	195 241	179 242
Interest on receivables	21	287 762	29 451
Other income	22	1 084 948	671 929
Interest received - (investment)	23	3 705 403	3 225 646
Total revenue from exchange transactions		56 272 657	56 959 101
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	24	1 149 226 650	1 024 569 556
Public contributions and donations	25	24 307 385	-
Fines, Penalties and Forfeits	26	208 783	7 542 893
Total revenue from non-exchange transactions		1 173 742 818	1 032 112 449
Total revenue		1 230 015 475	1 089 071 550
Expenditure			
Employee related costs	27	(263 669 250)	(241 953 339)
Remuneration of councillors	28	(8 616 470)	(8 488 687)
Depreciation and amortisation	29	(94 341 781)	(79 273 851)
Finance costs	30	(398 515)	-
Debt Impairment	31	(19 677 454)	5 452 078
Bad debts written off	32	(323 376)	(4 634 983)
Bulk purchases		(13 988 438)	(35 095 237)
Contracted services	33	(318 039 519)	(319 756 921)
Transfers and Subsidies	34	(11 295 134)	(12 890 845)
Inventory consumed	35	(8 034 212)	(10 268 195)
General expenses	36	(131 177 686)	(113 881 953)
Total expenditure		(869 561 835)	(820 791 933)
Operating surplus		360 453 640	268 279 617
(Loss) gain on disposal	9	(95 073)	47 017
Actuarial (losses) gains	18	(2 532 143)	19 621 325
Impairment loss	37	(6 777 432)	(656 322)
Inventories losses/write-downs	8	-	(2 111 495)
Gain from non-exchange transactions	9	40 000	201 670
		(9 364 648)	17 102 195
Surplus for the year		351 088 992	285 381 812

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2020	3 704 373 436	3 704 373 436
Changes in net assets		
Surplus for the year	285 381 812	285 381 812
Total changes	285 381 812	285 381 812
Restated* Balance at 01 July 2021	3 989 755 261	3 989 755 261
Changes in net assets		
Surplus for the year	351 088 992	351 088 992
Total changes	351 088 992	351 088 992
Balance at 30 June 2022	4 340 844 253	4 340 844 253
Note(s)		

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		30 768 037	38 946 367
Grants		1 149 347 000	1 022 104 500
Interest income (investments)		3 701 500	3 202 595
Rental Income		195 241	179 242
Interest on Receivables		287 762	29 451
Other Income		1 073 069	685 186
Fines and penalties		208 783	7 542 893
		<u>1 185 581 392</u>	<u>1 072 690 234</u>
Payments			
Employee costs		(265 635 981)	(238 567 634)
Suppliers		(424 982 471)	(472 153 704)
Finance costs		(303 721)	-
Transfers and Subsidies		(11 295 134)	(12 890 845)
		<u>(702 217 307)</u>	<u>(723 612 183)</u>
Net cash flows from operating activities	39	<u>483 364 085</u>	<u>349 078 051</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(478 258 880)	(341 455 840)
Proceeds from sale of property, plant and equipment	9	-	146 000
Purchase of heritage assets	10	(6 593 998)	-
Net cash flows from investing activities		<u>(484 852 878)</u>	<u>(341 309 840)</u>
Cash flows from financing activities			
Finance lease movement		1 898 727	-
Net increase/(decrease) in cash and cash equivalents		409 934	7 768 211
Cash and cash equivalents at the beginning of the year		20 058 248	12 290 031
Cash and cash equivalents at the end of the year	3	<u>20 468 182</u>	<u>20 058 242</u>

The accounting policies on pages 18 to 33 and the notes on pages 34 to 76 form an integral part of the annual financial statements.

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54 000 000	491 025	54 491 025	50 999 303	(3 491 722)	
Rental of facilities	210 000	(26 514)	183 486	195 241	11 755	
Interest on receivables	85 000	-	85 000	287 762	202 762	
Other income	500 000	125 489	625 489	1 084 948	459 459	
Licences and permits	10 000	-	10 000	-	(10 000)	
Investment revenue	6 000 000	-	6 000 000	3 705 403	(2 294 597)	
Total revenue from exchange transactions	60 805 000	590 000	61 395 000	56 272 657	(5 122 343)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	1 115 457 000	40 211 444	1 155 668 444	1 149 226 650	(6 441 794)	
Public contributions and donations	-	-	-	24 307 385	24 307 385	
Fines, penalties and forfeits	638 000	(590 000)	48 000	208 783	160 783	
Total revenue from non-exchange transactions	1 116 095 000	39 621 444	1 155 716 444	1 173 742 818	18 026 374	
Total revenue	1 176 900 000	40 211 444	1 217 111 444	1 230 015 475	12 904 031	
Expenditure						
Employee related costs	(255 269 182)	-	(255 269 182)	(263 669 250)	(8 400 068)	
Remuneration of councillors	(8 537 323)	(500 000)	(9 037 323)	(8 616 470)	420 853	
Depreciation and amortisation	(71 619 628)	1 016 419	(70 603 209)	(94 341 781)	(23 738 572)	
Finance costs	-	-	-	(398 515)	(398 515)	
Debt Impairment	(9 000 000)	-	(9 000 000)	(19 677 454)	(10 677 454)	
Bad debts written-off	-	-	-	(323 376)	(323 376)	
Bulk purchases	-	-	-	(13 988 438)	(13 988 438)	
Contracted services	(139 336 143)	(57 884 598)	(197 220 741)	(318 039 519)	(120 818 778)	
Transfers and subsidies	(11 950 000)	454 366	(11 495 634)	(11 295 134)	200 500	
Inventory consumed	(24 194 227)	(1 948 141)	(26 142 368)	(8 034 212)	18 108 156	
General expenses	(76 716 496)	(33 725 520)	(110 442 016)	(131 177 686)	(20 735 670)	
Total expenditure	(596 622 999)	(92 587 474)	(689 210 473)	(869 561 835)	(180 351 362)	
Operating surplus	580 277 001	(52 376 030)	527 900 971	360 453 640	(167 447 331)	
(Loss) gain on disposal	-	-	-	(95 073)	(95 073)	
Actuarial (losses) gains	-	-	-	(2 532 143)	(2 532 143)	
Impairment loss / Reversal of impairments	-	-	-	(6 777 432)	(6 777 432)	
Gain from non-exchange transactions	-	-	-	40 000	40 000	
	-	-	-	(9 364 648)	(9 364 648)	
Surplus before taxation	580 277 001	(52 376 030)	527 900 971	351 088 992	(176 811 979)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis	580 277 001	(52 376 030)	527 900 971	351 088 992	(176 811 979)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	134 210 510	(61 534 079)	72 676 431	20 468 193	(52 208 238)	
Consumer debtors	37 620 000	2 543 516	40 163 516	32 888 635	(7 274 881)	
Receivables from exchange transactions	-	1 152 321	1 152 321	719 310	(433 011)	
Receivables from non-exchange transactions	80 488	8 124 965	8 205 453	12 865 472	4 660 019	
VAT Receivable	22 000 000	(19 600 000)	2 400 000	45 551 086	43 151 086	
Inventories	4 324 357	-	4 324 357	2 556 479	(1 767 878)	
	198 235 355	(69 313 277)	128 922 078	115 049 175	(13 872 903)	
Non-Current Assets						
Receivables from non-exchange transactions	15 687 642	408 562	16 096 204	17 334 576	1 238 372	
Property, plant and equipment	5 147 397 893	270 855 459	5 418 253 352	4 593 488 173	(824 765 179)	
Heritage assets	3 500 000	3 200 000	6 700 000	7 806 633	1 106 633	
Intangible assets	-	46 391	46 391	14 860	(31 531)	
	5 166 585 535	274 510 412	5 441 095 947	4 618 644 242	(822 451 705)	
Total Assets	5 364 820 890	205 197 135	5 570 018 025	4 733 693 417	(836 324 608)	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	901 761	901 761	
Payables from exchange transactions	180 517 539	34 570 919	215 088 458	328 369 652	113 281 194	
Consumer deposits	3 619 867	13 257	3 633 124	3 621 245	(11 879)	
Unspent conditional grants and receipts	-	-	-	2 410 794	2 410 794	
Employee benefit obligation (Medical Aid)	329 897	(80 897)	249 000	405 000	156 000	
Employee benefit obligation (Long Service Award)	947 913	558 087	1 506 000	1 973 000	467 000	
	185 415 216	35 061 366	220 476 582	337 681 452	117 204 870	
Non-Current Liabilities						
Finance lease obligation	-	-	-	1 091 760	1 091 760	
Payables from exchange transactions	-	-	-	13 357 945	13 357 945	
Employee benefit obligation (Medical Aid)	36 099 216	(13 810 216)	22 289 000	27 166 000	4 877 000	
Employee benefit obligation (Long Service Award)	10 947 702	667 298	11 615 000	13 552 000	1 937 000	
	47 046 918	(13 142 918)	33 904 000	55 167 705	21 263 705	
Total Liabilities	232 462 134	21 918 448	254 380 582	392 849 157	138 468 575	
Net Assets	5 132 358 756	183 278 687	5 315 637 443	4 340 844 260	(974 793 183)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 132 358 756	183 278 687	5 315 637 443	4 340 844 260	(974 793 183)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	32 800 000	17 731 743	50 531 743	30 768 037	(19 763 706)	
Grants	1 115 457 000	37 821 000	1 153 278 000	1 149 347 000	(3 931 000)	
Interest income	6 000 000	-	6 000 000	3 701 500	(2 298 500)	
Other receipts	1 358 000	125 707 888	127 065 888	1 764 855	(125 301 033)	
	1 155 615 000	181 260 631	1 336 875 631	1 185 581 392	(151 294 239)	
Payments						
Employee costs	(264 136 402)	-	(264 136 402)	(265 635 981)	(1 499 579)	
Suppliers	(252 196 866)	(107 607 952)	(359 804 818)	(424 982 471)	(65 177 653)	
Finance costs	-	-	-	(303 721)	(303 721)	
Other cash item	-	-	-	(11 295 134)	(11 295 134)	
	(516 333 268)	(107 607 952)	(623 941 220)	(702 217 307)	(78 276 087)	
Net cash flows from operating activities	639 281 732	73 652 679	712 934 411	483 364 085	(229 570 326)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(580 277 001)	38 658 853	(541 618 148)	(478 258 880)	63 359 268	
Purchases of heritage assets	-	-	-	(6 593 998)	(6 593 998)	
Net cash flows from investing activities	(580 277 001)	38 658 853	(541 618 148)	(484 852 878)	56 765 270	
Cash flows from financing activities						
Finance lease movement	-	-	-	1 898 727	1 898 727	
Increase (decrease) in consumer deposits	7 813	-	7 813	-	(7 813)	
Net cash flows from financing activities	-	-	-	1 898 727	1 898 727	
Net increase/(decrease) in cash and cash equivalents	59 004 731	112 311 532	171 316 263	409 934	(170 906 329)	
Cash and cash equivalents at the beginning of the year	75 197 968	(55 133 920)	20 064 048	20 058 248	(5 800)	
Cash and cash equivalents at the end of the year	134 202 699	57 177 612	191 380 311	20 468 182	(170 912 129)	
Reconciliation						

