



Zululand

District Municipality

Zululand District Municipality
(Demarcation code DC26)
Annual Financial Statements
for the year ended 30 June 2024

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations

AFS	Annual Financial Statements
CPI	Consumer Price Index
LGSETA	Local Government Services Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
PAYE	Pay As You Earn
SETA	Sector Education and Training Authority
SDL	Skills Development Levy
GFS	Government Finance Statistics
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Services
SCM	Supply Chain Management
VAT	Value Added Tax
UIF	Unemployment Insurance Fund

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General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)
Mayor and executive committee	
Portfolio	Councillor
Mayor	Cllr. Khumalo MB (from June 2024) Cllr Buthelezi TD (until June 2024)
Deputy Mayor	Cllr. Mbatha SI
Speaker	Cllr. Memela DT
Chief WIP	Cllr Nxumalo B (until April 2024) Cllr Ndlovu TD (from June 2024)
Member of the Executive Committee	Cllr. Khumalo BK (until August 2023)
Member of the Executive Committee	Cllr. Khumalo MB (until June 2024)
Member of the Executive Committee	Cllr. Hadebe ISM
Member of the Executive Committee	Cllr. Zulu RM (from September 2023)
Member of the Executive Committee	Cllr. Mncwango SA (from June 2024)
MPAC Chairperson	Cllr. Shelembe S

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General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
Cllr.	Barnes (from June 2024)	IR	Cllr.	Dlamini	FM
Cllr.	Dlamini	VV	Cllr.	Dubazane	MR
Cllr.	Jiyane (from May 2024)	KR	Cllr.	Khumalo	BK
Cllr.	Magagula	NS	Cllr.	Masondo	ND
Cllr.	Mavundla	CM	Cllr.	Mavundla	JB
Cllr.	Mavuso	NP	Cllr.	Mncwango	BJ
Cllr.	Mncwango (until June 2024)	SA	Cllr.	Mngomezulu	ND
Cllr.	Mtambo	M	Cllr.	Ndlovu (until June 2024)	TD
Cllr.	Ndwandwe	TM	Cllr.	Nhlabathi	BC
Cllr.	Nkwanyana	SE	Cllr.	Nkosi (until June 2024)	SR
Cllr.	Ntombela	SS	Cllr.	Ntshangase	TA
Cllr.	Ntuli	KM	Cllr.	Nxumalo	SV
Cllr.	Nxumalo-Sibiya	CM	Cllr.	Selepe	PP
Cllr.	Sibiya	AM	Cllr.	Sikhakhane (from June 2024)	HN
Cllr.	Sithole	BH	Cllr.	Williams	MP
Cllr.	Xaba (from October 2023)	NG	Cllr.	Zungu	NF
Cllr.	Zungu	ZH			

Executive management

Position	Name
Municipal Manager	Mr Hlongwa RN
Chief Operations Officer	Mr Mosia SP
Chief Financial Officer	Ms Msibi NS
General Manager Corporate Services	Ms Linda MS
General Manager Community Services	Ms Ntombela TA (from May 2024)
	Ms Nene FK
General Manager Technical Services	Ms Msimango RN (until March 2024) (Vacant)
General Manager Planning Services	Mr Soko TG
Chief Operations & Maintenance Specialist	Mr Jele TM

Members of the Audit Committee

Chairperson	Mr EN Sithole
Member	Mr VR Nhleko
Member	Ms N Thungo

Business address

B-400 GAGANE STREET
ULUNDI
KWAZULU-NATAL
SOUTH AFRICA
3838

Postal address

PRIVATE BAG X76

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General Information

	ULUNDI KWAZULU-NATAL SOUTH AFRICA 3838
Legal representative	Stowels & Co. Inc. Ntanga Nkuhlu Inc. Attorneys Garlicke & Bousfield Inc.
Telephone	035 874 5500
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa (AGSA)
Fax	035-874 5589/91
Demarcation code	DC26
Email address	mm@zululand.org.za

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Annual Financial Statements for the year ended 30 June 2024

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 was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Accounting Officer
Mr Hlongwa RN

31 August 2024

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

		2024	2023 Restated*
	Note(s)		
Assets			
Current Assets			
Cash and cash equivalents	2	57 070 895	27 426 613
Trade and other receivables from exchange transactions	3	36 516 228	6 441 908
Receivables from non-exchange transactions	4	15 825 418	18 382 316
Deposits	5	19 406 873	18 178 536
VAT Receivable	6	64 191 360	82 769 434
Inventories	7	3 965 972	2 836 082
Operating lease receivable	8	5 225	-
Total Current Assets		196 981 971	156 034 889
Non-Current Assets			
Operating lease receivable	8	10 144	-
Property, plant and equipment	9	5 521 477 601	4 973 685 426
Intangible assets	10	27 945	51 827
Heritage assets	11	7 816 633	7 816 633
Total Non-Current Assets		5 529 332 323	4 981 553 886
Total Assets		5 726 314 294	5 137 588 775
Liabilities			
Current Liabilities			
Consumer deposits	12	3 380 853	3 620 159
Trade and other payables from exchange transactions	13	487 862 149	443 594 933
Vat payables	14	836 419	614 517
Payables from non-exchange transactions	15	1 445 896	1 559 960
Employee benefit obligation	16	747 000	500 000
Provision	17	34 192 639	29 176 845
Borrowings	18	17 711 896	-
Lease liabilities	19	1 076 911	1 483 982
Total Current Liabilities		547 253 763	480 550 396
Non-Current Liabilities			
Employee benefit obligation	16	30 750 000	30 426 000
Provision	17	13 320 000	13 061 000
Borrowings	18	79 547 656	-
Lease liabilities	19	907 399	1 744 329
Trade and other payables from exchange transactions	20	2 924 971	32 779 089
Total Non-Current Liabilities		127 450 026	78 010 418
Total Liabilities		674 703 789	558 560 814
Net Assets		5 051 610 505	4 579 027 961
Community Wealth / Equity			
Accumulated surplus		5 051 610 503	4 579 027 972

* See Note 57

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

		2024	2023
	Note(s)		Restated*
Revenue			
Exchange Revenue			
Services charges – Water	21	58 876 864	39 169 620
Services charges – Waste water management	21	16 024 007	14 831 359
Sales of goods and rendering of services	22	760 200	1 425 827
Interest earned from receivables	23	691 101	75 296
Interests earned from current and non-current assets	24	15 458 240	7 433 381
Licences or permits	25	106 561	87 515
Rental from fixed assets	26	558 834	180 833
Operational revenue	27	593 899	562 671
Total Exchange Revenue		93 069 706	63 766 502
Non-Exchange Revenue			
Fines, penalties and forfeits	28	875 061	909 670
Transfers and subsidies	29	1 514 839 672	1 269 331 843
Gains on disposal	30	173 933	2 214 821
Actuarial gain	31	5 704 000	4 211 000
Total Non-Exchange Revenue		1 521 592 666	1 276 667 334
Total Revenue		1 614 662 372	1 340 433 836
Expenditure			
Employee related cost	32	315 068 196	286 292 686
Remuneration of councillors	33	10 362 182	9 275 903
Inventory consumed	34	45 329 983	53 331 990
Debt impairment	35	30 812 251	26 735 357
Depreciation and amortisation	36	114 268 909	108 299 633
Finance costs	37	7 148 951	552 621
Contracted services	38	370 958 209	366 698 253
Transfers and subsidies	39	3 533 875	4 682 749
Irrecoverable debts written off	40	8 134 277	2 191 696
Operating leases	41	23 700 334	6 420 302
Operational cost	42	212 762 695	176 140 160
Inventory losses	43	-	135 106
Total Expenditure		1 142 079 862	1 040 756 456
Surplus for the year		472 582 510	299 677 380

* See Note 57

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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2022	4 279 350 592	4 279 350 592
Surplus for the year	299 677 380	299 677 380
Total changes	299 677 380	299 677 380
Restated* Balance at 01 July 2023	4 579 027 993	4 579 027 993
Surplus for the year	472 582 510	472 582 510
Total changes	472 582 510	472 582 510
Balance at 30 June 2024	5 051 610 503	5 051 610 503

Note(s)

* See Note 57

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

	2024	2023
	Note(s)	Restated*
Cash flows from operating activities		
Receipts		
Sales of goods and services	35 089 577	27 255 434
Rental from fixed assets	242 087	159 994
Licences or permits	106 561	87 515
Operational revenue	593 899	562 671
Transfers and Subsidies	1 514 736 130	1 269 416 509
Interest earned from investment	15 873 965	6 765 524
Fines and penalties	664 899	152 521
Payments		
Payments to employees and councillors	(314 694 385)	(285 572 297)
Payments to suppliers for goods and services	(650 599 071)	(516 860 772)
Finance costs	37 (6 291 179)	(260 856)
Net cash from(used) operating activities	44 595 722 483	501 706 243
Cash flows from investing activities		
Receipts		
Proceeds on disposal of fixed and intangible assets	679 653	2 901 569
Payments		
Purchase of property, plant and equipment	(662 533 441)	(498 290 337)
Purchase of intangible assets	-	(51 267)
Net cash flows from investing activities	(661 853 788)	(495 440 035)
Cash flows from financing activities		
Receipts		
Increase in borrowings	100 000 000	-
Increase in finance lease	-	692 199
Payments		
Decrease in borrowings	(2 740 448)	-
Decrease in finance lease	(1 483 996)	-
Net cash flows from financing activities	95 775 556	692 199
Net increase/(decrease) in cash	29 644 251	6 958 407
Cash and cash equivalents at year begin	27 426 613	20 468 193
Cash and Cash Equivalents at year end	2 57 070 864	27 426 600

* See Note 57

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Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
2024						
Financial performance						
Revenue by source						
Exchange revenue						
Service charges - Water	51 532 000	1 986 068	53 518 068	58 876 864	5 358 796	BD1
Service charges - Waste Water Management	16 406 000	(809 462)	15 596 538	16 024 006	427 468	BD2
Sale of goods and rendering of services	1 000 500	(245 711)	754 789	760 201	5 412	BD3
Interest earned from receivables	521 000	263 453	784 453	691 100	(93 353)	BD4
Interest earned from current and non current assets	3 000 000	4 500 000	7 500 000	15 458 240	7 958 240	BD5
Rental from fixed assets	500 000	(41 820)	458 180	558 834	100 654	BD6
Licence and permits	60 000	43 218	103 218	106 561	3 343	BD7
Operational revenue	369 000	73 216	442 216	593 899	151 683	BD8
	73 388 500	5 768 962	79 157 462	93 069 705	13 912 243	
Non-exchange revenue						
Fines, penalties and forfeits	1 000 000	(146 551)	853 449	875 061	21 612	BD9
Transfer and subsidies - Operational	643 859 000	102 585 561	746 444 561	746 444 194	(367)	BD10
Gains on disposal of assets	-	-	-	679 653	679 653	BD11
Other gains	-	-	-	5 704 000	5 704 000	
	644 859 000	102 439 010	747 298 010	753 702 908	6 404 898	
Total Revenue by source (excl. capital transfers and contributions)	718 247 500	108 207 972	826 455 472	846 772 613	20 317 141	
Expenditure						
Employee costs	(290 728 149)	(10 413 783)	(301 141 932)	(315 068 195)	(13 926 263)	BD12
Remuneration of councillors	(9 485 927)	(297 990)	(9 783 917)	(10 362 184)	(578 267)	BD13
Inventory consumed	(42 130 000)	(4 695 640)	(46 825 640)	(45 329 982)	1 495 658	BD14
Debt impairment	(10 000 002)	-	(10 000 002)	(30 812 251)	(20 812 249)	BD15
Depreciation and amortisation	(90 000 004)	-	(90 000 004)	(114 268 905)	(24 268 901)	BD16
Finance charges	(1 000 000)	-	(1 000 000)	(7 148 951)	(6 148 951)	BD17
Contracted services	(128 719 368)	(145 373 039)	(274 092 407)	(370 958 210)	(96 865 803)	BD18
Transfers and subsidies	(6 000 000)	1 736 078	(4 263 922)	(3 533 875)	730 047	BD19
Irrecoverable debts written off	-	-	-	(8 134 277)	(8 134 277)	BD20
Operational costs	(144 038 685)	(58 758 262)	(202 796 947)	(236 463 024)	(33 666 077)	BD21

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Losses on disposal of Assets	-	-	-	(505 720)	(505 720)	BD22
Total Expenditure	(722 102 135)	(217 802 636)	(939 904 771)	(1 142 585 574)	(202 680 803)	
Deficit	(3 854 635)	(109 594 664)	(113 449 299)	(295 812 961)	(182 363 662)	
Transfers and subsidies - capital (monetary allocations)	805 127 000	(35 295 104)	769 831 896	768 386 000	(1 445 896)	BD23
Transfers and subsidies - capital (in-kind)	-	-	-	9 478	9 478	BD24
Surplus for the year	801 272 365	(144 889 768)	656 382 597	472 582 517	(183 800 080)	

Financial position

Assets

Current assets

Cash and cash equivalents	345 287 704	(253 189 322)	92 098 382	57 070 896	(35 027 486)	BD25
Trade and other receivables from exchange transactions	59 575 488	(12 846 926)	46 728 562	36 516 228	(10 212 334)	BD26
Receivables from non-exchange transactions	-	7 109 325	7 109 325	5 696 264	(1 413 061)	BD27
Inventory	2 556 478	267 942	2 824 420	3 965 972	1 141 552	BD28
VAT	50 650 049	30 058 673	80 708 722	64 890 141	(15 818 581)	BD29
Other current assets	22 422 124	3 265 921	25 688 045	29 541 253	3 853 208	BD30
Total current assets	480 491 843	(225 334 387)	255 157 456	197 680 754	(57 476 702)	