The accounting policies on pages 18 to 33 and the notes on pages 34 to 76 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

	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
2022											
Financial Performance											
Service charges	54 000 000	491 025	54 491 025	-		54 491 025	50 999 303		(3 491 722)	94 %	94 %
Investment revenue	6 000 000	-	6 000 000	-		6 000 000	3 705 403		(2 294 597)	62 %	62 %
Transfers recognised - operational	541 399 000	611 124	542 010 124	-		542 010 124	537 979 124		(4 031 000)	99 %	99 %
Other own revenue	1 443 000	(491 025)	951 975	-		951 975	1 776 734		824 759	187 %	123 %
Total revenue (excluding capital transfers and contributions)	602 842 000	611 124	603 453 124	-		603 453 124	594 460 564		(8 992 560)	99 %	99 %
Employee costs	(255 269 182)	-	(255 269 182)	-	-	(255 269 182)	(263 669 250)	-	(8 400 068)	103 %	103 %
Remuneration of councillors	(8 537 323)	(500 000)	(9 037 323)	-	-	(9 037 323)	(8 616 470)	-	420 853	95 %	101 %
Debt impairment	(9 000 000)	-	(9 000 000)			(9 000 000)	(19 677 454)	-	(10 677 454)	219 %	219 %
Depreciation and asset impairment	(71 619 628)	1 016 419	(70 603 209)			(70 603 209)	(101 119 213)	-	(30 516 004)	143 %	141 %
Finance charges	-	-	-	-	-	-	(398 515)	-	(398 515)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(24 194 227)	(1 948 141)	(26 142 368)	-	-	(26 142 368)	(13 988 438)	-	12 153 930	54 %	58 %
Transfers and grants	(11 950 000)	454 366	(11 495 634)	-	-	(11 495 634)	(11 295 134)	-	200 500	98 %	95 %
Other expenditure	(216 052 639)	(91 610 118)	(307 662 757)	-	-	(307 662 757)	(460 202 009)	-	(152 539 252)	150 %	213 %
Total expenditure	(596 622 999)	(92 587 474)	(689 210 473)	-	-	(689 210 473)	(878 966 483)	-	(189 756 010)	128 %	147 %
Surplus/(Deficit)	6 219 001	(91 976 350)	(85 757 349)	-		(85 757 349)	(284 505 919)		(198 748 570)	332 %	(4 575)%

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

	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
Transfers recognised - capital	574 058 000	39 600 320	613 658 320	-		613 658 320	611 247 526		(2 410 794)	100 %	106 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	24 307 385		24 307 385	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	580 277 001	(52 376 030)	527 900 971	-		527 900 971	351 048 992		(176 851 979)	66 %	60 %
Surplus/(Deficit) for the year	580 277 001	(52 376 030)	527 900 971	-		527 900 971	351 048 992		(176 851 979)	66 %	60 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	478 258 880		478 258 880	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	574 058 000	39 600 320	613 658 320	-		613 658 320	-		(613 658 320)	- %	- %

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

	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
Cash flows											
Net cash from (used) operating	639 281 730	73 652 679	712 934 409	-		712 934 409	483 364 085		(229 570 324)	68 %	76 %
Net cash from (used) investing	(580 277 000)	38 658 853	(541 618 147)	-		(541 618 147)	(484 852 878)		56 765 269	90 %	84 %
Net cash from (used) financing	-	-	-	-		-	1 898 727		1 898 727	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	59 004 730	112 311 532	171 316 262	-		171 316 262	409 934		(170 906 328)	- %	1 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	20 058 248		20 058 248	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	59 004 730	112 311 532	171 316 262	-		171 316 262	20 468 182		150 848 080	12 %	35 %

The budget variances are explained in note 46

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

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.

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 2022

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 18 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note 42 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 and Other long term obligations

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 18.

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.

Non-Cash Generating Assets

The Municipality considers its objective of using an asset to designate non-cash generating assets. Those assets that are not used in the objective of generating a commercial return but to deliver services are designated as non-cash generating assets

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 44.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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:

Assets to be Impaired are identified and recognised after considering internal and external indicators, Impairment is measured at carrying amount of the asset which exceeds its recoverable service amount.

Impairment (loss) gain is recorded on the statement of financial performance and accumulated impairment is recorded in the statement of financial position.

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Water		7-70 years
• Sewerage		7-70 years

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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
• 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 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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.

Repairs and maintenance

The municipality separately disclose expenditure incurred to repair and maintain property, plant and equipment in the notes to the annual financial statements. The disclosure categorises expenditure over all classes of property, plant and equipment.

1.6 Heritage assets

Initial recognition

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Heritage assets (continued)

Measurement at recognition

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

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

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

Subsequent measurement

The municipality uses the cost 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 generations.

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

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

Derecognition

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

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

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the Statement of Financial Performance.

1.7 Intangible assets

Initial recognition

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

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

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

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

Zululand District Municipality

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Accounting Policies

1.7 Intangible assets (continued)

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

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

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

Intangible assets are initially recognised at cost.

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

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

Subsequent measurement - Cost model

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

Amortisation and impairment

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

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

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

Derecognition

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

1.8 Inventories

Initial recognition

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

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

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

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

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

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Inventories (continued)

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Subsequent measurement

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

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

1.9 Financial instruments

Initial recognition

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

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

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

Classification

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

Class

Cash at bank
Accounts receivables and payables

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

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 amortised 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.

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.

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

Financial liabilities consist of trade payables. 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

1.13 Unauthorised expenditure

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

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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 is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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.

1.19 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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 Borrowing costs

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits: Defined benefit plans

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

Defined Contribution Plans

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

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

Pension obligations

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

Municipal Councillors

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

Post-retirement Health Care Benefits

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

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

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

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.23 VAT

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

1.24 Budget information

The approved budget covers the financial period from 2021/07/01 to 2022/06/30.

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

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

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2021 to 30 June 2022.

1.25 Commitments

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

1.26 Non-cash-generating assets

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

The municipality determines present value of the remaining service potential of non-generating assets (value in use) through depreciated replacement cost model

1.27 Impairment of cash-generating assets

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

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

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

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.

Identification

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.28 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.29 Related parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.29 Related parties (continued)

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	Still to be determined	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	Still to be determined	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	Still to be determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Still to be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	800	800
Other cash and cash equivalents	20 467 393	20 057 448
	20 468 193	20 058 248

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Primary Account Type - 4047-716-2045	20 467 393	20 057 448	13 106 989	20 466 912	20 057 448	12 290 231

4. Trade receivable from exchange transaction

Gross balances

Water	133 201 541	120 254 527
Waste water	38 205 887	33 072 256
Housing rental	71 396	67 276
Other (specify)	23 961	249 829
	171 502 785	153 643 888

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
4. Trade receivable from exchange transaction (continued)		
Less: Allowance for impairment		
Water	(105 892 521)	(87 480 057)
Waste water	(32 709 633)	(28 109 095)
Other (specify)	(11 996)	(9 346)
	<u>(138 614 150)</u>	<u>(115 598 498)</u>
Net balance		
Water	27 309 020	32 774 470
Waste water	5 496 254	4 963 161
Housing rental	71 396	67 276
Other (specify)	11 965	240 483
	<u>32 888 635</u>	<u>38 045 390</u>
Water		
Current (0 -30 days)	8 036 564	17 270 117
31 - 60 days	3 036 284	2 290 620
61 - 90 days	2 960 924	2 551 305
91 - 120 days	2 329 341	2 640 155
121 - 365 days	20 039 273	21 557 378
> 365 days	96 799 155	73 944 952
Impairment	(105 892 521)	(87 480 057)
	<u>27 309 020</u>	<u>32 774 470</u>
Waste water		
Current (0 -30 days)	2 210 274	1 654 191
31 - 60 days	764 571	644 526
61 - 90 days	693 310	656 606
91 - 120 days	611 899	583 974
121 - 365 days	4 382 423	3 797 668
> 365 days	29 543 411	25 735 291
Impairment	(32 709 634)	(28 109 095)
	<u>5 496 254</u>	<u>4 963 161</u>
Housing rental		
Current (0 -30 days)	39 267	17 846
31 - 60 days	8 346	17 469
61 - 90 days	8 346	5 225
91 - 120 days	5 518	4 751
121 - 365 days	9 919	21 985
> 365 days	-	-
	<u>71 396</u>	<u>67 276</u>
Other (specify)		
Current (0 -30 days)	558	45 851
31 - 60 days	7 236	8 182
61 - 90 days	-	3 238
91 - 120 days	2 940	5 257
121 - 365 days	12 438	30 458
> 365 days	250	156 842
Impairment	(11 457)	(9 345)
	<u>11 965</u>	<u>240 483</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
4. Trade receivable from exchange transaction (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5 444 127	10 491 774
31 - 60 days	2 751 905	1 943 585
61 - 90 days	2 523 381	2 104 333
91 - 120 days	2 277 972	2 387 491
121 - 365 days	18 963 765	19 779 063
> 365 days	116 183 742	88 304 509
	<u>148 144 892</u>	<u>125 010 755</u>
Less: Allowance for impairment	<u>(138 614 151)</u>	<u>(115 598 497)</u>
	9 530 741	9 412 258
Industrial/ commercial		
Current (0 -30 days)	1 794 752	1 226 570
31 - 60 days	453 245	336 825
61 - 90 days	570 560	317 742
91 - 120 days	300 711	201 231
121 - 365 days	2 739 456	2 104 773
> 365 days	9 446 344	6 401 000
	<u>15 305 068</u>	<u>10 588 141</u>
National and provincial government		
Current (0 -30 days)	3 245 698	7 287 131
31 - 60 days	622 448	662 917
61 - 90 days	579 616	794 300
91 - 120 days	371 015	645 416
121 - 365 days	2 847 902	3 501 669
> 365 days	195 574	4 906 233
	<u>7 862 253</u>	<u>17 797 666</u>
Total		
Current (0 -30 days)	10 985 087	19 005 475
31 - 60 days	3 840 073	2 943 327
61 - 90 days	3 761 267	3 216 375
91 - 120 days	3 599 382	3 234 137
121 - 365 days	28 075 892	25 385 505
> 365 days	121 241 084	99 859 068
	<u>171 502 785</u>	<u>153 643 887</u>
Less: Allowance for impairment	<u>(138 614 150)</u>	<u>(115 598 497)</u>
	32 888 635	38 045 390
Less: Allowance for impairment		
Current (0 -30 days)	(4 233 896)	(8 348 064)
31 - 60 days	(2 271 574)	(1 406 781)
61 - 90 days	(2 084 087)	(1 663 957)
91 - 120 days	(1 968 361)	(1 810 886)
121 - 365 days	(16 978 899)	(17 482 411)
> 365 days	(111 077 333)	(84 886 399)
	<u>(138 614 150)</u>	<u>(115 598 498)</u>
Total debtor past due but not impaired		

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
4. Trade receivable from exchange transaction (continued)		
Current (0 -30 days)	5 070 563	8 513 701
31 - 60 days	949 949	999 742
61 - 90 days	934 584	1 112 042
91 - 120 days	684 402	846 647
121 - 365 days	5 281 188	5 606 442
> 365 days	5 097 521	11 307 233
	18 018 207	28 385 807
Reconciliation of allowance for impairment		
Balance at beginning of the year	(115 598 498)	(107 419 108)
Contributions to allowance	(23 015 652)	(8 179 390)
	(138 614 150)	(115 598 498)
Consumer debtors pledged as security		
There are no debtors pledged as security.		
Credit quality of consumer debtors		
Based on historical information debtors that are past due nor impaired do pay within a period of 12 months.		
Trade receivables		
In assessing the recoverability of trade receivables the assumption is that all organisations(e.g. government departments, businesses and churches) 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.		
Trade receivables are recognised as financial instruments since the customer willingly enters into a contractual arrangement with the municipality for the supply of services. The transaction arises as a result of billing revenue for the use of water and sewer.		
5. Receivables from exchange transactions		
Employee costs in advance	125 799	-
Prepaid expenses	564 009	1 152 321
Debtor: Recoveries from Employees	-	323 376
Other debtors	29 502	29 502
Less: Provision for impairment	-	(323 376)
	719 310	1 181 823
Reconciliation of provision for impairment of Receivables from exchange transactions		
Opening balance	(323 376)	-
Provision for impairment	-	(323 376)
Provision for impairment reversal	323 376	-
	-	(323 376)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
6. Receivables from non-exchange transactions		
Debtors: Deposits Made	17 334 576	16 302 248
Debtor: Department of Art and Culture	955 500	955 500
Debtor: Department of Water and Sanitation	2 717 840	2 717 840
Debtor: Abaqulusi Municipality	1 293 313	1 163 046
Debtor: Ulundi Municipality	1 041 662	818 554
Debtor: Nongoma Municipality	1 061 547	862 811
Debtor: eDumbe Municipality	622 412	1 307 657
Debtor: Upongola Municipality	792 275	558 556
Debtor: Enduneni Constructors	783 423	783 423
Debtor: World Focus	284 241	284 241
Debtor: Amanzi Ichweba	1 431 988	1 431 988
Debtor:BP Drakensburg	136 888	136 888
Debtor: Tracker - Rand Machant	134 248	134 248
Debtor: Lindani Catering	1 950	1 950
Debtor: Insurance Claim	151 900	80 488
Debtor: SAMWUMED	-	9 050
Debtor: Sizolwenkosi	116 841	-
Debtor: Telkom	4 729	-
Debtor: Accrued Interest	43 338	39 435
Debtor: Accrued Income	36 900	282 900
Recoverable fruitless and wasteful expenditure	1 333 903	1 333 903
Debtors: Under/Over Banking	1 062 894	4 230
Debtor: Debit orders Absa	3 562 885	3 950
Less: Provision for impairment	(4 705 205)	(4 705 205)
	30 200 048	24 507 701
Non-current assets	17 334 576	16 302 248
Current assets	12 865 472	8 205 453
	30 200 048	24 507 701
Credit quality of receivables from non-exchange transactions		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	4 705 207	4 149 829
Provision for impairment	-	555 378
	4 705 207	4 705 207
7. VAT receivable		
Input VAT	50 650 049	30 208 098
Output VAT	(5 098 963)	(5 895 458)
	45 551 086	24 312 640

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
8. Inventories		
Consumable stores	1 529 252	1 973 108
Water for distribution	1 027 227	2 167 237
	2 556 479	4 140 345
Consumable stores		
At cost	1 973 108	4 355 090
Additions	5 683 092	2 828 404
Issued / Expensed	(6 126 949)	(3 332 412)
Adjustments	-	(1 877 974)
	1 529 251	1 973 108
Fuel		
At cost	-	68 392
Adjustments	-	(68 392)
	-	-
Water for Distribution		
At cost	2 167 236	1 744 642
Adjustments	(1 140 009)	422 595
	1 027 227	2 167 237

Inventory pledged as security

There was no inventory pledged as security for overdraft facility.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022			2021		
	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	(19 691 702)	25 753 889	45 445 591	(18 448 962)	26 996 629
Infrastructure	4 116 767 900	(672 840 160)	3 443 927 740	3 496 454 924	(583 550 299)	2 912 904 625
Community	9 931 334	(5 490 831)	4 440 503	9 967 535	(3 616 330)	6 351 205
Other property, plant and equipment	82 040 419	(58 081 084)	23 959 335	77 606 511	(50 142 348)	27 464 163
leased Assets	2 408 594	(468 339)	1 940 255	-	-	-
Capital work in progress	1 092 996 451	-	1 092 996 451	1 217 892 432	-	1 217 892 432
Total	5 350 060 289	(756 572 116)	4 593 488 173	4 847 836 993	(655 757 939)	4 192 079 054

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	470 000	-	-	-	-	-	-	470 000
Buildings	26 996 629	-	-	-	-	(1 242 740)	-	25 753 889
Infrastructure	2 912 904 625	8 702 073	-	24 307 385	587 303 518	(84 169 082)	(5 120 779)	3 443 927 740
Community	6 351 205	-	(28 056)	-	-	(225 994)	(1 656 652)	4 440 503
Other property, plant and equipment	27 464 163	4 724 511	(53 995)	40 000	-	(8 215 344)	-	23 959 335
leased Assets	-	2 424 759	(13 022)	-	-	(471 482)	-	1 940 255
Capital work in Progress	1 217 892 432	462 407 537	-	-	(587 303 518)	-	-	1 092 996 451
	4 192 079 054	478 258 880	(95 073)	24 347 385	-	(94 324 642)	(6 777 431)	4 593 488 173

Zululand District Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	470 000	-	-	-	-	-	-	470 000
Buildings	28 239 369	-	-	-	-	(1 242 740)	-	26 996 629
Infrastructure	2 831 087 187	1 559 458	-	-	155 544 367	(74 630 085)	(656 302)	2 912 904 625
Community	6 577 199	-	-	-	-	(225 994)	-	6 351 205
Other property, plant and equipment	25 552 972	4 962 761	(98 983)	201 670	-	(3 154 238)	(19)	27 464 163
Capital work in Progress	1 039 837 084	334 933 621	-	-	(156 878 273)	-	-	1 217 892 432
	3 931 763 811	341 455 840	(98 983)	201 670	(1 333 906)	(79 253 057)	(656 321)	4 192 079 054

Pledged as security

There is no restriction on title and Property, plant and Equipment pledged as security:

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
9. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Project 1 - Simdlangentsha West RWSS: Construction Frischgewaagd, Abstraction Works, Staff Accomodation and Bilanyoni Booster Pumpstation Still waiting for eskom to co-operate as they have caused this dely.	29 272 306	-
Project 2 - Usuthu RWSS: Lindizwe Pump-station Mechanical Installation Bulk pipeline constructed long ago has now leaks which delays commisioning of this project as it is complete.	33 893 937	-
Project 3 - Usuthu RBWSS: Holinyoka Pump-station Mechanical Installation Bulk pipeline constructed long ago has now leaks which delays commisioning of this project as it is complete.	28 893 937	-
Project 4 - Ceza Stand Alone Water Supply Pipeline Land owner refused to give ZDM access to proceed with construction in his land, matter is under ZDM legal section	27 779 646	-
	119 839 826	-
Reconciliation of Work-in-Progress 2022		
	Included within Infrastructure	Total
Opening balance	1 217 892 431	1 217 892 431
Additions/capital expenditure	462 407 537	462 407 537
Transferred to completed items	(587 303 518)	(587 303 518)
	1 092 996 450	1 092 996 450
Reconciliation of Work-in-Progress 2021		
	Included within Infrastructure	Total
Opening balance	1 039 837 083	1 039 837 083
Additions/capital expenditure	334 933 621	334 933 621
Transferred to completed items	(156 878 273)	(156 878 273)
	1 217 892 431	1 217 892 431
Class of Property Plant and Equipment (Repairs and Mantainance)		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance per class		
Motor vehicles	10 071 408	4 818 301
Computers	21 614	730 357
Buildings	1 960 839	3 091 318
Infrastructure	119 855 195	90 999 427
Other	-	1 367 307
Equipment	859 899	-
	132 768 955	101 006 710

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10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections and exhibit	7 806 633	-	7 806 633	1 212 635	-	1 212 635

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Art collections and exhibits	1 212 635	6 593 998	7 806 633

Reconciliation of heritage assets 2021

	Opening balance	Total
Art collections and exhibit	1 212 635	1 212 635

Pledged as security

There is no heritage assets pledged as security:

Heritage assets in the process of being constructed or developed

Zululand District Municipality

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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	186 632	(171 772)	14 860	186 633	(154 634)	31 999

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	31 999	(17 139)	14 860

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	52 793	(20 794)	31 999

Pledged as security

There is no intangible assets pledged as security:

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
12. Finance lease obligation		
Minimum lease payments due		
- within one year	901 764	-
- in second to fifth year inclusive	1 277 499	-
	<u>2 179 263</u>	<u>-</u>
less: future finance charges	(185 739)	-
Present value of minimum lease payments	<u>1 993 524</u>	<u>-</u>
Present value of minimum lease payments due		
- within one year	782 909	-
- in second to fifth year inclusive	1 210 615	-
	<u>1 993 524</u>	<u>-</u>
Non-current liabilities	1 091 760	-
Current liabilities	901 761	-
	<u>1 993 521</u>	<u>-</u>
13. Payables from exchange transactions		
Accrued leave pay	19 074 245	17 991 112
Accrued bonus	5 417 690	4 674 806
Creditors	214 275 971	173 620 548
Unallocated Deposits	503 547	130 817
Retention Services	43 987 151	44 167 770
Debtors with credit balances	2 642 118	2 489 372
Other Creditors	63 922	697 413
Department of water and sanitation	8 400 000	8 400 000
Other Debtors with credit balances	-	8 514
Accrued Employee Related cost	1 832 134	-
Zanamanzi	32 172 874	212 577
	<u>328 369 652</u>	<u>252 392 929</u>
14. Consumer deposits		
Water	3 613 461	3 625 340
Property rental	7 784	7 784
	<u>3 621 245</u>	<u>3 633 124</u>
No guaranties are held in lieu of water deposits		
15. Taxes and transfers payable (non-exchange)		
Creditor: Deceased Staff Member	-	649
Creditor: Deceased Staff Member	-	80 488
	<u>-</u>	<u>81 137</u>

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Rural Roads Asset Management Grant	768 977	-
KZN Capacity Building Grant-Spatial	-	241 770
Tourism Strategy Grant	-	269 354
KZN-KwaMajomela Project	1 641 817	1 779 320
	2 410 794	2 290 444
Movement during the year		
Balance at the beginning of the year	2 290 444	3 800 000
Additions during the year	1 148 391 500	1 023 060 000
Income recognition during the year	(1 148 271 150)	(1 024 569 556)
	2 410 794	2 290 444

See note 24 for reconciliation of grants from National/Provincial Government, and explanations for unspent conditional grants.

17. Payables from exchange transactions

The municipality is disputing an amount of R70 million that is being raised by the department of water affairs, the matter has been handed over to the attorneys

Department of water and sanitation	13 357 945	21 757 945
------------------------------------	------------	------------

18. Employee benefit obligations

18.1 Multi-employer pension funds

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.

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.

18.2 Post retirement medical benefit plan

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
18. Employee benefit obligations (continued)		
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	(22 538 000)	(36 083 507)
Fair value of plan assets	(5 033 000)	13 545 507
	(27 571 000)	(22 538 000)
Non-current liabilities	(27 166 000)	(22 289 000)
Current liabilities	(405 000)	(249 000)
	(27 571 000)	(22 538 000)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	22 538 000	36 083 507
Net expense recognised in the statement of financial performance	5 033 000	(13 545 507)
	27 571 000	22 538 000
Net expense recognised in the statement of financial performance		
Current service cost	1 717 000	2 940 059
Interest cost	2 360 000	3 398 868
Actuarial (gains) losses	1 258 143	(14 989 340)
Benefits paid	(302 143)	(157 094)
Removal of death-in-service and death-in- retirement	-	(4 738 000)
	5 033 000	(13 545 507)
Key assumptions used		
Independent actuaries and consultants carry out a statutory valuation on an annual basis.		
The Municipality operated on five accredited Medical Aid schemes, namely Keyhealth, LA Health, SAMWUMED, Bonitas and Hosmed.		
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 30 June 2022 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period.		
Assumptions used at the reporting date:		
Average retirement age	63	63
Discount rates used	13.11 %	10.53 %
Medical aid inflation rates	10.46 %	7.09 %
Ultimate mortality table	SA 85-90 PA 90-1	SA 85-90 PA 90-1

Zululand District Municipality

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Notes to the Annual Financial Statements

2022

2021

18. Employee benefit obligations (continued)

18.3 Long service awards

Independent actuaries and consultants carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	11.23 %	9.35 %
General salary inflation (long term)	4.90 %	5.81 %
Net effective discount rate	2.46 %	3.35 %
Average retirement age	63	63

Eligible employees

	Members	Members
Age 20-29	19	280
Age 30-39	190	180
Age 40-49	198	100
Age 50-59	113	30
Age 60+	33	-

Membership summary

Number of members	553	526
Average age of members (years)	-	43.0
Average past service (years)	11.4	11.3
Average salary (annual)	262 245	259 98

Benefit Structure

Service years

	Award (Number of days)	Award (Number of days)
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
18. Employee benefit obligations (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	13 121 000	11 757 354
Current service cost	1 263 000	1 049 788
Interest cost	1 158 000	1 069 582
Expected benefit payments	(1 291 000)	(861 739)
Recognised actuarial (gains)/losses	1 274 000	106 015
Balance at end of year	15 525 000	13 121 000
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1 263 000	1 049 788
Interest cost	1 158 000	1 069 582
Expected benefit payments	(1 291 000)	(861 739)
Recognised actuarial (gains) losses	1 274 000	106 015
	2 404 000	1 363 646
In conclusion these are the balances that has been incurred during the year:		
Statement of Financial Position obligation		
Current	1 973 000	1 506 000
Non-Current	13 552 000	11 615 000
	15 525 000	13 121 000
Statement of Financial Performance	2 404 000	1 363 646
19. Service charges		
Sale of water	38 486 444	41 338 674
Sewerage and sanitation charges	12 512 859	11 514 159
	50 999 303	52 852 833
20. Rental of facilities		
Facilities		
Rental of facilities	195 241	179 242
Included in the above rentals are operating lease rentals at straight-lined amounts.		
21. Interest on receivables		
Interest on receivables (water)	267 585	24 916
Interest on receivables (sewer)	18 558	3 869
Interest on receivables (Other)	1 619	666
	287 762	29 451

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
22. Other income		
Skills Levy Refunds	408 390	257 806
Non-refundable tender deposit	515 556	394 106
Clearance certification	108	287
Handling fees	8 994	9 730
Insurance claim	151 900	-
Health Certificates	-	10 000
	1 084 948	671 929
23. Investment revenue		
Interest revenue		
Interest on Bank account	1 221 650	856 744
Short term Investments and call accounts	2 483 753	2 368 902
	3 705 403	3 225 646
The amount included in Investment revenue arising from exchange transactions amounted to 3 705 403.		
24. Government grants & subsidies		
Operating grants		
Equitable share	524 645 000	564 272 000
Expanded Public Works Program	9 612 000	9 261 000
Finance Management Grant	1 200 000	1 200 000
KZN grant Indonsa Culture Center	1 911 000	1 911 000
KZN grant-Capacity building Spartial	241 770	758 230
KZN Grant- Capacity building-Tourism	269 354	430 646
KZN Amafa and Research Institute	100 000	-
	537 979 124	577 832 876
Capital grants		
Regional Bulk Infrastructure Grant	222 531 000	113 798 000
Municipal Infrastructure Grant	269 111 000	221 235 000
Water Services Infrastructure Grant	110 000 000	105 500 000
Rural Roads Asset Management Grant	1 647 023	2 383 000
KZN-KwaMajomela Project	7 958 503	3 820 680
	611 247 526	446 736 680
	1 149 226 650	1 024 569 556
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	624 581 650	460 297 556
Unconditional grants received	524 645 000	564 272 000
	1 149 226 650	1 024 569 556