Non-current assets

Property, plant and equipment	6 247 523 379	(585 045 072)	5 662 478 307	5 521 477 597	(141 000 710)	BD31
Heritage assets	-	7 816 633	7 816 633	7 816 633	-	BD32
Intangible assets	1 448	50 380	51 828	27 945	(23 883)	BD33
Other non-current assets	-	-	-	10 144	10 144	
Total non-current assets	6 247 524 827	(577 178 059)	5 670 346 768	5 529 332 319	(141 014 449)	
Total assets	6 728 016 670	(802 512 446)	5 925 504 224	5 727 013 073	(198 491 151)	

Liabilities

Current liabilities

Financial liabilities	-	1 483 991	1 483 991	18 788 808	17 304 817	BD34
Consumer deposits	3 633 124	(12 964)	3 620 160	3 380 853	(239 307)	BD35
Trade and other payables from exchange transactions	338 908 215	155 552 503	494 460 718	487 862 149	(6 598 569)	BD36
Trade and other payables from non-exchange transactions	-	-	-	1 445 896	1 445 896	BD37
Provision	2 378 000	(224 000)	2 154 000	34 192 639	32 038 639	BD38

Zululand District Municipality

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
VAT	8 073 114	(2 023 574)	6 049 540	1 535 199	(4 514 341)	BD39
Other current liabilities	-	-	-	747 000	747 000	BD40
Total current liabilities	352 992 453	154 775 956	507 768 409	547 952 544	40 184 135	
Non-current liabilities						
Financial liabilities	90 000 000	1 201 738	91 201 738	80 455 055	(10 746 683)	BD41
Long term portion of trade payables	-	-	-	2 924 971	2 924 971	BD42
Other non-current liabilities	38 340 000	2 769 000	41 109 000	44 070 000	2 961 000	BD43
Total non-current liabilities	128 340 000	3 970 738	132 310 738	127 450 026	(4 860 712)	
Total liabilities	481 332 453	158 746 694	640 079 147	675 402 570	35 323 423	
Net assets	6 246 684 217	(961 259 140)	5 285 425 077	5 051 610 503	(233 814 574)	
Community wealth/ Equity						
Accumulated Surplus/(Deficit)	6 246 684 217	(962 333 186)	5 284 351 031	5 051 610 489	(232 740 542)	
Cash flow						
Cash flow from operating activities						
Receipts						
Service charges	51 641 655	1 356 766	52 998 421	35 089 577	(17 908 844)	BD41
Other revenue	162 144 404	23 098 224	185 242 628	1 607 446	(183 635 182)	BD42
Transfers and Subsidies - Operational	643 859 000	102 471 130	746 330 130	746 350 130	20 000	BD43
Transfers and Subsidies - Capital	805 127 000	(36 741 000)	768 386 000	768 386 000	-	BD44
Interest	3 000 000	4 500 000	7 500 000	15 873 965	8 373 965	BD45
	1 665 772 059	94 685 120	1 760 457 179	1 567 307 118	(193 150 061)	
Payments						
Suppliers and employees	(672 640 343)	(99 869 747)	(772 510 090)	(965 293 456)	(192 783 366)	BD46
Finance charges	-	-	-	(6 291 179)	(6 291 179)	BD47
	(672 640 343)	(99 869 747)	(772 510 090)	(971 584 635)	(199 074 545)	
Net cash from/(used) operating activities	993 131 716	(5 184 627)	987 947 089	595 722 483	(392 224 606)	
Cash flow from investing activities						
Receipts						
Proceeds on disposal of PPE	-	-	-	679 652	679 652	BD48
Payments						
Capital assets	(789 966 960)	29 915 958	(760 051 002)	(662 533 441)	97 517 561	BD49

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net cash from/(used) investing activities	(789 966 960)	29 915 958	(760 051 002)	(661 853 789)	98 197 213	
Cash flow from financing activities						
Receipts						
Borrowing long term/refinancing	100 000 000	-	100 000 000	100 000 000	-	BD50
Payments						
Repayment of borrowing	(10 000 000)	-	(10 000 000)	(4 224 444)	5 775 556	BD51
Net cash from/(used) financing activities	90 000 000	-	90 000 000	95 775 556	5 775 556	
Net Increase/(Decrease) in cash held	293 164 756	24 731 331	317 896 087	29 644 250	(288 251 837)	
Cash/cash equivalents at the year begin:	173 116 990	(145 690 377)	27 426 613	27 426 613	-	BD52
Cash/cash equivalents at the year end:	466 281 746	(120 959 046)	345 322 700	57 070 863	(288 251 837)	BD53

Commentary

Refer to note 55 for budget variance explanations.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. Summary of significant accounting policies

1.1 Presentation currency

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

1.2 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.2.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Lease classification – municipality as lessor

The municipality has entered into lease agreements to rent a small portion of its administration building. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Determination of repairs and maintenance cost

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.2 Significant judgements and estimates (continued)

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

1.2.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

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.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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

Zululand District Municipality

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Accounting Policies

1.2 Significant judgements and estimates (continued)

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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 were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. 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

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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

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Accounting Policies

1.6 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and Correction of prior period errors are disclosed in the notes to the annual financial statements where applicable.

1.7 Property, plant and equipment

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 municipality elected the cost model for Property, plant and equipment.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at amortised cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement - cost mode

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.

Zululand District Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the assets' residual value where applicable

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	
• Emergency equipment		10-30 years
• Office equipment		3-25 years
Furniture and office equipment	Straight-line	
• Furniture and fittings		3-5 years
Transport assets	Straight-line	
• Specialist vehicles		4-15 years
• Other vehicles		4-15 years
Computer equipment	Straight-line	
• Computer equipment		5-23
• Computer equipment		3-11 years
Community assets	Straight-line	
• Buildings		15-70 years
• Recreational Facilities		15-70 years
Sanitation infrastructure	Straight-line	
Water supply infrastructure	Straight-line	
• Office equipment		7-70 years
• Computer equipment		5 years
• Computer equipment		5 years
Buildings	Straight-line	
		10-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Zululand District Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

Effective interest rate

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

1.8 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is 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.

Initial recognition and measurement

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.

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 requirement of heritage asset and can be measured reliable. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

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 depreciation and impairment) and the disposal proceeds and included in the Statement of Financial Performance.

Zululand District Municipality

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Accounting Policies

1.9 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. 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.

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.

1.10 Inventory

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

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Accounting Policies

1.10 Inventory (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 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, materials and water, 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.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.11.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Zululand District Municipality

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Accounting Policies

1.11 Financial instruments (continued)

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:

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalents	Financial assets at amortised cost
Accounts receivable	Financial assets at amortised cost

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

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Accounts payables	Financial liability at amortised cost

1.11.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument is recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Zululand District Municipality

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Accounting Policies

1.11 Financial instruments (continued)

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial Liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.11.3 Impairment of financial assets

All financial assets measured at amortised 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.

Consumer debtors

Consumer debtors are assessed individually thereafter collectively considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

All financial assets measured at amortised 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.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

All financial assets measured at amortised 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..

1.11.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Zululand District Municipality

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Accounting Policies

1.11 Financial instruments (continued)

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.11.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

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 and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.13 Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Zululand District Municipality

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Accounting Policies

1.16 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. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.17 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.

Entity as lessee - operating leases

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent is expensed in the period in which they are incurred.

Entity as lessor - operating leases

Operating lease revenue is recognised as revenue 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.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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Accounting Policies

1.18 Contingent assets and contingent liabilities (continued)

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.19 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Recognition and measurement

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

1.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to 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, Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

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

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

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

Zululand District Municipality

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Accounting Policies

1.19 Revenue (continued)

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.

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 buyer 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.

1.19.2 Revenue from non-exchange transactions

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

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue (continued)

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

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.

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Revenue recognition of forfeited retention

Retention forfeited is recognised as revenue in the statement of financial performance.

Retention forfeit is recognised when service provider does not meet the retention release conditions.

1.20 Grants, transfer and donations

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

Zululand District Municipality

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Accounting Policies

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

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.

Leave pay

Leave pay is recognised in the statement of financial performance for leave days accumulated, and recognised as a provision in the statement of financial position.

Bonus provisions

bonus provision is recognised in the statement of financial performance for months accumulated towards the 12 month cycle, and recognised as a provision in the statement of financial position.

Post-employment benefits: Defined contribution plans

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

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.

Interest costs are recognised immediately in the Statement of Financial Performance.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.22 Employee benefits (continued)

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.

1.23 Value Added Tax

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors

VAT is a statutory receivable in terms of the VAT act, levied at 15% on qualifying payments and receipts.

Input VAT accrual and input VAT (General and Capital) are recognised when expenditure is incurred and when cash payments are made, respectively.

Output VAT accrual is recognised when revenue is billed. Output VAT (payable to SARS) is recognised once payment is received from debtors or when cash receipts are recorded. Output VAT impairment is recognised when debtors are impaired. Output VAT accrual and Output VAT impairment are treated as a financial instrument in terms of GRAP 104.

Statutory receivables/payables are recognised when VAT201 submission has been made to SARS.

1.24 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in 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 under spending in 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 approved budget is classified by economic nature per items on the same basis as adopted in the financial statements.

1.25 Commitments

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Commitments are disclosed inclusive of VAT.

Zululand District Municipality

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Accounting Policies

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 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.

1.28 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.29 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.

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.30 Related parties and related party transactions

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).

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

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Events after reporting date (continued)

- 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.

1.32 Transfers and subsidies paid

The municipality transfers monetary or in-kind benefits to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.33 New standards and interpretations

1.33.1 Standards, amendments to standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the interpretation is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the interpretation is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the interpretation is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the interpretation is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the interpretation is not material.

1.1 Standards, amendments to standards and interpretations early adopted

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

Standard/ Interpretation:

Effective date: Years beginning on or after	Expected impact:
--	-------------------------

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.33 New standards and interpretations (continued)

- | | | |
|--|---------------|--|
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | The impact of the amendment is not material. |
|--|---------------|--|

1.33.2 Standards, amendments to standards and interpretations issued, but not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:

Effective date:
Years beginning on or after

Expected impact:

- | | | |
|---|------------------------|--|
| • GRAP 2023: Improvements to the Standards of GRAP 2023 | Still to be determined | Unlikely there will be a material impact |
|---|------------------------|--|

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
2. Cash and cash equivalents		
2.1 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Cash at bank		
Bank account	57 070 095	27 425 813
Cash on hand	800	800
Total cash and cash equivalents	57 070 895	27 426 613

For the purposes of the Cash flow statement, bank balances, cash and cash equivalents include cash-on-hand, cash in banks.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

2.2 Bank accounts

The municipality has the following bank accounts:

ABSA Bank Limited (Primary bank account)	Cheque Account - Account Number 404- 716-2045	54 738 471	27 075 408
ABSA Bank Limited (National skills fund grant)	Cheque Account - Account Number 937- 555-1092	2 331 624	350 405
Total		57 070 095	27 425 813

2.3 Difference between cash book and bank statement

2024

	Cash book	Bank statement
ABSA Bank Limited (Primary bank account)	54 738 471	54 738 471
ABSA Bank Limited (National skills fund grant)	2 331 624	2 331 624
	57 070 095	57 070 095

2023

	Cash book	Bank statement
ABSA Bank Limited (Primary bank account)	27 075 408	27 075 408
ABSA Bank Limited (National skills fund grant)	350 405	350 405
	27 425 813	27 425 813

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024	2023
2. Cash and cash equivalents (continued)			
2022			
		Cash book	Bank statement
ABSA Bank Limited (Primary bank account)		20 057 448	20 057 448
ABSA Bank Limited (National skills fund grant)		-	-
		20 057 448	20 057 448
3. Trade and other receivables from exchange transactions			
Trade service and consumer service debtors	3.1		
Waste water management		1 278 952	1 022 268
Water		4 934 065	3 474 184
Service charges		6 672	38 016
		6 219 689	4 534 468
Other receivables from exchange transactions	3.2		
Prepayments and advances		30 289 333	1 883 125
Property rental debtors		7 206	24 315
		30 296 539	1 907 440
Total trade and other receivables from exchange transactions		36 516 228	6 441 908

3.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance of businesses only. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

consumer receivables are recognised as financial instruments since the customer willingly enters into a contractual agreement with the municipality for the supply of services. The transaction arises as a result of billed revenue for the use of water and sewer services.

consumer receivables are recognised as financial instruments since the customer willingly enters into a contractual agreement with the municipality for the supply of services. The transaction arises as a result of billed revenue for the use of water and sewer services.

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste water management	47 490 769	(46 211 817)	1 278 952	42 794 360	(41 772 092)	1 022 268
Water	185 794 917	(180 860 852)	4 934 065	152 780 376	(149 306 192)	3 474 184
Service charges	284 205	(277 533)	6 672	53 786	(15 770)	38 016
Total consumer receivables from exchange transactions	233 569 891	(227 350 202)	6 219 689	195 628 522	(191 094 054)	4 534 468

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2024

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	47 490 769	1 547 093	1 021 055	880 688	898 664	852 642	42 290 627
Water	185 794 917	7 557 483	4 868 071	4 294 216	3 864 258	4 210 097	161 000 792
Service charges	284 205	5 975	261 567	1 920	240	-	14 503
Total by debt type	233 569 891	9 110 551	6 150 693	5 176 824	4 763 162	5 062 739	203 305 922
Aging per customer group							
Organs of state	26 685 496	4 037 568	1 380 270	1 060 198	1 107 613	1 125 905	17 973 942
Commercial customers	17 207 435	1 129 838	773 666	523 423	595 116	727 140	13 458 252
Households	189 676 960	3 943 145	3 996 757	3 593 203	3 060 433	3 209 694	171 873 728
Total by customer group	233 569 891	9 110 551	6 150 693	5 176 824	4 763 162	5 062 739	203 305 922

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

2023

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	42 794 360	1 106 962	818 931	794 553	746 365	772 426	38 555 123
Water	152 780 376	4 270 629	2 753 443	2 707 584	2 529 405	3 085 588	137 433 727
Service charges	53 786	8 311	224	107	191	161	44 792
Total by debt type	195 628 522	5 385 902	3 572 598	3 502 244	3 275 961	3 858 175	176 033 642
Aging per customer group							
Organs of state	16 455 994	1 564 772	814 811	895 973	647 464	773 331	11 759 643
Commercial customers	13 792 321	763 074	575 490	401 199	408 666	447 645	11 196 247
Households	165 380 207	3 058 056	2 182 297	2 205 072	2 219 831	2 637 199	153 077 752
Total by customer group	195 628 522	5 385 902	3 572 598	3 502 244	3 275 961	3 858 175	176 033 642

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

	2024			2023		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables from exchange transactions						
Waste water management	(41 772 092)	(4 439 725)	(46 211 817)	(32 709 633)	(9 062 459)	(41 772 092)
Water	(149 306 192)	(31 554 660)	(180 860 852)	(105 892 521)	(43 413 671)	(149 306 192)
Service charges	(15 770)	(261 763)	(277 533)	(11 996)	(3 774)	(15 770)
Total consumer receivables	(191 094 054)	(36 256 148)	(227 350 202)	(138 614 150)	(52 479 904)	(191 094 054)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.1.3 Ageing of impaired consumer receivables

2024

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Waste water management	(46 211 817)	(1 055 490)	(894 899)	(804 527)	(830 978)	(801 806)	(41 824 117)
Water	(180 860 852)	(5 105 890)	(4 269 311)	(3 946 233)	(3 590 818)	(4 011 137)	(159 937 463)
Service charges	(277 533)	-	(261 084)	(1 796)	(226)	-	(14 427)
Total by debt type	(227 350 202)	(6 161 380)	(5 425 294)	(4 752 556)	(4 422 022)	(4 812 943)	(201 776 007)
Aging per customer group							
Organs of state	(23 767 607)	(2 293 249)	(1 108 705)	(896 782)	(958 141)	(1 009 316)	(17 501 414)
Commercial customers	(15 980 016)	(515 737)	(552 645)	(428 076)	(522 982)	(674 116)	(13 286 460)
Households	(187 602 579)	(3 352 394)	(3 763 944)	(3 427 698)	(2 940 899)	(3 129 511)	(170 988 133)
Total by customer group	(227 350 202)	(6 161 380)	(5 425 294)	(4 752 556)	(4 422 022)	(4 812 943)	(201 776 007)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

2023

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Aging by debt type							
Waste water management	(41 772 092)	(691 477)	(683 421)	(717 627)	(682 074)	(708 645)	(38 288 848)
Water	(149 306 192)	(2 655 814)	(2 097 560)	(2 467 725)	(2 349 892)	(2 910 097)	(136 825 104)
Service charges	(15 770)	(91)	(71)	(104)	(140)	(112)	(15 252)
Total by debt type	(191 094 054)	(3 347 382)	(2 781 052)	(3 185 456)	(3 032 106)	(3 618 854)	(175 129 204)
Aging per customer group							
Organs of state	(14 649 507)	(599 414)	(571 736)	(739 117)	(528 802)	(622 789)	(11 587 649)
Commercial customers	(12 753 022)	(307 304)	(303 980)	(344 923)	(365 733)	(421 443)	(11 009 639)
Households	(163 691 525)	(2 440 664)	(1 905 336)	(2 101 416)	(2 137 571)	(2 574 621)	(152 531 917)
Total by customer group	(191 094 054)	(3 347 382)	(2 781 052)	(3 185 456)	(3 032 106)	(3 618 853)	(175 129 205)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

The impairment provision was calculated after individually assessing consumer receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of consumer debtors.

In determining the recoverability of a consumer receivables, the municipality considers any change in the credit quality of the consumer receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired consumer receivables. The impairment recognised represents the difference between the carrying amount of these consumer receivables and the present value of the recoverable amount. The municipality holds no collateral over these balances.

Category O - Debtors with credit balance. These are not financial assets and will not be considered for impairment assessment. Category A - Debtors with only current balances. There are no indicators of impairment and as such not to be impaired.

Category B - Debtors that are paying but not enough to clear their balance to at least current but enough to the amount paid is more than opening balance.

Category C - Debtors paying below their opening and debtors without payment at all in the year.

3.1.4 Consumer debt past due not impaired

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Waste water management	785 551	125 529	75 994	66 683	50 836	466 509
Water	2 211 134	513 717	294 008	240 040	177 998	985 371
Service charges	696	483	124	14	-	75
Total consumer receivables	2 997 381	639 729	370 126	306 737	228 834	1 451 955

2023

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Waste water management	540 978	71 893	76 329	63 706	63 309	265 741
Water	1 321 251	180 616	230 551	174 561	172 199	563 324
Service charges	147	6	3	52	49	37
Total consumer receivables	1 862 376	252 515	306 883	238 319	235 557	829 102

3.1.5 Consumer receivables pledged as security

There are no debtors pledged as security.

3.1.6 Credit quality of consumer receivables

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

3.2 Other receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Prepayments and advances	30 289 333	-	30 289 333	2 946 019	(1 062 894)	1 883 125
Property rental debtors	325 693	(318 487)	7 206	65 165	(40 850)	24 315
Total	30 615 026	(318 487)	30 296 539	3 011 184	(1 103 744)	1 907 440

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.2.1 Ageing of other receivables from exchange transactions

2024

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Prepayments and advances	30 289 333	-	-	-	-	-	30 289 333
Property rental debtors	325 693	47 100	18 231	18 159	112 502	11 059	118 642
Total	30 615 026	47 100	18 231	18 159	112 502	11 059	30 407 975

2023

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Prepayments and advances	2 946 019	2 946 019	-	-	-	-	-
Property rental debtors	65 165	9 395	9 423	9 442	9 302	9 302	18 301
Total	3 011 184	2 955 414	9 423	9 442	9 302	9 302	18 301

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

3.2.2 Impairment reconciliation of other receivables from exchange transactions

	2024			2023		
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Impairment raised	Closing balance
Other receivables from exchange transactions						
Prepayments and advances	(1 062 894)	-	1 062 894	-	(1 062 894)	(1 062 894)
Property rental debtors	(40 850)	(277 637)	-	(318 487)	(40 850)	(40 850)
Total	(1 103 744)	(277 637)	1 062 894	(318 487)	(1 103 744)	(1 103 744)

3.2.3 Ageing of other impaired receivables from exchange transactions

2024

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Property rental debtors	(318 487)	(47 100)	(18 231)	(18 159)	(112 502)	(11 059)	(111 436)

2023

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Trade and other receivables from exchange transactions (continued)

	Total	Not due			Past due		
		Current	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions							
Prepayments and advances	(1 062 894)	(1 062 894)	-	-	-	-	-
Property rental debtors	(40 850)	(5 312)	(5 341)	(5 360)	(5 220)	(5 220)	(14 397)
Total	(1 103 744)	(1 068 206)	(5 341)	(5 360)	(5 220)	(5 220)	(5 220)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

3. Trade and other receivables from exchange transactions (continued)

3.2.4 Other receivables from exchange transactions past due not impaired

2024

	Past due	
	Total	120+ days
Other receivables from exchange transactions		
Property rental debtors	7 791	7 791

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Property rental debtors	20 231	4 082	4 082	4 082	4 082	3 903

3.2.5 Other receivables from exchange transactions pledged as security

There are no debtors pledged as security.

3.2.6 Credit quality of other receivables from exchange transactions

Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.

Based on historical information, the debtors under other receivables from exchange transactions are accrual in nature and are reversed in line with accrual accounting at the beginning of the financial year.

4. Receivables from non-exchange transactions

Other receivables	4.1		
Accrued income		-	131 103
Unauthorised Expenditure		-	2 717 840
Irregular Expenditure		3 966 450	3 966 450
Fruitless and Wasteful Expenditure		1 729 814	4 223 482
Other debtors		10 129 154	7 343 441
		15 825 418	18 382 316

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

4. Receivables from non-exchange transactions (continued)

4.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables						
Accrued income	-	-	-	131 103	-	131 103
Unauthorised	-	-	-	2 717 840	-	2 717 840
Expenditure						
Irregular Expenditure	3 966 450	-	3 966 450	3 966 450	-	3 966 450
Fruitless and Wasteful Expenditure	1 729 814	-	1 729 814	4 223 482	-	4 223 482
Other debtors	10 129 154	-	10 129 154	7 343 441	-	7 343 441
	15 825 418	-	15 825 418	18 382 316	-	18 382 316

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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4. Receivables from non-exchange transactions (continued)

4.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Other receivables								
Unauthorised Expenditure							(2 717 840)	2 717 840
Fruitless and Wasteful Expenditure							(1 987 365)	1 987 365
							(4 705 205)	4 705 205

No impairment has been recognised in the current year due to the nature of these debtors.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
4. Receivables from non-exchange transactions (continued)		
4.1.2 Other receivables from non-exchange transactions pledged as security		
There are no debtors pledged as security.		
4.1.3 Credit quality of other receivables from non-exchange transactions		
Based on historical information, the debtors that are past due nor impaired do pay within a period of 12 months.		
Receivables from non exchange transactions - Other debtors listing		
Debtor: Department of Water and Sanitation	-	2 717 840
Debtor: Abaqulusi Municipality	1 239 361	1 266 921
Debtor: Ulundi Municipality	653 676	1 303 907
Debtor: Nongoma Municipality	1 314 042	1 333 792
Debtor: eDumbe Municipality	385 285	583 864
Debtor: Upongola Municipality	248 021	1 054 521
Debtor: Enduneni Constructors	-	783 423
Debtor: World Focus	-	284 241
Debtor: Amanzi Ichweba	-	1 431 988
Debtor: BP Drakensburg	-	136 888
Debtor: Tracker - Rand Machant	-	134 248
Debtor: Lindani Catering	-	1 950
Debtor: Nsakazi	279 070	-
Debtor: KwaZulu-Natal Amafa and Research Institute	-	20 000
Debtor: Sizolwenkosi	116 841	116 841
Debtor: Employee cost in advance	35 644	53 991
Debtor: Accrued Interest	295 470	711 195
Debtor: Accrued Income	-	111 103
Debtor: Dlamini Ndlovu	1 333 903	1 333 903
Debtor: Debit orders Absa	1 126 408	1 035 250
Debtor: Debit orders FNB	4 831 247	-
Debtor: Irregular expenditure	3 966 450	3 966 450
	15 825 418	18 382 316

5. Deposits

Deposits	19 406 873	18 178 536
----------	------------	------------

The municipality recognises deposits as current assets when the deposit is paid. Deposits are recognised as an asset as the municipality is entitled to the money once the deposit holder or the municipality has closed the account. As timing of when a deposit holder or the municipality will close the account is unknown, the deposits are classified as a current assets.

Deposits paid are for Eskom and Attorneys.

6. VAT Receivable

Input VAT accrual	47 060 742	50 369 860
Input VAT receivable	14 566 235	4 874 741
Statutory receivables	2 564 383	27 524 833
Total	64 191 360	82 769 434

The prior year comparatives have been restated, please refer to note 57 for more detail information.

The VAT 201 return for May 2023 and June 2023 were outstanding at 30 June 2023 amounting to R27 524 833.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
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6. VAT Receivable (continued)

The VAT 201 return for June 2024 was outstanding at 30 June 2024 amounting to R2 564 383.

7. Inventories

Consumables	2 570 009	1 204 839
Water	1 395 963	1 631 243
Total Inventories	3 965 972	2 836 082

Consumables

Opening Balance	1 204 838	1 529 252
Acquisitions	12 471 238	9 289 159
Issues	(11 106 067)	(9 304 560)
Adjustments	-	(173 906)
Write-offs	-	(135 106)
	2 570 009	1 204 839

Water

Opening balance	1 631 243	1 027 227
Acquisitions	37 475 885	44 630 424
Issues	(37 711 165)	(44 026 408)
	1 395 963	1 631 243

Refer to note 34 for inventory consumed and recognised as expense.