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
24. Government grants & subsidies (continued)		
Equitable Share		
Current-year receipts	524 645 000	564 272 000
Conditions met - transferred to revenue	(524 645 000)	(564 272 000)
	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant		
Current-year receipts	269 111 000	221 235 000
Conditions met - transferred to revenue	(269 111 000)	(221 235 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		
Road Asset Management Grant		
Current-year receipts	2 416 000	2 383 000
Conditions met - transferred to revenue	(1 647 023)	(2 383 000)
	<u>768 977</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
Conditional grants are spent as per approved business plan		
The Municipality will engage the rollover process and adjustment budget process and subsequently spend the funds within the next financial year.		
Regional Bulk Infrastructure Grant		
Current-year receipts	222 531 000	113 798 000
Conditions met - transferred to revenue	(222 531 000)	(113 798 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		
Water Infrastructure Grant		
Current-year receipts	110 000 000	105 500 000
Conditions met - transferred to revenue	(110 000 000)	(105 500 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		
Financial Management Grant		
Current-year receipts	1 200 000	1 200 000
Conditions met - transferred to revenue	(1 200 000)	(1 200 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
24. Government grants & subsidies (continued)		
Expanded Public Works Program		
Current-year receipts	9 612 000	9 261 000
Conditions met - transferred to revenue	(9 612 000)	(9 261 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		
INDONSA		
Current-year receipts	955 500	955 000
Conditions met - transferred to revenue	(955 500)	(955 000)
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan		
Indonsa Grant was not received as gazzetted, a debtor has been raised to recognise the outstanding revenue of R955 500		
Capacity Building Grant- Spatial		
Balance unspent at beginning of year	241 770	1 000 000
Conditions met - transferred to revenue	(241 770)	(758 230)
	<u>-</u>	<u>241 770</u>
Conditional grants are spent as per approved business plan		
Tourism Strategy Grant		
Balance unspent at beginning of year	269 354	700 000
Conditions met - transferred to revenue	(269 354)	(430 646)
	<u>-</u>	<u>269 354</u>
Conditional grants are spent as per approved business plan		
KwaMajomela Project		
Balance unspent at beginning of year	1 779 320	2 100 000
Current-year receipts	7 821 000	3 500 000
Conditions met - transferred to revenue	(7 958 503)	(3 820 680)
	<u>1 641 817</u>	<u>1 779 320</u>
Conditions still to be met - remain liabilities (see note 16).		
Conditional grants are spent as per approved business plan		
The Memorandum provides ground for the municipality to spend the funds until the last payment without engaging rollover process, the municipality will spend the funds within the next financial year.		

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
24. Government grants & subsidies (continued)		
KZN Amafa and Research Institute		
Current-year receipts	100 000	-
Conditions met - transferred to revenue	(100 000)	-
	<u>-</u>	<u>-</u>
Conditional grants are spent as per approved business plan.		
25. Public contributions and donations		
Transfers Received - Donation	24 307 385	-
	<u>24 307 385</u>	<u>-</u>
Reconciliation of conditional contributions		
Current-year receipts	24 307 385	-
Conditions met - transferred to revenue	(24 307 385)	-
	<u>-</u>	<u>-</u>
The assets was donated by the provincial government in the form of infrastructure borehole accross the municipality		
26. Fines, Penalties and Forfeits		
Illegal Connections Fines	146 421	27 433
Deposits Forfeits	250	8 168
Retentions Forfeits	62 112	7 507 292
	<u>208 783</u>	<u>7 542 893</u>

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
27. Employee related costs		
Basic	171 941 181	149 977 200
Bonus	11 678 071	10 711 004
Medical aid - company contributions	13 623 777	12 589 519
UIF	1 438 623	1 174 021
Stand by allowance	7 971 853	9 855 376
Leave pay provision charge	3 223 448	4 629 718
Industrial bargaining council levy	212 320	127 960
Defined contribution plans	21 867 435	18 998 363
Motor car allowances	8 704 117	6 999 457
Overtime payments	4 912 229	5 592 367
Long-service awards	1 376 013	988 767
Acting allowances	436 711	1 185 465
Housing benefits and allowances	1 379 224	1 218 658
Cellular phone allowance	663 084	533 383
Shift allowance	2 198 744	1 422 004
Employee Benefits	4 904 857	7 439 464
	256 531 687	233 442 726
Remuneration of Municipal Manager		
Annual Remuneration	1 153 950	1 699 633
Car Allowance	288 883	433 324
Other Allowances	79 221	-
Service Related Benefits	354 304	322 735
Contributions to UIF, Medical and Pension Funds	2 052	-
	1 878 410	2 455 692
Remuneration of Chief Financial Officer		
Annual Remuneration	1 020 330	1 020 330
Car Allowance	255 557	255 557
Other Allowances	80 489	-
Service Related Benefits	37 827	70 630
Contributions to UIF, Medical and Pension Funds	2 249	-
	1 396 452	1 346 517
Remuneration - Director of Planning		
Annual Remuneration	148 700	716 876
Car Allowance	18 634	149 075
Other Allowances	12 560	-
Service Related Benefits	70 265	50 340
Contributions to UIF, Medical and Pension Funds	375	-
	250 534	916 291
Remuneration of Director Technical Services		
Annual Remuneration	988 297	1 031 841
Car Allowance	210 302	255 557
Other Allowances	79 210	-
Service Related Benefits	-	63 829
Contributions to UIF, Medical and Pension Funds	2 383	-
	1 280 192	1 351 227

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	2022	2021
27. Employee related costs (continued)		
Remuneration - Director of Corporate services		
Annual Remuneration	892 203	808 314
Car Allowance	223 612	202 316
Other Allowances	75 378	-
Service Related Benefits	-	52 856
Contributions to UIF, Medical and Pension Funds	2 249	-
	1 193 442	1 063 486
Employee costs - Director of Community services		
Annual Remuneration	798 613	994 765
Car Allowance	212 964	255 557
Other Allowances	67 074	-
Service Related Benefits	10 345	127 078
Contributions to UIF, Medical and Pension Funds	49 537	-
	1 138 533	1 377 400
Total employee related cost	263 669 250	241 953 339
28. Remuneration of councillors		
Mayor	905 318	934 651
Deputy Mayor	632 885	473 008
Executive Committee Members	1 995 559	2 690 836
Speaker	734 675	755 878
Councillors	4 348 033	3 634 314
	8 616 470	8 488 687
In-kind benefits		
The Speaker, the Mayor, the Deputy Mayor the and Executive Committee Members are full-time.		
The Speaker, Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Speaker, Mayor and Deputy Mayor are provided with bodyguards.		
The Councillors are provided with body guards where request has been approved.		
29. Depreciation and amortisation		
Property, plant and equipment	94 324 642	79 253 057
Intangible assets	17 139	20 794
	94 341 781	79 273 851
30. Finance costs		
Finance leases	94 794	-
Other interest paid	303 721	-
	398 515	-

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
31. Debt impairment		
Contributions to debt impairment provision	19 677 454	(5 452 078)
Impairment per class		
Trade Receivables from exchange transactions	20 000 830	(6 326 602)
Other Receivables from exchange transactions	(323 376)	323 376
Receivables from non-exchange transactions	-	551 148
	19 677 454	(5 452 078)
32. Bad Debts written off		
Bad debts written off	323 376	4 634 983
Bad Debts written off per class		
Trade Receivables from exchange transactions	-	4 634 983
Other Receivables from exchange transactions	323 376	-
Receivables from non-exchange transactions	-	-
	323 376	4 634 983
33. Contracted services		
Outsourced Services		
Business and Advisory	12 203 794	3 027 595
Catering Services	1 503 474	809 051
Cleaning Services	2 013 868	3 943 242
Hygiene Services	439 428	1 521 715
Internal Auditors	5 219 511	2 493 646
Meter Management	1 610 498	291 300
Personnel and Labour	233 120	749 033
Security Services	40 070 441	35 477 931
Water Takers	63 223 517	108 391 841
Consultants and Professional Services		
Business and Advisory	23 333 296	19 322 076
Legal Cost	2 488 830	1 418 546
Contractors		
Artists and Performers	690 750	228 500
Audio-visual Services	21 000	30 000
Maintenance of Equipment	881 514	842 784
Maintenance of Infrastructure Assets	131 887 442	98 909 046
Medical Services	336 925	237 317
Photographer	16 000	-
Sewerage Services	31 045 861	42 043 798
Stage and Sound Crew	820 250	19 500
	318 039 519	319 756 921
34. Transfer and subsidies		
Other subsidies		
Poverty alleviation	11 295 134	12 890 845

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
35. Inventory Consumed		
Materials and supplies	1 972 337	10 268 195
Consumable stores	6 061 875	-
	8 034 212	10 268 195
36. General expenses		
Achievements and awards	1 095 652	-
Advertising	1 522 506	6 682 676
Auditors remuneration	3 861 370	4 467 072
Bank charges	320 510	576 748
Discount allowed	-	41 329
Entertainment	12 404	62 261
Operating leases	2 967 624	388 613
Hire charges	8 297 990	4 189 454
Insurance	4 170 391	4 170 618
External computer expenses	3 109 608	1 099 746
Skills development levy	2 287 900	1 732 700
Small differences - Tolerances	1	1
Driver's licenses and permits	580 662	1 213 131
Fuel and oil	7 166 031	5 151 312
Communication	890	337
Printing and Publication	157 131	2 999 017
Eskom Connection fees	898 531	-
Registration	41 187	16 755
Subscriptions and membership fees	1 763 192	2 905 177
Telephone and fax	6 372 582	4 239 249
Transport and freight	1 710 588	170 200
Travel - local	15 148 476	14 459 920
Title deed search fees	153	-
Assets expensed	9 893	421 140
Municipal Services	66 396 716	54 224 760
Uniforms	1 727 943	2 618 384
Management fees	165 000	-
Workmans compensation	865 989	1 507 166
Honoraria	171 000	154 000
Vehicle Tracking	269 095	247 278
Staff Bursary	62 400	115 328
Amakhosi sitting allowance	24 271	27 581
	131 177 686	113 881 953
37. Impairment loss		
Impairments		
Property, plant and equipment	6 777 432	656 322
The impairment was recognised as results of obsolete and physical damaged of assets.		
38. Auditors' remuneration		
Fees	3 861 370	4 467 072