7.1 Inventory pledged as security

There was no inventory pledged as security.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023																								
8. Operating lease receivable																										
Operating lease	5 225	-																								
<p>The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.</p> <p>The first tenant has an escalation of 10% annually at anniversary date, the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025.</p> <p>The second tenant has an escalation of 7% annually at anniversary date, the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.</p> <p>The third tenant has an escalation linked to CPI annually at anniversary date, the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.</p> <p>No contingent rent is receivable.</p> <p>The operating lease asset resulted from straightlining.</p> <p>The municipality as lessee</p> <p>The receivables under operating leases are as follow:</p> <table><tbody><tr><td>Total future minimum lease payments</td><td></td><td></td></tr><tr><td>Payable within 1 year</td><td style="text-align: right;">5 225</td><td style="text-align: right;">-</td></tr><tr><td>Payable within 2 to 5 years</td><td style="text-align: right;">10 144</td><td style="text-align: right;">-</td></tr><tr><td>Total minimum lease payments</td><td style="text-align: right;">15 369</td><td style="text-align: right;">-</td></tr><tr><td>Present value of minimum lease payments</td><td></td><td></td></tr><tr><td>Payable within 1 year</td><td style="text-align: right;">5 225</td><td style="text-align: right;">-</td></tr><tr><td>Payable within 2 to 5 years</td><td style="text-align: right;">10 144</td><td style="text-align: right;">-</td></tr><tr><td>Total</td><td style="text-align: right;">15 369</td><td style="text-align: right;">-</td></tr></tbody></table>			Total future minimum lease payments			Payable within 1 year	5 225	-	Payable within 2 to 5 years	10 144	-	Total minimum lease payments	15 369	-	Present value of minimum lease payments			Payable within 1 year	5 225	-	Payable within 2 to 5 years	10 144	-	Total	15 369	-
Total future minimum lease payments																										
Payable within 1 year	5 225	-																								
Payable within 2 to 5 years	10 144	-																								
Total minimum lease payments	15 369	-																								
Present value of minimum lease payments																										
Payable within 1 year	5 225	-																								
Payable within 2 to 5 years	10 144	-																								
Total	15 369	-																								
Current liability	5 225	-																								
Non-current liability	10 144	-																								

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Property, plant and equipment

9.1 Summary

	2024			2023		
	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	(22 259 219)	23 186 372	45 445 591	(20 975 461)	24 470 130
Water Supply Infrastructure	6 238 473 715	(826 437 349)	5 412 036 366	5 578 603 214	(725 038 841)	4 853 564 373
Sanitation Infrastructure	74 820 835	(35 866 827)	38 954 008	74 472 337	(33 845 286)	40 627 051
Community Assets	47 657 343	(17 476 043)	30 181 300	47 657 342	(16 249 928)	31 407 414
Transport Assets	42 934 324	(37 011 957)	5 922 367	42 836 539	(33 799 249)	9 037 290
Machinery and Equipment	16 389 611	(10 007 958)	6 381 653	15 957 630	(7 905 654)	8 051 976
Furniture and Office Equipment	4 782 840	(3 031 472)	1 751 368	4 434 691	(2 444 631)	1 990 060
Computer Equipment	10 590 616	(7 996 449)	2 594 167	10 019 142	(5 952 010)	4 067 132
Total	6 481 564 875	(960 087 274)	5 521 477 601	5 819 896 486	(846 211 060)	4 973 685 426

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	470 000	-	-	-	470 000
Buildings	24 470 130	-	-	(1 283 758)	23 186 372
Water Supply Infrastructure	4 853 215 883	660 218 994	-	(101 398 511)	5 412 036 366
Sanitation Infrastructure	40 975 547	-	-	(2 021 539)	38 954 008
Community Assets	31 407 416	-	-	(1 226 116)	30 181 300
Transport Assets	9 037 291	920 014	(489 422)	(3 545 516)	5 922 367
Machinery and Equipment	8 051 974	431 982	-	(2 102 303)	6 381 653
Furniture and Office Equipment	1 990 064	348 145	-	(586 841)	1 751 368
Computer Equipment	4 067 132	623 772	(16 297)	(2 080 440)	2 594 167
Total	4 973 685 437	662 542 907	(505 719)	(114 245 024)	5 521 477 601

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	470 000	-	-	-	470 000
Buildings	25 753 888	-	-	(1 283 758)	24 470 130
Water Supply Infrastructure	4 457 010 863	491 520 734	(671)	(94 966 553)	4 853 564 373
Sanitation Infrastructure	43 322 340	-	-	(2 695 289)	40 627 051
Community Assets	30 675 265	1 726 075	-	(993 926)	31 407 414
Transport Assets	13 708 120	-	(312 112)	(4 358 718)	9 037 290
Machinery and Equipment	7 016 416	1 800 713	(43 209)	(721 944)	8 051 976
Furniture and Office Equipment	1 528 847	1 084 628	(131 817)	(491 598)	1 990 060
Computer Equipment	4 877 914	2 158 187	(198 942)	(2 770 027)	4 067 132
Total	4 584 363 653	498 290 337	(686 751)	(108 281 813)	4 973 685 426

The prior year comparatives have been restated, please refer to note 57 for more detail information.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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9. Property, plant and equipment (continued)

Capital work in progress has been reclassified and included under each relevant class of PPE in line with paragraph 87 of GRAP 17.

9.2 Property, plant and equipment under construction

2024

	Infrastructure assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment		
Of which:		
Opening balance	1 315 352 780	1 315 352 780
Additions/capital expenditure	660 218 994	660 218 994
Transferred to completed items	(620 645 478)	(620 645 478)
	1 354 926 296	1 354 926 296

2023

	Infrastructure assets	Community assets	Total
Accumulated expenditure included in carrying value of property, plant and equipment			
Of which:			
Opening balance	1 078 168 494	14 827 956	1 092 996 450
Additions/capital expenditure	491 520 734	1 726 075	493 246 809
Transferred to completed items	(254 336 448)	(16 554 031)	(270 890 479)
	1 315 352 780	-	1 315 352 780

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

9. Property, plant and equipment (continued)

9.3 Restrictions on property, plant and equipment

There is no restriction on title and Property, plant and Equipment.

9.4 Property, plant and equipment pledged as security

There is no Property, plant and Equipment. pledged as security

9.5 Maintenance of property, plant and equipment

Class of Property Plant and Equipment (Repairs and Maintenance)

Transport assets	5 261 470	4 728 491
Maintenance of buildings and facilities	2 537 562	1 384 461
Infrastructure	152 390 844	120 585 689
Furniture and office equipment	154 081	676 227
Computer equipment	-	20 466
Total	160 343 957	127 395 334

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
9. Property, plant and equipment (continued)		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ceza Stand Alone Water Supply Phase 4 : Bulk. Reason for delay: Increase of the original scope for the subcontractor.	-	27 779 646
Nkonjeni Borehole Augmentation. Reason for delay: Eskom Power Supply.	-	29 516 516
Usuthu Holinyoka Pump Station Mechanical Installation. Reason for delay: Bulk pipeline constructed long ago has now leaks which delays commissioning of this project as it is complete.	-	28 893 937
Usuthu Lindizwe Pump Station Mechanical Installation. Reason for delay: Bulk pipeline constructed long ago has now leaks which delays commissioning of this project as it is complete.	-	33 893 937
Upgrade of Nongoma Reticulation Ward 14 Phase 2. Reason for delay: Increase of the original scope (114 households have been added)	-	11 659 881
Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation. Reason for delay: Delays on Eskom power for the transformer.	-	29 272 306
Simdlangentsha West Regional Water Supply Scheme - Construction Frischgewaagd, Abstraction Works, Staff Accommodation and Bilanyoni Booster Pumpstation Reason for delay: Budget Constraint.	34 597 917	-
Construction of Rising Main from Ulundi Water Treatment Works to Mabelane Reservoir Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024.	70 670 165	-
Emhlangeni Water Supply Scheme Eskom power supply delays. Eskom Installation is complete and there is energy supply but the installed meters were faulty. Faulty meters have taken by Eskom for calibration and returned at the end of August 2024	42 623 372	-
Ulundi Water Treatment Works 22KV Medium Voltage Switch Gear Upgrade Delays on the delivery of high lift Pumps. All cables have been installed and the transformer is connected. The high lift pumps have been delivered, installation is underway and commissioning of the pumps will take place on 06 September 2024.	17 242 572	-
	165 134 026	161 016 223

Zululand District Municipality

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Notes to the Annual Financial Statements

	2024	2023
9. Property, plant and equipment (continued)		
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Zululand Rudimentary Programme: Siting, Drilling, Testing and Equipping of Borehole North. Reason for delay: Contractor Terminated due to poor performance and re-advertised, awaiting contractor's appointment letter.]	-	36 388 800
Mandlakazi RWSS Phase 5.1 - Construction of Mngamunde Domestic Reticulation Network for Zone B / B1. Reason for delay: Contractor Terminated due to poor performance, and re-advertised, awaiting contractor's appointment letter.	-	18 125 011
Construction of Mandlakazi Phase 5.2 : Bulk Water Supply. Reason for delay: The project was suspended due to budget constraint. Now that the budget is available, the contractor is back on site.	-	65 450 000
	-	119 963 811

10. Intangible assets

10.1 Reconciliation of carrying value

2024

		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		237 902	237 902
Accumulated depreciation and impairment		(186 074)	(186 074)
		51 828	51 828
Amortisation	36	(23 883)	(23 883)
Closing carrying value as at 30 June 2024		27 945	27 945
2023			
Cost		237 902	237 902
Accumulated amortisation and impairment		(209 957)	(209 957)
		27 945	27 945

Zululand District Municipality

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2024 2023

10. Intangible assets (continued)

2023

		Computer software	Total
Opening carrying value as at 01 July 2022			
Cost		186 633	186 633
Accumulated depreciation and impairment		(171 772)	(171 772)
		14 861	14 861
Additions from acquisitions		51 269	51 269
Amortisation	36	(17 820)	(17 820)
		33 449	33 449
Other changes		3 517	3 517
Closing carrying value as at 30 June 2023		51 827	51 827
Cost		237 902	237 902
Accumulated amortisation and impairment		(186 075)	(186 075)
		51 827	51 827

10.2 Restrictions on intangible assets

There were no items of intangible assets that have restricted title in the current financial year.

10.3 Intangible assets pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

11. Heritage assets

11.1 Reconciliation of carrying value

2024

		Other assets	Total
Opening carrying value as at 01 July 2023			
Cost	-	7 816 633	7 816 633
Cost	-	7 816 633	7 816 633

Zululand District Municipality

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	2024	2023
11. Heritage assets (continued)		
2023		
	Other assets	Total
Opening carrying value as at 01 July 2022		
Cost	7 806 633	7 806 633
Accumulated impairment losses	-	-
	7 806 633	7 806 633
Carrying value of disposals / transfers		
Cost	10 000	10 000
Closing carrying value as at 30 June 2023	7 816 633	7 816 633
Cost	7 816 633	7 816 633
Accumulated impairment losses	-	-
	7 816 633	7 816 633

11.2 Restrictions on heritage assets

There were no items of heritage assets that have restricted title in the current financial year.

11.3 Heritage assets pledged as security

There were no heritage assets pledged as security during the current financial year.

12. Consumer deposits

Rental properties	41 060	5 364
Water	3 339 793	3 614 795
Total	3 380 853	3 620 159

Deposits are released on termination of the contract or when the contractual services are delivered.

13. Trade and other payables from exchange transactions

Bulk purchases	13.1	103 295 059	46 643 202
Contractors	13.2	86 977 473	59 431 587
Payroll accruals	13.3	945 997	1 929 877
Other payables	13.4	296 358 605	335 590 267
Statutory payables	13.5	285 015	-
Total		487 862 149	443 594 933

13.1 Bulk purchases

Bulk water	91 464 948	34 449 389
Bulk electricity	11 830 111	12 193 813
Total	103 295 059	46 643 202

13.2 Contractors

Retentions	86 977 473	59 431 587
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Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
13. Trade and other payables from exchange transactions (continued)		
13.3 Payroll accruals		
Bonus	4 115	147 021
Leave accrual	109 540	922 943
Long service award	-	128 109
Overtime	412 240	258 200
Pension and retirement contributions	-	155 803
Standby	420 102	317 801
Total	945 997	1 929 877
13.4 Other payables		
Payables and accruals	293 768 435	331 359 754
Unallocated deposits	474 695	517 567
Advance payments	2 115 475	3 712 946
Total	296 358 605	335 590 267
13.5 Statutory payables		
PAYE deductions	285 015	-
14. Vat payables		
VAT credit: Output accrual	29 773 547	24 893 003
Output VAT: Provision for doubtful debt impairment	(28 937 128)	(24 278 486)
Total	836 419	614 517

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions

		2024				2023				
		Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital										
Monetary Allocations	15.1	1 445 896	768 386 000	(768 386 000)	1 445 896	2 410 794	610 306 000	(610 501 921)	(768 977)	1 445 896
Operational										
Monetary Allocations	15.2	114 064	114 659 130	(114 773 194)	-	-	72 553 009	(72 438 945)	-	114 064
Total		1 559 960	883 045 130	(883 159 194)	1 445 896	2 410 794	682 859 009	(682 940 866)	(768 977)	1 559 960

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions (continued)

15.1 Unspent capital monetary allocations

	2024				2023				
	Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government									
Municipal Infrastructure Grant	-	256 512 000	(256 512 000)	-	-	259 530 000	(259 530 000)	-	-
Regional Bulk Infrastructure Grant	-	413 905 000	(413 905 000)	-	-	250 247 000	(250 247 000)	-	-
Rural Road Asset Management Systems Grant	-	2 969 000	(2 969 000)	-	768 977	2 529 000	(2 529 000)	(768 977)	-
Water Services Infrastructure Grant	-	95 000 000	(95 000 000)	-	-	95 000 000	(95 000 000)	-	-
Total	-	768 386 000	(768 386 000)	-	768 977	607 306 000	(607 306 000)	(768 977)	-
Provincial Government									
KwaZulu-Natal	1 445 896	-	-	1 445 896	1 641 817	3 000 000	(3 195 921)	-	1 445 896
Total unspent capital monetary allocations	1 445 896	768 386 000	(768 386 000)	1 445 896	2 410 794	610 306 000	(610 501 921)	(768 977)	1 445 896

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

15. Payables from non-exchange transactions (continued)

15.2 Unspent operational monetary allocations

	2024			2023			Closing balance
	Opening balance	Funds received	Transfer to revenue	Opening balance	Funds received	Transfer to revenue	
Departmental Agencies and Accounts							
National departmental agencies	79 821	102 248 030	(102 327 851)	-	60 171 109	(60 091 288)	79 821
National Government							
Expanded Public Works Programme Integrated Grant	-	7 077 000	(7 077 000)	-	8 517 000	(8 517 000)	-
Local Government Financial Management Grant	-	1 200 000	(1 200 000)	-	1 200 000	(1 200 000)	-
Total	-	8 277 000	(8 277 000)	-	9 717 000	(9 717 000)	-
Provincial Government							
KwaZulu-Natal	34 243	4 134 100	(4 168 343)	-	2 664 900	(2 630 657)	34 243
Total unspent operational monetary allocations	114 064	114 659 130	(114 773 194)	-	72 553 009	(72 438 945)	114 064

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024	2023
16. Employee benefit obligation			
Non-current employee benefits			
Post employment health care benefits	16.1	30 750 000	30 426 000
Current employee benefits			
Post employment health care benefits	16.1	747 000	500 000
Total		31 497 000	30 926 000

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 councillors / 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.