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
39. Cash generated from operations		
Surplus	351 088 992	285 381 812
Adjustments for:		
Depreciation and amortisation	94 341 781	79 273 851
Gain (loss) on sale of assets and liabilities	95 073	(47 017)
Finance costs - Finance leases	94 794	-
Gain from non-exchange transactions	(40 000)	(201 670)
Impairment loss	6 777 432	656 322
Debt impairment	19 677 454	(5 452 078)
Bad debts written off	323 376	4 634 983
Actuarial (losses) gains	2 532 143	(19 621 325)
Movements in retirement benefit assets and liabilities	4 904 857	7 439 464
Inventory losses or write-downs	-	2 111 495
Non-cash donations and other in-kind benefits	(24 307 385)	-
Changes in working capital:		
Inventories	1 583 866	(83 717)
Receivables from exchange transactions	462 513	420 438
Trade receivables from exchange transactions	(14 844 075)	(11 957 391)
Receivables from non-exchange transactions	(4 660 019)	(1 618 831)
Non current receivables from non-exchange transactions	(1 032 328)	(772 232)
VAT Receivable	(21 238 446)	(12 010 754)
Non current payables from exchange transaction	(8 400 000)	(9 591 655)
Payables from exchange transactions	75 976 723	32 012 655
Taxes and transfers payable (non-exchange)	(81 137)	-
Unspent conditional grants and receipts	120 350	(1 509 556)
Consumer deposits	(11 879)	13 257
	483 364 085	349 078 051

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>479 989 322</u>	<u>572 412 192</u>
Total capital commitments		
Already contracted for but not provided for	<u>479 989 322</u>	<u>572 412 192</u>
<p>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.</p>		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	995 819	227 506
- in second to fifth year inclusive	3 425 561	525 539
- later than five years	7 363 946	-
	<u>11 785 326</u>	<u>753 045</u>
<p>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.</p>		
Rental expenses relating to operating leases		
Minimum lease payments	<u>708 862</u>	<u>-</u>
<p>Lease payments were for two lease agreements</p>		
41. Water losses		
Unavoidable annual real losses	<u>233 952 719</u>	<u>299 837 843</u>
Water loss volumes		
Units purchased	19 659 471	17 333 846
Units sold	(4 309 764)	(4 422 152)
Units supplied through water tankers	(246 239)	(375 874)
	<u>15 103 468</u>	<u>12 535 820</u>
Water loss percentage %		
Technical losses	<u>77 %</u>	<u>72 %</u>

Zululand District Municipality produces water for both urban and rural areas. The Municipality currently has mainly urban areas on their billing system. The remaining rural areas being mainly indigent, water is supplied through subsidised schemes, hence the contributing factor to water loss not falling within the norm of 15-30%, due to the difference between consumers who qualified to be billed versus households that do not fall into this category, and water that is produced for both rural and urban areas. In addition other contributing factors are water leaks, illegal connections and aging infrastructure.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
42. Contingencies		
Year 2022		
Litigation		
Matter between Zululand District Municipality // SL Mazibuko: Labour Court Review. (The prospects of succeeding with the review application are reasonable)		50 000
Litigation		
Zululand District Municipality // MEC COGTA (Exco Composition) (The Municipality has good prospects of opposing this application)		1 000 000
Litigation		
Zululand District Municipality // MEC COGTA and others (Review Report) (reasonable prospects of success)		2 000 000
Litigation		
Zululand District Municipality // Moteko Construction (Plaintiff has not yet set the matter down for trial)		800 000
Litigation		
Zululand District Municipality // ESKOM Holding SOC (A plea has been filed and ESKOM has not taken the matter further)		500 000
Litigation		
Zululand District Municipality // ROCLA (This matter is still to be argued but should be referred to arbitration per the contract)		500 000
Litigation		
Zululand District Municipality // Pongolo local municipality (reasonable prospects of success)		300 000
Litigation		
Zululand District Municipality // Mr Mavundla & Mr Nkosi (The matter has been adjourned sine die)		350 000
Litigation		
Zululand District Municipality // Department of Water Affairs (The Minister of water and sanitation is pushing this matter to trial despite attempts at settlement.)		2 000 000
		7 500 000
Year 2021		
Litigation		
Matter between Zululand District Municipality // SB Nkosi: Labour Court Review.		70 000
Litigation		
Zululand District Municipality // SB Nkosi Bargaining Council Arbitration.		280 000
Litigation		
Zululand District Municipality // COGTA		400 000
Litigation		
Zululand District Municipality // Moteko Construction		500 000
Litigation		
Zululand District Municipality // ESKOM Holding SOC		500 000
Litigation		
Mtunami Projects // Zululand District Municipality		250 000
Litigation		
		2 000 000

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021

43. Risk management

Financial risk management

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

Revenue

On assessment of the outstanding debtors material impairment was noted as most customers are a subject of indigent verification.

Expenses

Due to increased expectation for access to better hygiene practices, water as the core service delivery mandate of the municipality, must reach communities at an increased volume.

Therefore intervention through grant reprioritisation is seen as the solution. The diverting of grants for capital projects to support operations and operation expenditure. This has a possibility of sustained expectation.

Assets

There is no indication that an impairment loss has been incurred on assets accept for the ones already recognised in the statement of financial performance.

Liabilities

There are no promises, commitments or obligations that have been made that requires to determine whether a liability exist at the reporting date or whether disclosure is needed in the notes to the financial statement.

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 timeous basis and, if required, additional new arrangement 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.

44. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of 4 340 844 253 and that the municipality's total assets exceed its liabilities by 4 340 844 253.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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44. Going concern (continued)

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 continue to procure funding for the ongoing operations for the municipality.

- The municipality is operating at a net asset position.
- There are no fixed term borrowings.
- There is no indication of withdrawals of support from creditors.
- The Municipality is not operating at an overdraft facility.
- The current ratio (CA/CL) is 0,34:1. However included in this calculation is retention of R 43 987 151 which is dependent on the future grant receipts and R 214 275 971 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 are no labour difficulties that will render the Municipality dysfunctional.
- 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.
- The Municipal budget was assessed as unfunded and the municipality adopted a budget funding plan.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 394 670	2 188 977
Amount paid - current year	(2 394 670)	(2 188 977)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	3 796 899	4 467 072
Amount paid - current year	(3 796 899)	(4 467 072)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	38 055 068	34 311 053
Amount paid - current year	(38 055 068)	(34 311 053)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	46 284 956	50 302 423
Amount paid - current year	(46 284 956)	(50 302 423)
	<u>-</u>	<u>-</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Nkwanyana SE	491	-	491
30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mkhize T K	1 074	306	1 380
Cllr Nkwanyana S E	365	-	365
	1 439	306	1 745

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

46. Budget differences

Material differences between budget and actual amounts

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

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

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 2022

Notes to the Annual Financial Statements

	2022	2021			
46. Budget differences (continued)					
Details	Budget	Actual	Variance	%	Comments
	-	-	-	-	
Services charges	54 491 025	50 999 303	(3 491 722)	(6.00)%	The municipality has corrected the billing from average to correct billing after installation of meters
Rental of facilities	183 486	195 241	11 755	6.00 %	The amendment on the rental was done during the year
Interest on receivables	85 000	287 762	202 762	239.00 %	This interest is charged on the businesses with outstanding amounts
Licences and permits	10 000	-	(10 000)	(100.00)%	No licences were issued during the year
Other income	625 489	1 084 948	459 459	73.00 %	There has been increase in tender sales and skills levy refund
Investments revenue	6 000 000	3 705 403	(2 294 597)	(38.00)%	This depends on the availability of funds that were not immediately required to settle payment and invested to call account or 32 day deposit
Government grants and subsidies	1 155 668 444	1 149 226 650	(6 441 794)	(1.00)%	The MSIG and unspent make up the deference. MSIG was not received as gazzetted.
Public contributions and donations	-	24 307 385	24 307 385	100.00 %	The municipality received the in-kind assets donated by KZN Provincial treasury
Fines and penalties	48 000	208 783	160 783	335.00 %	This is charged depending on the number illegal connections and reconnection
Employee related costs	(255 269 182)	(263 669 250)	(8 400 067)	(3.00)%	Increase on standby allowance and overtime claims
Remuneration of councillors	(9 037 323)	(8 616 470)	420 854	(5.00)%	new councillors were inagurated and savings were realised because of change in remuneration scales
Depreciation	(70 603 209)	(94 341 783)	(23 738 574)	34.00 %	The asset transferred from WIP to complited assets were above R500 million and started to depreciate and extended above budget
Finance cost	-	(398 515)	(398 515)	(100.00)%	These are interest resulting from lease liability and ESKOM accounts
Debt impairment	(9 000 000)	(19 677 454)	(10 677 454)	119.00 %	This depend on the actual debtors as at the end of the financial year and is above the financial year
Bad debts written off	-	(323 376)	(323 376)	(100.00)%	The council has written off the long outstanding debtors

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

				2022	2021
46. Budget differences (continued)					
Bulk purchases	-	(13 988 438)	(13 988 438)	100.00 %	Budget for bulk purchases is included under Inventory consumed
Contracted services	(197 220 741)	(318 039 519)	(120 818 778)	61.00 %	The contracted services comprises of of expenditure funded from capital grants which do not qualify to be capitalised
Transfers and Subsidies	(11 495 634)	(11 295 134)	200 500	(2.00)%	Transfers and Subsidies expenditure depend on the LED and poverty alleviation initiatives taken by the municipality.
Inventory consumed	(26 142 368)	(8 034 212)	18 108 156	(69.00)%	This include Consumable stores ,water inventory and Materials and supplies
General expenditure	(110 442 016)	(131 177 686)	(20 735 670)	19.00 %	There has been overspending on compelling items such as ESKOM, Hiring of plant and machinery, data and software renewals kills
(Loss) gain on disposal	-	(95 073)	(95 073)	(100.00)%	Budget for (Loss) gain on disposal was not allocated
Actuarial (losses) gains	-	(2 532 143)	(2 532 143)	(100.00)%	Budget for actuarial losses was not allocated
Impairment loss	-	(6 777 432)	(6 777 432)	(100.00)%	Budget for Impairment loss was not allocated
Gain from non-exchange transactions	-	40 000	40 000	100.00 %	Budget for Gain from non-exchange transactions was not allocated
	527 900 971	351 088 990	(176 811 979)		

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.