16.1 Post employment health care benefits

The liability in respect of past service has been estimated as follow:

Present value of the defined benefit obligation-partly or wholly unfunded	31 497 000	30 926 000
Current	747 000	500 000
Non-current	30 750 000	30 426 000

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	30 926 000	27 571 000
Net expense recognised in the statement of financial performance	571 000	3 355 000
	31 497 000	30 926 000

Net expense recognised in the statement of financial performance

Current service cost	1 597 000	2 156 000
Interest cost	4 494 000	3 730 000
Actuarial (gains) losses	(4 781 000)	(2 038 000)
Benefits paid	(739 000)	(493 000)
	571 000	3 355 000

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

16. Employee benefit obligation (continued)

Key assumptions used

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 2024 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	13.83 %	14.28 %
Consumer price inflation	8.20 %	8.72 %
Medical aid inflation rate	9.70 %	10.22 %
Net effective discount rate	3.77 %	3.68 %
	SA 85-90 PA 90-1	SA 85-90 PA 90-1

17. Provision

Employee benefits	17.1	47 512 639	42 237 845
Current		34 192 639	29 176 845
Non-current		13 320 000	13 061 000

17.1 Employee benefits

Bonus	17.1.1	6 334 779	5 745 257
Leave	17.1.2	25 850 860	21 777 588
Long-service awards	17.1.3	15 327 000	14 715 000
Total		47 512 639	42 237 845

17.1.1 Bonus

Opening Balance	5 745 257	5 417 690
Additional provisions raised	589 522	327 567
Total	6 334 779	5 745 257

Current	6 334 779	5 745 257
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17.1.2 Leave

Opening Balance	21 777 588	19 074 245
Additional provisions raised	4 073 272	2 703 343
Total	25 850 860	21 777 588

Current	25 850 860	21 777 588
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Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
17. Provision (continued)		
17.1.3 Long-service awards		
Opening Balance	14 715 000	15 525 000
Additional provisions raised	3 343 000	967 000
Reductions (Payments, remeasurement etc.)	(1 808 000)	(1 777 000)
Reversals	(923 000)	-
Total	15 327 000	14 715 000

Current	2 007 000	1 654 000
Non-current	13 320 000	13 061 000

Long-service award

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

The principal actuarial assumptions used were as follows:

Discount rate	11.38%	11.24%
General Salary inflation	6.62%	7.17%
Net effective discount rate	3.80%	3.80%
Average retirement age	63	63

Eligible employees

	Member	Member
Age 20-29	23	36
Age 30-39	179	207
Age 40-49	232	225
Age 50-59	109	115
Age 60+	50	46

Membership summary

Number of members	593	629
Average past service (years)	11	11
Average salary (annual)	287 165	272 467

Benefit Structure

Service years

	Award (Number of days)	Award (Number of days)
5	5	5
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 2024

Notes to the Annual Financial Statements

		2024	2023
17. Provision (continued)			
Amounts recognised in the statement of financial performance			
The amounts recognised in the statement of financial performance are as follow:			
Current service cost		1 360 000	1 391 000
Interest cost		1 630 000	1 749 000
Expected benefit payments		(1 455 000)	(1 777 000)
Recognised actuarial (gains) losses		(923 000)	(2 173 000)
Total expense included in employee related costs	32	612 000	(810 000)
18. Borrowings			
The municipality entered into an annuity loans agreement with ABSA Bank.			
Total borrowings			
Annuity loans		97 259 552	-
Less: Current portion transferred to current liabilities		(17 711 896)	-
Total non-current borrowings		79 547 656	-
18.1 Summary of arrangements			
The annuity loan has a settlement period of 10 years at a fixed interest rate of 11.85% per annum.			
Installments are repayable half yearly (December) and at financial year end (June).			
19. Lease liabilities			
Finance lease liabilities	19.1	1 201 724	2 685 720
Operating lease liabilities	19.2	782 586	542 591
Sub-total		1 984 310	3 228 311
Less: Transferred to current liabilities			
Current portion of Finance lease liabilities	19.1	(1 076 911)	(1 483 982)
Total non-current liabilities		907 399	1 744 329
19.1 Obligation under finance leases			
The municipality as lessee			
The obligations under finance leases are as follow:			
Total future minimum lease payments			
Payable within 1 year		1 133 736	1 659 780
Payable within 2 to 5 years		124 813	1 260 077
Total minimum lease payments		1 258 549	2 919 857
Less: Future finance charges		(56 825)	(234 137)
Total		1 201 724	2 685 720
Present value of minimum lease payments			
Payable within 1 year		1 076 911	1 483 982
Payable within 2 to 5 years		124 813	1 201 738
Total		1 201 724	2 685 720

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
19. Lease liabilities (continued)		
Current liability	1 076 911	1 483 982
Non-current liability	124 813	1 201 738
The Municipality entered into a three year finance lease agreements for the procurement of laptops and printers.		
The lease period is 36 months,		
The first lease agreement is for the procurement of computers commencing in December 2021 at a borrowing rate of 7% per annum		
The second lease agreement is also for the procurement of computers commencing in September 2022 at a borrowing rate of 9 % per annum		
The third lease agreement is for the procurement of printers commencing in September 2022 at a borrowing rate of 9 % per annum		
19.2 Obligation under operating leases		
The municipality as lessee		
The obligations under operating leases are as follow:		
Total future minimum lease payments		
More than 5 years	782 586	542 591
Present value of minimum lease payments		
More than 5 years	782 586	542 591
Non-current liability	782 586	542 591
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable.		
The operating lease liability resulted from straightling.		
20. Trade and other payables from exchange transactions		
Bulk water		
Opening Balance	32 779 089	62 633 207
Transfer to(from) current liabilities	(29 854 118)	(29 854 118)
	2 924 971	32 779 089
21. Services charges		
Waste water management		
Exchange – Consumption	16 024 007	14 831 359
Water management		
Exchange – Consumption	58 876 864	39 169 620
Total	74 900 871	54 000 979

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023	
22. Sales of goods and rendering of services			
Clearance Certificates	367	335	
Entrance Fees	-	26 214	
Sale of Goods	617 217	1 399 278	
Shared Services	142 616	-	
Total	760 200	1 425 827	
23. Interest earned from receivables			
Exchange receivables	23.1	691 101	75 296
23.1 Interest earned from exchange receivables			
Consumer receivables			
Water	630 996	56 992	
Waste water management	54 920	16 963	
Service charges	(659)	988	
	685 257	74 943	
Other receivables			
Property rental debtors	5 844	353	
Total	691 101	75 296	
24. Interests earned from current and non-current assets			
Bank accounts	3 031 237	1 636 743	
Short-term investments and call accounts	12 427 003	5 796 638	
Total	15 458 240	7 433 381	
25. Licences or permits			
Exchange revenue	25.1	106 561	87 515
25.1 Licenses and permits - Exchange revenue			
Health certificates	106 561	76 304	
Trading	-	11 211	
Total	106 561	87 515	
26. Rental from fixed assets			
Market related	558 834	180 833	
26.1 Rental by asset class			
Market related			
Property, plant and equipment	558 834	180 833	
26.2 Rental by type			
Market related			
Property, plant and equipment			

Zululand District Municipality

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Notes to the Annual Financial Statements

	2024	2023	
26. Rental from fixed assets (continued)			
Other assets			
• Ad-hoc rentals	558 834	180 833	
Rent on land			
Total	558 834	180 833	
27. Operational revenue			
Administrative Handling Fees	-	8 015	
Commission	7 666	-	
Inspection fees	-	4 350	
Insurance Refund	35 000	-	
Registration fees	44 886	15 657	
Skills Development Levy Refund	506 347	534 649	
Total	593 899	562 671	
28. Fines, penalties and forfeits			
Penalties	28.1	664 899	152 521
Forfeits	28.2	210 162	757 149
Total		875 061	909 670
28.1 Penalties			
Disconnection fees		664 899	152 521
28.2 Forfeits			
Deposits		8 542	24 912
Retentions		201 620	732 237
Total		210 162	757 149
29. Transfers and subsidies - Revenue			
Operational			
Monetary allocations	29.1	746 444 194	658 829 922
Capital			
Allocations in-kind	29.2	9 478	-
Monetary allocations	29.3	768 386 000	610 501 921
Total transfers and subsidies: Capital		768 395 478	610 501 921
Total		1 514 839 672	1 269 331 843

Zululand District Municipality

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	2024	2023
29. Transfers and subsidies - Revenue (continued)		
29.1 Monetary allocations: Operational		
National governments	8 277 000	9 717 000
Provincial government	4 168 343	2 630 657
Departmental agencies and accounts	102 327 851	60 091 288
National revenue fund	631 671 000	586 390 977
Total	746 444 194	658 829 922
National governments		
Expanded Public Works Programme Integrated Grant	7 077 000	8 517 000
Local Government Financial Management Grant	1 200 000	1 200 000
	8 277 000	9 717 000
Provincial government		
KZN grant Indonsa Culture Center	1 911 000	1 911 000
National Arts Council Grant	57 343	19 657
KZN Amafa and Research Institute	200 000	200 000
Prince Mangosuthu Airport Grant	2 000 000	500 000
	4 168 343	2 630 657
Departmental agencies and accounts		
Local Government, Water and Related Service SETA	1 693 864	478 000
National Skills Fund	100 633 987	59 613 288
	102 327 851	60 091 288
29.2 Allocations in-kind: Capital		
Private enterprises	9 478	-
29.3 Monetary allocations: Capital		
National government	768 386 000	607 306 000
Provincial governments	-	3 195 921
Total	768 386 000	610 501 921
National government		
Municipal Infrastructure Grant	256 512 000	259 530 000
Rural Road Asset Management Systems Grant	2 969 000	2 529 000
Water Services Infrastructure Grant	95 000 000	95 000 000
Regional Bulk Infrastructure Grant	413 905 000	250 247 000
	768 386 000	607 306 000
Provincial governments		
KZN-KwaMajomela Project	-	1 641 817
Accelerated Intervention Programme (Boreholes)	-	1 554 104
	-	3 195 921

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	2024	2023
30. Gain/(Loss) on disposal of fixed and intangible assets		
Gains/(losses) on disposals	30.1 173 933	2 214 821
30.1 Gains/(losses) on disposals		
Property, plant and equipment	173 933	2 214 821
31. Actuarial (losses) gain		
Actuarial Assessments	5 704 000	4 211 000
32. Employee related cost		
Senior management	32.1 12 551 363	9 945 332
Municipal staff	32.2 302 516 833	276 347 354
Total	315 068 196	286 292 686

Zululand District Municipality

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Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

32.1 Senior management costs

2024

	Municipal manager	Chief financial officer	Director of Corporate services	Director of Community services	Director of Planning	Director Technical Services	Chief Operations Officer	Chief Operations & Maintenance Specialist	Total
Basic salary	1 315 154	979 584	1 223 895	1 201 833	964 733	723 809	955 894	908 295	8 273 197
Bonuses	106 030	88 835	88 835	88 835	88 835	88 835	79 341	77 481	707 027
Service-related benefits	6 492	-	255 001	16 167	-	-	-	18 585	296 245
Allowances	458 754	364 323	422 677	412 824	346 897	262 789	278 224	254 975	2 801 463
Bargaining council	137	137	137	102	137	102	137	137	1 026
Medical	-	-	-	-	270	-	63 329	52 918	116 517
Pension	-	-	-	-	-	-	172 061	167 358	339 419
Unemployment insurance	2 125	2 125	2 125	1 771	2 125	1 948	2 125	2 125	16 469
	1 888 692	1 435 004	1 992 670	1 721 532	1 402 997	1 077 483	1 551 111	1 481 874	12 551 363

2023

	Municipal manager	Chief financial officer	Director of Corporate services	Director of Community services	Director of Planning	Director Technical Services	Chief Operations Officer	Total	
Basic salary		1 055 869	613 299	945 475	866 650	934 293	935 411	885 662	6 236 659
Bonuses		80 544	111 296	97 384	92 747	97 384	97 384	73 511	650 250
Service-related benefits		218 074	360 530	-	13 646	-	11 102	-	603 352
Allowances		497 503	204 631	331 435	284 882	311 242	309 426	279 801	2 218 920
Bargaining council		119	86	130	119	130	130	130	844
Medical		-	-	-	-	702	-	58 681	59 383
Pension		-	-	-	-	-	-	161 756	161 756
Unemployment insurance		2 125	1 417	2 125	1 948	2 125	2 303	2 125	14 168
		1 854 234	1 291 259	1 376 549	1 259 992	1 345 876	1 355 756	1 461 666	9 945 332

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2024 2023

32. Employee related cost (continued)

The Municipal Manager and Executive Directors are remunerated in terms of the Upper Limites of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, issued in terms of the Local Government: Municipal Systems Act 32 of 2000.

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2024 and 2023 years respectively.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

Refer to note 54 for related party disclosures

32.2 Municipal staff costs

Basic salary	201 041 835	184 933 902
Service-related benefits	36 519 136	31 969 521
Allowances	13 958 252	12 803 341
Bargaining council	197 733	167 189
Medical	16 898 483	14 860 079
Pension	25 400 524	23 326 136
Post-retirement benefit: Medical	5 352 000	5 393 000
Post-retirement benefit: Other benefits	1 535 000	1 363 000
Unemployment insurance	1 613 870	1 531 186
Total	302 516 833	276 347 354

33. Remuneration of councillors

Mayor	33.1	1 163 491	1 346 543
Chief whip	33.2	721 632	493 761
Speaker	33.3	830 416	790 358
Deputy mayor	33.4	826 555	785 981
Executive committee	33.5	1 997 873	1 916 493
Section 79 committee chairperson	33.6	446 742	425 961
All other councillors	33.7	4 375 473	3 516 806
Total		10 362 182	9 275 903

33.1 Mayor

Allowances and service related benefits

Cell phone allowance	43 705	40 800
Housing allowance	180 000	360 000
Motor vehicle allowance	237 148	229 606
Office-bearer allowance	602 888	614 396
	1 063 741	1 244 802

Social contributions

Medical aid benefits	13 680	13 680
Pension fund contributions	86 070	88 061
	99 750	101 741
Total	1 163 491	1 346 543

Zululand District Municipality

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Notes to the Annual Financial Statements

	2024	2023
33. Remuneration of councillors (continued)		
33.2 Chief whip		
Allowances and service related benefits		
Office-bearer allowance	502 525	332 300
Travelling allowance	16 933	-
Cell phone allowance	42 000	34 000
Motor vehicle allowance	153 636	111 851
	715 094	478 151
Social contributions		
Pension fund contributions	6 538	15 610
Total	721 632	493 761
33.3 Speaker		
Allowances and service related benefits		
Cell phone allowance	45 600	40 800
Motor vehicle allowance	198 126	183 686
Office-bearer allowance	513 201	493 995
	756 927	718 481
Social contributions		
Pension fund contributions	73 489	71 877
Total	830 416	790 358
33.4 Deputy mayor		
Allowances and service related benefits		
Cell phone allowance	45 600	40 800
Motor vehicle allowance	195 660	183 686
Office-bearer allowance	512 481	490 294
	753 741	714 780
Social contributions		
Pension fund contributions	72 814	71 201
Total	826 555	785 981
33.5 Executive committee		
Allowances and service related benefits		
Cell phone allowance	136 800	120 391
Motor vehicle allowance	456 804	434 570
Office-bearer allowance	1 303 375	1 228 632
	1 896 979	1 783 593

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
33. Remuneration of councillors (continued)		
Social contributions		
Medial aid benefits	2 280	31 154
Pension fund contributions	98 614	101 746
	100 894	132 900
Total	1 997 873	1 916 493

33.6 Section 79 committee chairperson

Allowances and service related benefits		
Cell phone allowance	45 600	40 800
Motor vehicle allowance	99 336	94 391
Office-bearer allowance	252 106	245 894
	397 042	381 085
Social contributions		
Medical aid benefits	13 680	9 130
Pension fund contributions	36 020	35 746
	49 700	44 876
Total	446 742	425 961

33.7 All other councillors

Allowances and service related benefits		
Cell phone allowance	499 600	363 800
Motor vehicle allowance	882 979	651 370
Office-bearer allowance	2 838 337	2 376 563
	4 220 916	3 391 733
Social contributions		
Medial aid benefits	11 400	-
Pension fund contributions	143 157	125 073
	154 557	125 073
Total	4 375 473	3 516 806

In kind benefits

The Speaker, the Mayor, the Deputy Mayor and the 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.

Refer to note 54 for related party disclosures.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

		2024	2023
34. Inventory consumed			
Consumables		1 868 489	1 336 564
Materials and supplies		5 750 329	7 968 906
Water		37 711 165	44 026 520
Total		45 329 983	53 331 990
35. Debt impairment			
Trade and other receivables from exchange transactions	3	31 875 145	30 377 669
Non Specific Accounts		(1 062 894)	(3 642 312)
Total		30 812 251	26 735 357
36. Depreciation and amortisation			
Amortisation			
Intangible assets	10.1	23 883	17 820
Depreciation			
Property, plant and equipment		114 245 026	108 281 813
Total		114 268 909	108 299 633
37. Finance costs			
Interest	37.1	7 148 951	552 621
37.1 Interest cost			
Financial liabilities			
• Annuity loans		6 115 390	-
Finance leases	19.1	175 789	260 856
Overdue accounts	13.4	857 772	291 765
Total		7 148 951	552 621
38. Contracted services			
Consultants and professional services	38.1	24 693 209	22 259 639
Contractors	38.2	134 704 786	152 816 167
Outsourced services	38.3	211 560 214	191 622 447
Total		370 958 209	366 698 253
38.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		26 000	26 000
Actuaries		24 000	22 000
Audit committee		200 468	394 763
Forensic investigators		1 108 887	138 603
Human resources		1 715 907	763 661
Medical examinations		343 161	371 918
Occupational health and safety		-	364 120
Project management		14 760 611	15 754 314
Quality control		35 776	41 786
Total business advisory services		18 214 810	17 877 165

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
38. Contracted services (continued)		
Legal services		
Collection	684 869	1 957 727
Legal advice and litigation	5 793 530	2 424 747
Total legal services	6 478 399	4 382 474
Total consultants and professional services	24 693 209	22 259 639

38.2 Contractors

General services		
Artists and performers	1 330 600	919 885
Audio-visual services	38 500	-
Fire protection	130 000	-
Gardening services	4 448 771	2 018 803
Medical services	312 100	142 500
Pest control and fumigation	-	26 328
Photographer	24 500	63 250
Safeguard and security	274 866	-
Sewerage services	-	21 776 579
Stage and sound crew	2 981 260	1 144 072
Total general services	9 540 597	26 091 417
Maintenance services		
Maintenance of buildings and facilities	1 739 130	1 384 461
Maintenance of equipment	154 081	636 634
Maintenance of unspecified assets	123 270 978	124 703 655
Total maintenance service	125 164 189	126 724 750
Total contractor	134 704 786	152 816 167

38.3 Outsourced services

Business and advisory services		
Business and Financial Management	456 713	10 584 964
Human Resources	100 663 587	60 898 968
Qualification Verification	27 649	91 304
Research and Advisory	1 981 702	2 983 508
Total business and advisory services	103 129 651	74 558 744
General services		
Catering Services	6 164 375	3 858 207
Hygiene Services	575 455	280 593
Internal Auditors	2 828 231	3 278 794
Meter Management	517 140	633 640
Transport Services	59 400	-
Water Takers	50 554 651	73 236 880
Total general services	60 699 252	81 288 114
Trading services		
Security Services	47 731 311	35 775 589
Total outsourced services	211 560 214	191 622 447

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
39. Transfers and subsidies - Expenditure		
Operational		
Allocations in-kind	39.1 3 533 875	4 682 749
39.1 Allocations in-kind: Operational		
Households	252 000	165 000
Non-profit Institutions	3 281 875	4 517 749
Total	3 533 875	4 682 749
39.2 Monetary allocations: Operational		
40. Irrecoverable debts written off		
Irrecoverable debts written off	8 134 277	2 191 696
Write offs resulted from successful indigent applications and a subsequent council resolution.		
Irrecoverable debts written off per class		
Trade and other receivables from exchange transactions	2 643 698	2 189 652
Receivables from non-exchange transactions	5 490 579	-
Deposits	-	2 044
	8 134 277	2 191 696
41. Operating leases		
Machinery and Equipment	705 801	135 284
Other Assets	1 115 643	1 115 031
Transport Assets	21 878 890	5 169 987
Total	23 700 334	6 420 302

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
42. Operational cost		
Achievements and Awards	-	56 650
Advertising, Publicity and Marketing	3 205 590	6 293 198
Assets less than the Capitalisation Threshold	200 043	180 471
Bank Charges, Facility and Card Fees	677 397	382 000
Bargaining Council	2 960 307	2 672 788
Bursaries (Employees)	159 810	85 772
Cash Discount	3 467 942	739 543
Cleaning Services	29 280	-
Communication	2 881 244	2 685 019
Entertainment	56 710	138 684
Eskom Connection Fees	443 699	748 173
External Audit Fees	4 554 351	4 114 565
External Computer Service	7 942 168	7 900 187
Hire Charges	50 458 512	33 555 770
Honoraria (Voluntarily Workers)	94 900	129 500
Insurance Underwriting	3 211 254	2 034 539
Licences	284 284	331 496
Management Fee	6 969 462	4 725 589
Municipal Services	83 089 990	66 924 707
Printing, Publications and Books	105 580	722 747
Professional Bodies, Membership and Subscription	29 589	32 881
Registration Fees	90 148	109 910
Seating Allowance for Traditional Leaders	3 131	3 299
Signage	78 800	33 050
Skills Development Fund Levy	2 693 967	2 456 009
Transport Provided as Part of Departmental Activit	4 642 390	2 392 135
Travel and Subsistence	13 207 900	17 131 028
Uniform and Protective Clothing	2 235 588	2 277 832
Vehicle Tracking	169 669	221 251
Warrantees and Guarantees	-	186 162
Wet Fuel	17 153 116	14 734 409
Workmen's Compensation Fund	1 665 874	2 140 796
Total	212 762 695	176 140 160
43. Inventory losses/write-down		
Inventory	-	135 106

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
44. Net cash from/(used) operating activities		
Surplus for the year	472 582 510	299 677 380
Adjustments for:		
Depreciation and amortisation	114 268 909	108 299 633
Bad debts written off	8 134 277	2 191 696
(Gains) / Losses on disposal of assets	(173 933)	(2 214 821)
Actuarial gains/losses	5 704 000	4 211 000
Movements in employees benefits	141 794	1 364 912
Debtors Impairment	30 812 251	26 735 357
Inventory losses	-	135 106
Public contributions and donations	(9 478)	-
Transfers and subsidies paid	(3 533 875)	(4 682 749)
Retention forfeits	(201 620)	(732 237)
Deposit forfeits	(8 542)	(24 912)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	2 556 898	(1 592 884)
(Increase) / Decrease in inventory	2 403 985	4 268 040
(Increase) / Decrease in receivables from exchange transactions	(40 614 640)	(19 287 213)
(Increase) / Decrease in VAT receivables	18 799 976	(25 311 416)
(Increase) / Decrease in prepayments	(28 406 208)	(75 147)
(Increase) / Decrease in deposits made	(1 228 337)	(843 960)
(Increase) / Decrease in operating lease receivable	(15 369)	-
Increase / (Decrease) in consumer deposits	(230 764)	23 826
Increase / (Decrease) in trade and other payables	44 468 836	117 193 323
Increase / (Decrease) in payables from non-exchange transactions	(114 064)	(850 834)
Increase / (Decrease) in operating lease liability	239 995	308 182
Increase / (Decrease) in non-current payables from exchange transactions	(29 854 118)	(7 086 039)
Net cash flows from operating activities	595 722 483	501 706 243

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	1 201 640 099	859 390 806
Total capital commitments		
Already contracted for but not provided for	1 201 640 099	859 390 806
Total commitments		
Total commitments		
Authorised capital expenditure	1 201 640 099	859 390 806
The Municipality has entered into various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	41 046 104	35 764 771
- in second to fifth year inclusive	10 726 095	43 092 078
- later than five years	2 101 442	5 127 505
	53 873 641	83 984 354
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 9 years 11 months, rentals shall escalate at a rate of 7% per annum. No contingent rent is payable.		
Operating lease payments represent rentals payable by the municipality for the rental of municipal vehicles. Leases are negotiated for an average term of 3 years, rentals shall escalate at a rate linked to CPI on the anniversary date of the lease contract. No contingent rent is payable.		
Operating lease payments represent rentals payable by the municipality for the rental of Machinery and equipment. Leases are negotiated for an average term of 3 years, rentals are fixed for an average of three years. No contingent rent is payable.		
Rental expenses relating to operating leases		
Minimum lease payments	22 008 637	6 417 471
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	603 055	361 760
- in second to fifth year inclusive	579 724	766 080
	1 182 779	1 127 840

The municipality leases out some of its office space to three tenants, two of the tenants have a fixed escalation, and one has an escalation linked to CPI.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

45. Commitments (continued)

The first tenant has an escalation of 10% annually and the lease term is for a period on 36 months, from 01 October 2022 to 30 September 2025.

the second tenant has an escalation of 7% annually and the lease term is for a period of 36 months, from 01 August 2023 to 31 July 2026.

the third tenant has an escalation linked to CPI annually and the lease term is for a period of 36 months, from 01 July 2023 to 30 June 2026.

No contingent rent is receivable.

46. Water losses

Unavoidable annual real losses	90 582 130	99 047 798
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Water loss volumes

Purified	20 680 906	17 468 516
Units sold	(5 218 698)	(4 175 238)
Supplied through water tankers	(201 152)	(231 168)
Unbilled unmetered consumption	(10 102 149)	(8 431 350)
	5 158 907	4 630 760

Water loss percentage %

Technical losses	25 %	27 %
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Zululand District Municipality produces water for both urban and rural areas. The Municipality currently has mainly urban areas on their billing system. Water is supplied through subsidised schemes in the rural areas hence the municipality is incurring water losses due to the difference between consumers who qualified to be billed versus households that do not fall into this category. In addition water leaks, illegal connections and aging infrastructure are also contributing factors.

Correction of prior period error

Unavoidable annual real losses

As previously reported	-	279 386 777
Correction of error	-	(180 338 979)
	-	99 047 798

Water loss volumes

As previously reported	-	13 062 110
Correction of error	-	(8 431 350)
	-	4 630 760

Water loss percentage %

As previously reported	-	75 %
Correction of error	-	(48)%
	-	27

Correction of prior period error relates to adjustment in water loss units and water loss balance in line with the Department of water and sanitation guidelines. The guideline requires that unbilled unmetered consumption units be subtracted from purified units to get water loss units.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

47. Contingent liabilities

Contingent liability 1 50 000 50 000

Zululand District Municipality // Employee 1

G&B ref: P1402/22

Labour Court case no: D 768/ 2021

Employee 1 launched a review application to review and set aside an arbitration award declaring his suspension fair. ZDM has filed its answering affidavit. No further steps have been taken by Employee 1 at this stage.

Labour Court Case No: D 68/ 23

Employee 1 launched an urgent application to find the Municipality, the Municipal Manager and other officials in contempt of court of the arbitration award under case no: KPD 042202. ZDM is opposing the urgent application. The application was set down for 17 March 2023 and postponed to the opposed roll.

The prospects of matter is pending a set down date on the opposed roll.

The prospects of succeeding with the review application are reasonable if the preliminary points are successful.

The prospects of succeeding with the urgent application are reasonable.