47. Unauthorised expenditure

Opening balance as previously reported	127 661 348	-
Add: Expenditure identified - current	127 448 321	127 661 348
Less: Amount authorised - current	(127 661 348)	-
Closing balance	127 448 321	127 661 348

Zululand District Municipality

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Notes to the Annual Financial Statements

	2022	2021
47. Unauthorised expenditure (continued)		
Analysed as follows: non-cash		
Employee related cost	4 904 857	7 439 464
Depreciation and amortisation	23 738 574	20 614 087
Inventories losses/write-downs	-	2 111 495
Loss on disposal of property, plant and equipment	95 073	-
Provision of impairment	10 677 454	4 634 983
Actuarial (losses)gains	2 532 143	-
Impairment loss	6 777 432	656 322
	48 725 533	35 456 351
Unauthorised expenditure was taken to council and authorised / written off, no unauthorised expenditure is under investigation		
48. Fruitless and wasteful expenditure		
Opening balance as previously reported	437 053	1 407 916
Add: Fruitless and wasteful expenditure identified - current	303 721	363 040
Less: Amount written off - current	(437 053)	(1 333 903)
Closing balance	303 721	437 053
Details of fruitless and wasteful expenditure		
Interest on overdue accounts	303 721	74 013
Penalties on overdue accounts	-	363 040
	303 721	437 053
Amount written-off		
After the council committee investigations, council adopted the council committee recommendations to write-off an amount of the total fruitless and wasteful expenditure amount as none of the expenditure attributed to gross negligence.		
49. Irregular expenditure		
Opening balance as previously reported	17 918 070	35 711 449
Add: Irregular expenditure - current	54 493 484	15 258 096
Add: Irregular expenditure - prior period	4 496 619	2 659 974
Less: Amount written off - prior period	(17 918 070)	(35 711 449)
Closing balance	58 990 103	17 918 070
Incidents/cases identified in the current year include those listed below:		
Non- compliance MSCMR	21 096 366	17 918 070
Non-compliance with CIDBR	27 094 494	-
Non-compliance with PPPFA	10 799 243	-
	58 990 103	17 918 070

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Notes to the Annual Financial Statements

	2022	2021
49. Irregular expenditure (continued)		
Cases under investigation		
Thursday, 30 June 2022 cases related to non-compliance with procurement process requirements.		
A forensic investigation was commissioned and it recommended that a case be opened with the South African Police Service. A case has been opened with the South African Police Service and the investigation is underway.		
Municipal Supply Chain Management Regulations (MSCMR)	<u>13 995 316</u>	<u>-</u>
Amount written-off		
After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 17 918 070 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.		
50. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.		
Report on approved deviation	<u>6 006 203</u>	<u>21 956 880</u>

Zululand District Municipality

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Notes to the Annual Financial Statements

2022

2021

51. Related parties

Relationships
Accounting Officer

Refer to accounting officers' report note

Remuneration of management

Management class: Office bearers

2022

Name	Office bearer allowance	Other Allowances	Total
Cllr Buthelezi TD	556 859	348 459	905 318
Cllr Ndlovu TD	390 935	241 950	632 885
Cllr Memela DT	457 320	277 355	734 675
Executive committee Members	1 297 795	697 763	1 995 558
Other councillors	3 088 504	1 259 529	4 348 033
	5 791 413	2 825 056	8 616 469

Management class: Executive management

2022

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
R N Hlongwa	1 020 330	363 528	2 249	1 386 107
PM Manqele	1 153 950	722 408	2 051	1 878 409
NS Msibi	-	10 345	-	10 345
TG Soko	148 700	31 197	375	180 272
RN Msimango	223 049	37 479	562	261 090
M S Linda	892 203	298 990	2 249	1 193 442
RTM Gumede	-	10 345	-	10 345
S Kheswa	-	70 263	-	70 263
SP Mosia	798 613	280 038	49 536	1 128 187
WJ Jordaan	765 247	252 034	1 821	1 019 102
	5 002 092	2 076 627	58 843	7 137 562

*Refer to note 27 "Employee related costs"

52. Events after the reporting date

There are no events identified after reporting date that warrant disclosure.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification

The Reclassification is as a result of implementation of Municipal Standard Charts of Accounts (mSCOA). The reclassification was done to achieve fair presentation of financial statements.

Statement of Financial Position

Note(s)	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	20 058 248	-	-	20 058 248
Trade Receivables from exchange transactions	37 798 062	118 665	128 663	38 045 390
Receivables from exchange transactions	1 831 632	-	(649 809)	1 181 823
Receivables from non-exchange transactions	6 531 985	-	1 673 467	8 205 452
VAT Receivable	4 364 174	19 948 466	-	24 312 640
Inventories	4 140 345	-	-	4 140 345
Non current receivables from non-exchange transactions	1 152 321	-	(1 152 321)	-
	75 876 767	20 067 131	-	95 943 898
Non-Current Assets				
Other receivables from exchange transactions	16 302 248	-	-	16 302 248
Property, plant and equipment	4 187 853 126	4 225 928	-	4 192 079 054
Heritage assets	1 212 635	-	-	1 212 635
Intangible assets	31 999	-	-	31 999
	4 205 400 008	4 225 928	-	4 209 625 936
Total Assets	4 281 276 775	24 293 059	-	4 305 569 834
Liabilities				
Current Liabilities				
Payables from exchange transactions	210 356 577	42 036 352	-	252 392 929
Consumer deposits	3 633 124	-	-	3 633 124
Taxes and transfers payable (non-exchange)	81 137	-	-	81 137
Unspent conditional grants and receipts	2 290 444	-	-	2 290 444
Employee benefit obligation (Medical Aid)	249 000	-	-	249 000
Employee benefit obligation (Long Service Award)	1 506 000	-	-	1 506 000
	218 116 282	42 036 352	-	260 152 634
Non-Current Liabilities				
Payables from exchange transactions	21 757 945	-	-	21 757 945
Employee benefit obligation (Medical Aid)	22 289 000	-	-	22 289 000
Employee benefit obligation (Long Service Award)	11 615 000	-	-	11 615 000
	55 661 945	-	-	55 661 945
Total Liabilities	273 778 227	42 036 352	-	315 814 579
Net Assets	4 007 498 548	(17 743 293)	-	3 989 755 255
Net Assets				
Accumulated surplus	4 007 498 541	(17 743 293)	-	3 989 755 248

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Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

53.1 Trade Receivables from exchange transactions

Balance previously reported	37 798 062
Reclassification from other receivables from exchange transactions	128 663
Correction of prior period error - recognition of unbilled debtors	118 665
	38 045 390

Reclassification from Receivables from exchange transactions, recognition of debtor not billed.

53.2 Receivables from exchange transactions

Balance previously reported	1 831 632
Prepaid expenses	1 152 321
Recoverable fruitless and wasteful expenditure	(1 333 903)
Debtor: Accrued Income	(282 900)
Debtor: Under/Over Banking	(4 230)
Debtor: Debit orders Absa	(3 950)
Debtor: Tracker - Cost	(134 248)
Debtor: Tracker - Impairment	134 248
Debtor: World Focus - Cost	(284 241)
Debtor: World Focus - Impairment	284 241
Debtor BP Drakensburg - Cost	(136 888)
Debtor BP Drakensburg - Impairment	136 888
Debtor: SAMWUMED	(9 050)
Debtor: Accrued Interest	(39 434)
Reclassification to Trade receivables from exchange transactions	(128 663)
	1 181 823

Merging Receivable form exchange transactions with other Receivables from exchange transactions, Reclassification of Receivables from exchange transactions to Receivables from non-exchange transactions (mSCOA classification alignment).
Reclassification to trade receivables from exchange transactions due to MSCOA alignment.

53.3 Receivables from non-exchange transactions

Balance previously reported	22 834 234
Recoverable fruitless and wasteful expenditure	1 333 903
Debtor: Accrued Income	282 900
Debtor: Under/Over Banking	4 230
Debtor: Debit orders Absa	3 950
Debtor: Tracker - Cost	134 248
Debtor: Tracker - Impairment	(134 248)
Debtor: World Focus - Cost	284 241
Debtor: World Focus - Impairment	(284 241)
Debtor BP Drakensburg - Cost	136 888
Debtor BP Drakensburg - Impairment	(136 888)
Debtor: SAMWUMED	9 050
Debtor: Accrued Interest	39 434
	24 507 701

Reclassification of Receivables from exchange transactions to Receivables from non-exchange transactions (mSCOA classification alignment).