Contingent liability 2 10 000 -

Zululand District Municipality // Employee 2

G&B ref: P 2728/23

Bargaining council case no: KPD 072309

Employee 2 was charged for misconduct and subsequently dismissed. Following an appeal hearing, the dismissal was upheld in May 2023.

Employee 2 referred a dispute to the SALGBC in July 2023 arguing that the dismissal is substantively and procedurally unfair.

The arbitration convened and concluded on 12 June 2024.

The SALGBC issued an award on 8 July 2024 in favour of the Municipality, namely that the dismissal was substantively and procedurally fair.

The Municipality succeeded in the arbitration.

Zululand District Municipality

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Notes to the Annual Financial Statements

	2024	2023
47. Contingent liabilities (continued)		
Contingent liability 3	250 000	-
Zululand District Municipality // Employee 3		
G&B ref: P 1686/23		
The arbitration is set down for 26 July 2024 and 14 August 2024.		
On 30 October 2023, Employee 3 was charged by the Municipality for misconduct pertaining to dishonesty. Employee 3 plead not guilty.		
Following an internal disciplinary, Employee 3 was found guilty of the charges and dismissed.		
Employee 3 has referred an unfair dismissal dispute to the SALGBC under case number KPD032407.		
The arbitration is set down for 26 July 2024 and 14 August 2024.		
The prospects of succeeding are reasonable.		
Contingent liability 4	75 000	-
Zululand District Municipality // Employee 4		
G&B ref: P 1035/24		
Bargaining council case no: KPD062322		
The Municipality dismissed Employee 4 in May 2023. Employee 4 referred an unfair dismissal dispute to the SALGBC under case number KPD062322.		
In January 2024, a Default Award was obtained against the Municipality		
The Municipality subsequently successfully applied for the award to be rescinded. The award was issued on 5 July 2024.		
The Municipality is currently waiting for the set down date for the arbitration.		
The rescission and condonation applications were successful.		
Prospects of success relating to the main dispute will be assessed once we have full instructions.		
Contingent liability 5	75 000	-
Zululand District Municipality // Employee 5		
G&B ref: P 0333/24		
CCMA under case number KNDB10170/21		
Employee 5 has instituted proceedings in the CCMA under case number KNDB10170/21 alleging various acts of harassment and discrimination against him.		
The matter is part-heard and last sat in February 2024. The Municipality is awaiting a new set down date.		
Reasonable prospects of success.		

Zululand District Municipality

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	2024	2023
47. Contingent liabilities (continued)		
Contingent liability 6	150 000	-
Zululand District Municipality // Employee 6		
G&B ref: P 0145/24		
Internal disciplinary proceedings		
The Municipality instituted internal disciplinary proceedings against Employee 6 in February 2024 for misconduct relating to breaching policies specifically the IT and SCM policies.		
Employee 6 pled not guilty and is defending the charges.		
The hearing is part-heard and is scheduled to continue 17-19, 23 & 24 July 2024.		
Reasonable prospects of success.		
Contingent liability 7	500 000	500 000
Zululand District Municipality // MEC COGTA (COGTA's report)		
G&B ref: P 1175/20		
High Court Case No: 5660/2020		
ZDM successfully applied to have COGTA's report purportedly conducted in terms of section 106(1)(b) of the Municipal Systems Act declared unlawful, reviewed and set aside.		
COGTA filed an application for leave to appeal and ZDM has served a notice of opposition.		
The Municipality successfully defended the application for leave to appeal.		
COGTA then petitioned the SCA for leave to appeal. The Municipality opposed this petition. On the 18th May 2023 the SCA granted COGTA's petition for leave to appeal to the full court of the KwaZulu-Natal Division of the High Court, Pietermaritzburg. The costs order of the court a quo in dismissing the application for leave to appeal was set aside and the costs of the application for leave to appeal in the SCA and the court a quo are now costs in the appeal.		
The appeal is set down for 1 November 2024 before the full court of the KwaZulu Natal Division of the High Court, Pietermaritzburg.		
Reasonable prospects of success.		

Zululand District Municipality

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Notes to the Annual Financial Statements

	2024	2023
47. Contingent liabilities (continued)		
Contingent liability 8	-	350 000
Zululand District Municipality // MEC COGTA (Exco Composition)		
G&B ref: L0572/22		
Application before KwaZulu-Natal High Court, Pietermaritzburg – CASE NO: 2565/22P		
MEC-COGTA – KwaZulu-Natal instituted an application against the Municipality and Nongoma Local Municipality to challenge the composition numbers of the Municipal Executive Committee.		
The Municipality opposed this application on the basis that it believes the MEC COGTA – KZN has misconstrued and misinterpreted the 2021 amendments of the Municipal Systems Act as placing a restriction on when the Municipal Council is able to change the composition of the Municipal Executive Committee.		
The matter was set down for 27 July 2023 but COGTA has removed the matter from the roll. The matter was then re-enrolled for 11th September 2023 and argued on that date. Unfortunately the presiding judge passed away before delivering his judgment. The Judge President directed the matter be reargued.		
The matter was reargued on 23 April 2024 before a new judge and judgment remains outstanding.		
The Municipality has good prospects of opposing this application.		
No estimated future cost.		
Contingent liability 9	1 000 000	1 000 000
Zululand District Municipality // Rocla		
High Court urgent application brought by Rocla. Declarator order sought compelling ZDM to purchase 15000 units per the contract data. Matter referred to the SCA.		
ZDM lost at the SCA. Rocla has not taxed its costs as yet but has indicated that it will be suing for damages in respect of the balance of the contract price, this has not been issued yet so exact amounts are not available.		
Contingent liability 10	350 000	350 000
Zululand District Municipality // JB Mavundla & Another		
Mr Mavundla and Mr Nkosi have issued papers against ZDM to have the court declare them the lawful NFP councillors at the Municipality, The matter has been adjourned sine die.		
The matter has been adjourned sine die		
Contingent liability 11	2 196 570	2 196 569
Zululand District Municipality // ESKOM Holdings		
ESKOM has sued ZDM for damages sustained to its aircraft at the ZDM airport.		
A plea has been filed and Eskom has not taken the matter further.		

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
47. Contingent liabilities (continued)		
Contingent liability 12	40 000 000	40 000 000
Zululand District Municipality // Minister of Water & Sanitation		
Minister is suing ZDM for approximately R40million for water and water levies charges. The Minister of Water and Sanitation is pushing this matter to trial despite attempts at settlement.		
The matter is set down for Trial in February 2025.		
Contingent liability 13	400 000	2 205 459
Zululand District Municipality // Moteko Construction		
Moteko Construction has issued summons against ZDM for R156 6847.58 and ZDM has filed a counter-claim for R638 612.06.		
Plaintiff has not yet set the matter down for trial. It has remained dormant for years.		
Contingent liability 14	350 000	350 000
Zululand District Municipality // TMS		
TMS has issued papers against ZDM to review and set aside a tender for water services but have not proceeded to set it down.		
The matter has been adjourned sine die		
Contingent liability 15	8 213 829	8 213 829
Zululand District Municipality // Multisolution		
Multisolutions has issued an application against ZDM for payment of R8 213 829, 00 in respect of services rendered. ZDM has opposed the application.		
The applicant has now filed a replying affidavit but has not yet set the matter down		
Contingent liability 16	-	2 151 988
Zululand District Municipality // Abaqulusi Local Municipality		
Zululand district municipality has a dispute with Abaqulusi municipality for services received for the month of May and June 2023.		
The billing dispute raised has been resolved with Abaqulusi local municipality.		
Contingent liability 17	320 000	-
Zululand District Municipality // JAMJO CIVILS		
Jamjo filed an internal appeal and various interdicts against ZDM in respect of a tender in which they were not successful.the matter.		
ZDM was successful in the MBAT hearings however Jamjo has taxed it's bills as against ZDM with the amount of R320 000.00 being due in respect of their legal fees as a result of a costs order against ZDM. ZDM will have to pay this amount to avoid a warrant of attachment being served.		
	-	-
	53 940 399	57 367 845

Zululand District Municipality

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Notes to the Annual Financial Statements

2024 2023

47. Contingent liabilities (continued)

Prior period error

As previously reported	-	73 893 083
Correction of error - Zululand DM // ABSA and another	-	(15 525 238)
Correction of error - Zululand DM // Department of education	-	(500 000)
Correction of error - Zululand DM // Dlamini Ndlovu Engineering	-	(500 000)
	-	57 367 845

The correction of prior period error relates to receivables that were presented as contingencies.

These litigations are in progress and have been included as receivables.

Zululand District Municipality // ABSA and another

Recovery of money from ABSA

Draft summons and particulars of claim have been sent to client for comments. They also have been sent to counsel.

Reasonable.

Zululand District Municipality // Department of education

ZDM has issued summons against DOE for recovery of unpaid invoices. The matter is in the early stages of exchange of pleadings.

Zululand District Municipality // Dlamini Ndlovu Engineering

ZDM has issued summons against Dlamini Ndlovu for recovery of an overpayment due to their negligence, The matter is in the early stages of exchange of pleadings.

48. Risk management

Financial risk management

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These 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. Revenue Enhancement Strategy is in place that is looking to different ways to expand revenue base.

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 except for the ones already recognised in the statement of financial position.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

48. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputations.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.

Capital risk management

The municipality's objectives when managing capital structure are to safeguard the municipality's ability to continue as a going concern to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents disclosed in Note 2 and accumulated surplus as disclosed in the Statement of Changes in Net Assets.

Gearing ratio.

The municipality entered into a loan agreement with ABSA bank, the gearing ratio is 0.02.

49. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 5 051 610 503 and that the municipality's total assets exceed its liabilities by 5 051 610 503.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

- The municipality is operating at a net asset position.
- There municipality has 10 year fixed term borrowing agreement of R 100 000 000 with ABSA bank.
- 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 0,36:1. However included in this calculation is retention of 13 R 86 977 473 which is dependent on the future grant receipts and R 400 866 370 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.
- The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.
- The municipality is still able to pay its creditors as they become due.
- National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.
- There is no 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 original budget was assessed as funded and later the adjustment budget was assessed as unfunded and the municipality adopted a budget funding plan.

Zululand District Municipality

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Notes to the Annual Financial Statements

50. Other compulsory disclosures

	SALGA contributions	Audit fees	PAYE and UIF	SDL	Pension and Medical aid	Value added tax
As at 30 June 2024						
Opening balance	-	-	-	-	155 803	27 524 833
Subscription/fees	2 960 307	4 554 351	43 133 792	2 693 968	68 359 330	153 250 434
Amount paid /received – current year	(2 960 307)	(4 554 351)	(43 133 792)	(2 693 968)	(68 359 330)	(178 210 884)
Balance unpaid (included in payables)	-	-	285 015	-	(155 803)	-
Total amount approved by the accounting officer and noted by council	-	-	285 015	-	-	2 564 383

	SALGA contributions	Audit fees	PAYE and UIF	SDL	Pension and Medical aid	Value added tax
As at 30 June 2023						
Opening balance	-	-	-	-	-	10 896 204
Subscription/fees	2 680 493	4 114 565	40 071 672	2 463 950	61 139 241	130 869 313
Amount paid / received – current year	(2 680 493)	(4 114 565)	(40 071 672)	(2 463 950)	(61 139 241)	(114 240 684)
Balance unpaid (included in payables)	-	-	-	-	155 803	-
Total amount approved by the accounting officer and noted by council	-	-	-	-	155 803	27 524 833

Please refer to note 57 for prior period adjustments.

51. Councillor's municipal accounts in arrears

	Amount outstanding for more than 90 days	
List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days		
Cllr. Nkwanyana SE	961	1 098
Cllr. Nxumalo CM	87 228	55 192
Cllr Mncwango BJ	845	-
	89 034	56 290

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
52. Unauthorised, irregular, fruitless and wasteful expenditure		
52.1 Unauthorised expenditure		
Opening balance as previously reported	233 980 163	127 448 321
Add: Unauthorised expenditure – current	233 746 094	233 980 163
Less: Amounts written-off – prior period	(233 980 163)	(127 448 321)
Closing balance	233 746 094	233 980 163

Unauthorised expenditure was taken to council and authorised / written off, no unauthorised expenditure is under investigation.

Analysis of unauthorised expenditure

The over expenditure incurred by the municipal departments during the year is attributable to the following categories

Non-cash items	75 485 973	24 592 686
Cash items	158 260 121	209 387 477
	233 746 094	233 980 163

Analysed as follows: non-cash items

Employee related cost	13 907 957	9 786 910
Depreciation and amortisation	25 013 066	20 249 039
Bad Debts written off	8 134 277	2 191 696
Inventories losses/write-downs	-	135 106
Finance costs (savings)	7 112 704	(153)
Debt Impairment (savings)	20 812 249	(7 571 813)
Transfers and subsidies (savings)	-	(198 099)
Losses on disposal of Assets	505 720	-
	75 485 973	24 592 686

Analysed as follows: cash items

Employee related costs	-	6 347 631
Remuneration of councillors	578 267	255 182
Contracted services	84 267 244	130 545 585
Inventory consumed	(1 495 658)	21 970 082
Transfers and subsidies	(730 047)	-
Operational cost	33 666 077	47 551 157
Receivables from non exchange transactions	-	2 717 840
Funds not used for capital expenditure as intended	41 974 238	-
	158 260 121	209 387 477

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
52.2 Irregular expenditure		
Opening balance as previously reported	89 232 856	58 990 103
Add: Irregular expenditure - current	159 294 202	93 485 623
Add: Irregular expenditure – prior period	-	1 358 367
Less Amount recoverable – prior period	(3 966 450)	-
Less: Amounts written-off – current	(135 741 642)	(19 645 134)
Less: Amounts written-off – prior period	(85 266 407)	(44 956 103)
Closing balance	23 552 559	89 232 856

Incidents/cases identified in the current year include those listed below:

Non- compliance MSCMR	149 102 366	70 717 422
Non-compliance with CIDBR	-	7 052 369
Non-compliance with PPPFA	-	17 074 199
	149 102 366	94 843 990

Cases under investigation

Municipal Supply Chain Management Policies or By-laws	-	13 995 316
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cases related to non-compliance with procurement process requirements.