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Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

53.4 Non current receivables from non-exchange transactions

Balance previously reported	1 152 321
Prepaid expenses	(1 152 321)
	<u>-</u>

Merging Receivable from exchange transactions with other Receivables from exchange transactions.

53.5 VAT Receivable

Balance previously reported	4 364 174
Correction of prior error payments paid in current year instead of prior year	5 473 224
Correction of prior period error - Recognition of Output VAT Impairment	14 505 990
Correction of prior period error - Recognition of Output VAT on Unbilled debtors	(15 077)
Correction of prior period error - Output VAT not recognised on sale of water to clinics	(15 671)
	<u>24 312 640</u>

Prior period error relate to payments that were allocated in 2122 instead of 2021. Output VAT prior period adjustment for water and sanitation debtors. Correction of prior error Recognition of output VAT on unbilled debtors, Correction of prior period error - Output VAT not recognised on sale of water to clinics.

53.6 Property, plant and equipment

Balance previously reported	4 187 853 126
Correction of prior error assets fully depreciated	4 225 928
	<u>4 192 079 054</u>

Correction of prior error assets fully depreciated

53.7 Payables from exchange transactions

Balance previously reported	210 356 577
Correction of prior error payments paid in current year instead of prior year	42 036 352
	<u>252 392 929</u>

Prior period error relate to payments that were allocated in 2122 instead of 2021. Correction of prior error payments paid in current year instead of prior year.

53.8 Accumulated surplus

Balance previously reported	4 007 498 541
Correction of prior error payments paid in current year instead of prior year	(36 563 129)
Correction of prior error assets fully depreciated	4 225 929
Correction of prior period error - Recognition of Output VAT Impairment	14 505 991
Correction of prior period error - Recognition of Unbilled Revenue	103 588
Correction of prior period error - Output VAT not recognised on sale of water to clinics	(15 672)
	<u>3 989 755 248</u>

Prior period adjustments relating to receivables from exchange transactions. Prior period error relate to payments that were allocated in 2122 instead of 2021. Correction of prior error assets fully depreciated. Correction of prior period error - Recognition of Output VAT Impairment. Correction of prior period error - recognition of unbilled Revenue, Correction of prior period error - Output VAT not recognised on sale of water to clinics.

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Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

Statement of Financial Performance

Note(s)	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	52 764 917	87 916	-	52 852 833
Rental of facilities	179 242	-	-	179 242
Interest on receivables	29 451	-	-	29 451
Other operating revenue	671 929	-	-	671 929
Investment revenue	3 225 646	-	-	3 225 646
Total revenue from exchange transactions	56 871 185	87 916	-	56 959 101
Revenue from non-exchange transactions				
Transfer revenue				
Government grants and subsidies	1 024 569 556	-	-	1 024 569 556
Fines, Penalties and Forfeits	7 542 893	-	-	7 542 893
Total revenue from non-exchange transactions	1 032 112 449	-	-	1 032 112 449
Total revenue	1 088 983 634	87 916	-	1 089 071 550
Expenditure				
Employee related costs	(234 513 875)	-	(7 439 464)	(241 953 339)
Remuneration of councillors	(8 488 687)	-	-	(8 488 687)
Employee benefit	(7 439 464)	-	7 439 464	-
Depreciation, amortisation and impairments	(83 499 781)	4 225 930	-	(79 273 851)
Debt impairment	(9 053 913)	14 505 991	-	5 452 078
Bad debts written off	(4 634 983)	-	-	(4 634 983)
Contracted services	(294 417 318)	(25 250 415)	(89 188)	(319 756 921)
Transfers and subsidies	(12 890 845)	-	-	(12 890 845)
Collection costs	(89 188)	-	89 188	-
Inventory consumed	(10 268 195)	-	-	(10 268 195)
Bulk purchases	(24 567 195)	(10 528 042)	-	(35 095 237)
Lease rental	(372 478)	-	372 478	-
General Expenses	(112 724 802)	(784 674)	(372 478)	(113 881 954)
Total expenditure	(802 960 724)	(17 831 210)	-	(820 791 934)
Operating surplus	286 022 910	(17 743 294)	-	268 279 616
Gain on disposal of assets and liabilities	47 017	-	-	47 017
Impairment loss	(656 322)	-	-	(656 322)
Gain from non-exchange transactions	201 670	-	-	201 670
Inventories (losses/write-downs)/ reversal of write downs	(2 111 495)	-	-	(2 111 495)
Actuarial gains/losses	19 621 325	-	-	19 621 325
	17 102 195	-	-	17 102 195
Surplus for the year	303 125 105	(17 743 294)	-	285 381 811

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

53.9 Service charges

Balance previously reported	52 764 917
Correction of prior period error - Recognition of Unbilled Revenue	103 588
Correction of prior period error - Output VAT not recognised on sale of water to clinics	(15 672)
	<u>52 852 833</u>

Correction of prior period error - Recognition of Unbilled Revenue, Correction of prior period error - Output VAT not recognised on sale of water to clinics.

53.10 Employee related costs

Balance previously reported	(234 513 875)
Reclassification from Employee benefit	(7 439 464)
	<u>(241 953 339)</u>

Reclassification of employee benefit to employee related cost (mSCOA classification alignment).

53.11 Employee benefits

Balance previously reported	(7 439 464)
Reclassification to employee related cost	7 439 464
	<u>-</u>

Reclassification of employee benefit to employee related cost (mSCOA classification alignment).

53.12 Depreciation, amortisation and Impairments

Balance previously reported	(83 499 781)
Correction of prior error assets fully depreciated	4 225 930
	<u>(79 273 851)</u>

Correction of prior error assets fully depreciated

53.13 Debt impairment

Balance previously reported	(9 053 913)
Correction of prior period error - Recognition of Output VAT Impairment	14 505 991
	<u>5 452 078</u>

Correction of prior period error - Recognition of Output VAT Impairment

53.14 Collection costs

Balance previously reported	89 188
Reclassification to contracted services	(89 188)
	<u>-</u>

Reclassification of collection cost to Contracted services (mSCOA reclassification alignment)

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Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

53.15 Bulk purchases

Balance previously reported	(24 567 195)
Correction of prior error payments paid in current year instead of prior year	(10 528 042)
	<u>(35 095 237)</u>

Prior period error relate to payments that were allocated in 2122 instead of 2021

53.16 Contracted services

Balance previously reported	(294 417 318)
Reclassification from collection cost	(89 188)
Correction of prior error payments paid in current year instead of prior year	(25 250 415)
	<u>(319 756 921)</u>

Reclassification of collection cost to contracted services (mSCOA reclassification alignment). Prior period error relate to payments that were allocated in 2122 instead of 2021

53.17 Lease rentals on operating lease

Balance previously reported	(372 478)
Reclassification to general expenses	372 478
	<u>-</u>

Reclassification of Operating leases to General expenses (mSCOA reclassification alignment).

53.18 General Expenses

Balance previously reported	(112 724 802)
Reclassification from operating lease	(372 478)
Correction of prior error payments paid in current year instead of prior year	(784 674)
	<u>(113 881 954)</u>

Reclassification of Operating leases to General expenses (mSCOA reclassification alignment). Prior period error relate to payments that were allocated in 2122 instead of 2021.

54. Segment information

General information

Zululand District Municipality

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Notes to the Annual Financial Statements

54. (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and public safety, Economic and environmental services and Trading services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The municipality's operations are in the KwaZulu Natal Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

2022

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	2 011 000	9 605 526	635 653 705	526 472 589	1 173 742 820
External revenue from exchange transactions	-	-	51 287 064	1 280 188	52 567 252
Interest revenue	-	-	-	3 705 403	3 705 403
Total	2 011 000	9 605 526	686 940 769	531 458 180	1 230 015 475
Segment expenses					
Total segment expenses	(24 611 163)	(24 398 816)	(471 850 790)	(253 960 764)	(774 821 533)
Depreciation and amortisation	(185 245)	(103 462)	(87 642 274)	(6 410 802)	(94 341 783)
Interest expense	-	-	-	(398 515)	(398 515)
Total	(24 796 408)	(24 502 278)	(559 493 064)	(260 770 081)	(869 561 831)
Surplus for the year	(22 785 408)	(14 896 752)	127 447 705	270 688 099	360 453 644
Other information					
Segment assets	398 774	22 397 484	4 562 291 517	148 605 639	4 733 693 414
Segment liabilities	-	(768 977)	(2 642 118)	(389 438 062)	(392 849 157)
Total capital expenditure	485 413	6 965 198	464 144 412	13 257 855	484 852 878

2021

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
Segment revenue					
External revenue from non-exchange transactions	1 911 000	6 203 680	449 804 691	574 193 078	1 032 112 449
External revenue from exchange transactions	10 000	-	52 794 368	361 414	53 165 782
Interest revenue	-	-	-	3 705 403	3 705 403
Total	1 921 000	6 203 680	502 599 059	578 259 895	1 088 983 634

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Notes to the Annual Financial Statements

54. (continued)

Segment expenses

Total segment expenses	(18 284 843)	(19 780 786)	(457 619 758)	(229 466 568)	(725 151 955)
Depreciation and amortisation	(120 270)	(108 098)	(77 849 040)	(5 422 373)	(83 499 781)
Total	(18 405 113)	(19 888 884)	(535 468 798)	(234 888 941)	(808 651 736)
Surplus for the year	(16 484 113)	(13 685 204)	(32 869 739)	343 370 954	280 331 898

Other information

Segment assets	(43 719)	15 524 317	4 128 407 666	137 388 513	4 281 276 777
Segment liabilities	-	-	(2 497 886)	(271 280 341)	(273 778 227)
Total capital expenditure	547 040	3 322 330	333 170 749	4 415 721	341 455 840