After a forensic investigation was concluded, council committee recommended to write-off R 10 056 166 as no losses were suffered and recovery of R 3 939 150 be pursued as per recommendations of the council committee.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 85 255 022 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was no financial loss and no recovery is required in respect of the said amount

52.3 Fruitless and wasteful expenditure

Opening balance as previously reported	1 046 939	303 721
Add: Fruitless and wasteful expenditure – current	3 108 256	1 046 939
Add: Fruitless and wasteful expenditure – prior period	140 144	-
Less: Amounts written-off – current	(1 046 939)	(303 721)
Closing balance	3 248 400	1 046 939

Details of fruitless and wasteful expenditure

Interest on overdue accounts	666 422	295 889
Over payment of suppliers	395 911	136 888
Contractors standing time	-	614 162
Interest on excess loan	2 186 067	-
	3 248 400	1 046 939

Amount written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R 1 046 939 from the total fruitless and wasteful expenditure amount as none of the expenditure attributed to gross negligence.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2024 2023

53. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

Deviation from supply chain management regulations

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SGM paragraph reference	Disciplinary steps/criminal proceedings		
36 (1)(a) i	Dispense with the official procurement processes in an emergency	718 047	555 691
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	847 950	1 390 702
36 (1)(a) iii	Dispense with official procurement processes if such goods or services are produced for acquisition of special work of art or historical object	105 000	1 104 277
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	1 444 893	6 705 736
Total deviations		3 115 890	9 756 406

The deviations rand value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value is not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

54. Related party disclosures

54.1 Nature of related party relationships

Related party Accounting Officer	Nature of relationship Refer to accounting officer's report note
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54.2 Remuneration of management

Management class: Councillors/mayoral committee members

2024

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Cllr Barnes IR (from June 2024)	-	-	-	-
Cllr Buthelezi TD (until June 2024)	602 888	460 854	99 750	1 163 492
Cllr Dlamini FM	27 483	-	-	27 483
Cllr Dlamini VV	13 636	-	-	13 636
Cllr Dubazane MR	20 579	-	-	20 579
Cllr Hadebe ISM	553 544	231 267	-	784 811
Cllr Jiyane KR (from May 2024)	-	-	-	-
Cllr Khumalo BK	247 996	144 527	47 535	440 058
Cllr Khumalo MB	266 095	143 162	32 155	441 412
Cllr Magagula NS	17 170	-	-	17 170
Cllr Masondo ND	24 031	-	-	24 031
Cllr Mavundla CM	22 895	-	-	22 895
Cllr Mavundla JB	233 464	123 975	-	357 439
Cllr Mavuso NP	24 031	-	-	24 031
Cllr Mbatha SI	512 481	241 260	72 814	826 555
Cllr Memela DT	513 201	243 726	73 489	830 416
Cllr Mncwango BJ	203 012	123 975	29 071	356 058
Cllr Mncwango SA	201 002	120 960	28 804	350 766
Cllr Mngomezulu ND	20 579	-	-	20 579
Cllr Mntambo M	233 464	123 975	-	357 439
Cllr Ndlela NP	8 910	5 815	-	14 725
Cllr Ndlovu TD	245 738	137 074	32 940	415 752
Cllr Ndwandwe TM	25 211	-	-	25 211
Cllr Nhlabathi BC	233 464	123 975	-	357 439
Cllr Nkosi SR (until June 2024)	467 354	245 185	-	712 539
Cllr Nkwanyana SE	203 012	123 975	29 071	356 058
Cllr Ntombela SS	23 988	-	-	23 988
Cllr Ntshangase TA	22 852	-	-	22 852
Cllr Ntuli KM	-	-	-	-
Cllr Nxumalo B (until April 2024)	458 263	192 036	-	650 299
Cllr Nxumalo SV	20 579	-	-	20 579
Cllr Nxumalo - Sibiyi CM	23 988	-	-	23 988
Cllr Selepe PP	14 772	-	-	14 772
Cllr Sikhakhane HN (from June 2024)	-	-	-	-
Cllr Shelembe S	252 106	144 936	49 700	446 742
Cllr Sibiyi AM	26 304	-	-	26 304
Cllr Sithole BH	734	-	-	734
Cllr Williams MP	238 490	118 807	-	357 297
Miss Xaba NG (from October 2023)	46 005	19 755	-	65 760
Cllr Zulu RM	428 667	210 290	62 414	701 371
Cllr Zungu NF	19 486	-	-	19 486
Cllr Zungu ZH	26 304	-	-	26 304
	6 523 778	3 279 529	557 743	10 361 050

2023

Zululand District Municipality

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Notes to the Annual Financial Statements

54. Related party disclosures (continued)

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Cllr Buthelezi TD	614 396	630 406	101 741	1 346 543
Cllr Dlamini FM	29 413	218	-	29 631
Cllr Dlamini VV	21 590	-	-	21 590
Cllr Dubazane MR	20 323	218	-	20 541
Cllr Hadebe ISM	527 208	213 077	-	740 285
Cllr Khumalo BK	458 580	208 397	83 861	750 838
Cllr Magagula NS	21 459	218	-	21 677
Cllr Masondo ND	26 005	218	-	26 223
Cllr Mavindla CN	26 005	218	-	26 223
Cllr Mavundla JB	221 103	113 462	-	334 565
Cllr Mavuso NP	26 109	218	-	26 327
Cllr Mbatha SI	312 193	159 835	45 903	517 931
Cllr Mdlalose SM (until May 2023)	205 949	103 992	-	309 941
Cllr Mdletshe AT	18 181	-	-	18 181
Cllr Memela DT	493 995	224 486	71 877	790 358
Cllr Mncwango BJ	202 876	113 462	56 866	373 204
Cllr Mncwango SA (from February 2023)	77 391	47 350	11 609	136 350
Cllr Mngomezulu ND	22 596	218	-	22 814
Cllr Mntambo M	224 158	113 462	-	337 620
Cllr Ndlela NP	242 844	133 488	49 039	425 371
Cllr Ndlovu TD	372 044	178 113	53 464	603 621
Cllr Ndwandwe TM	30 550	218	-	30 768
Cllr Nhlabathi BC	226 252	113 462	-	339 714
Cllr Nkwanyana SE	202 532	113 462	28 433	344 427
Cllr Ntombela SS	28 211	218	-	28 429
Cllr Ntshangase TA	24 868	218	-	25 086
Cllr Nxumalo B	348 280	155 072	-	503 352
Cllr Nxumalo SV	22 596	218	-	22 814
Cllr Nxumalo-Sibiya CM	24 868	218	-	25 086
Cllr Prince MMM Zulu	116 423	56 892	15 610	188 925
Cllr Selepe PP	16 979	-	-	16 979
Cllr Shelembe S	245 894	135 191	44 866	425 951
Cllr Sibiya AM	28 277	218	-	28 495
Cllr Sithole BH	23 732	218	-	23 950
Cllr Williams MP	21 317	-	-	21 317
Cllr Zulu RM	198 554	113 462	-	312 016
Cllr Zungu NF	24 868	218	-	25 086
Cllr Zungu ZH	29 413	218	-	29 631
	5 778 032	2 930 559	563 269	9 271 860

Management class: Executive management

2024

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Hlongwa RN	1 315 154	571 277	2 262	1 888 693
Mosia SP	955 894	357 564	237 651	1 551 109
Msibi NS	979 584	453 157	2 262	1 435 003
Linda MS	1 223 895	606 690	9 267	1 839 852
Msimango RN	723 809	511 445	2 051	1 237 305
Jeje TM	908 295	332 456	222 538	1 463 289

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Notes to the Annual Financial Statements

54. Related party disclosures (continued)

Soko TG	964 733	435 731	2 532	1 402 996
Nene FK	965 675	422 770	1 308	1 389 753
Ntombela TA	236 158	84 271	566	320 995
	8 273 197	3 775 361	480 437	12 528 995

2023

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Hlongwa RN	1 185 018	854 876	2 244	2 042 138
Mosia SP	895 724	448 977	222 691	1 567 392
Msibi NS	528 272	540 081	1 326	1 069 679
Linda M S	945 475	428 818	2 255	1 376 548
Msimango RN	935 411	333 772	2 255	1 271 438
Soko TG	934 293	327 473	2 957	1 264 723
Nene FK	856 587	281 963	2 067	1 140 617
Manqele PM	-	80 544	177	80 721
Jordaan WJ	-	73 038	177	73 215
Gumede RTM	-	9 052	-	9 052
Kheswa S	-	81 153	-	81 153
Zulu SB	-	4 594	-	4 594
Ngubane BS	-	11 102	-	11 102
	6 280 780	3 475 443	236 149	9 992 372

Zululand District Municipality

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Notes to the Annual Financial Statements

55. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

55.1. Statement of financial performance

Revenue from exchange transactions

BD1 - Services charges - Water - The meters installed have assisted in correcting the billing. However, there are still customers who are billed on average due to faulty meters, therefore resulted to higher billing than budgeted.

BD2 - Service charges - Waste Water Management - These are billed customers that are connected to the sewer system, the difference results from the fact that there are customers billed at average.

BD3 - Sale of Goods and Rendering of Services - This includes sale of tender documents, the actual is slightly below the budget, it depends on the sale of tenders of new project.

BD4 - Interest earned from receivables - The municipality charged the interest on outstanding water account for the businesses only as per credit policy. The interest is less than budgeted due to its dependence on outstanding account, however, there has been increase in interest compared to previous year due increase in debtors but less than the budget.

BD5 - Interests earned from current and non-current assets - This is dependent on the availability of funds that were not immediately required to settle payments, therefore, invested to call account and 32 days' notice. The municipality accumulated the interest in the second half of the year after mid-year adjustment budget.

BD6 - Rental from fixed assets - The two tenants vacated the building prior to the year end, the municipality entered into new lease agreement with revised rates, the rental received became more than expected.

BD7 - Licences or permits - These are the licences issued by the municipal health on the renewal date. Most of the receipts were from renewal of licences.

BD8 - Operational revenue - Other revenue consists of Skills development levy refund, Registration fees, landing fees, administrative handling fees, clearance certificates and Sale of tender documents. Major increase above budget is on skills development levy refund and sale of tender documents.

Revenue from non-exchange transactions

BD9 - Fines, penalties and forfeits - Fines, penalties, forfeits are amounts charged on illegal connections, deposit forfeits and health fines based on health inspections and reconnection fees on non-paying disconnected customers. The municipality adjusted the budget since the training was provided to environmental health practitioners and the benefit did materials in 2023-2024 financial year.

BD10 - Transfer and subsidies - Operational - The Indonsa Art centre grant is still in progress, the municipality has incurred expenditure but still waiting for invoices to pay as the year end accrual.

BD11 - Gains on disposal of assets - This is the gain on disposal of municipality asset that were no longer suitable for service delivery.

Expenditure

BD12 - Employee related costs - The employee related cost includes leave provision, bonus provision, standby, overtime and post-retirement benefits. The municipality has overspent on post-retirement benefits, leave pay was overspent, Standby allowance was overspent by the municipality due to circumstances that arise during the year in water and sewer plants.

BD13 - Remuneration of councillors - The councillor's allowance was overspent due changes on the upper limits as per published gazette and the adjustment was not duly prepared since it was beyond mid-year adjustment.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information (continued)

BD14 - Inventory consumed - This includes the purchase of raw water, portable water, material, and supplies. There variance results from savings on consumable stores and material & supplies.

BD15 - Debt impairment - This depends on the actual debtors as at the end of the financial year.

BD16 - Depreciation and amortisation - The significant increase in depreciation was due to completed assets transferred from work in progress and started to depreciate and extended above budget.

BD17 - Finance charges - The municipality have lease agreement that is finance lease and loan. The interest is included in finance cost line, interest resulting from overdue account is also included. The loan was approved during the year; therefore, no budget was allocated.

BD18 - Contracted services - The contracted services comprise of maintenance of municipal infrastructure or assets, Business and Advisory Services and project management. The major cost drivers are water tankers, security, legal cost and maintenance. These major cost drivers have increased beyond the budget while striving to provide service delivery.

BD19 - Transfers and subsidies - This is support given to the community by municipality in the form of lightning conductors, disaster relief material and LED projects. This includes assistance with seedlings, planting, and many other LED activities. The saving was on the relief material and lightning conductors.

BD20 - Irrecoverable debts written off - These are the debtors written off following the council resolution on debtors that are indigent and UIFW, there was no budget allocated to write offs.

BD21 - Operational costs - This includes all operating cost such ESKOM, operating leases, S&T, municipality services etc. The municipality has overspent on ESKOM, fleet lease, higher charges.

BD22 - Losses on disposal of Assets - This is the loss on disposal of assets.

BD23 - Transfers and subsidies - capital (monetary allocations) - The municipality received all grants that were budgeted in 2324 financial year, the difference is the one that was unspent in 2223 financial year which is borehole intervention program.

BD24 - Transfers and subsidies - capital (in-kind) - This was a donation from a private enterprise to Indonsa art centre and was not anticipated during the budget process.

55.2. Statement of financial position

Current assets

BD25 - Cash and cash equivalents - Cash and cash equivalent is estimated based on the expected performance on expenditure (Considering payments of suppliers, employees, and capital grants) and revenue, and considering the collection level of the municipality. The large variance is because the municipality has paid huge amounts of creditors from previous year on top of the current budgeted payment.

BD26 - Trade and other receivables from exchange transactions - Trade and other receivables from exchange transactions include debtors from water, sanitation services, other service charges and rental of properties. The municipality's actual debtors have decreased as compared to the budget since the municipality's debtors have increased and therefor the impairment on water and sanitation debtors increased, resulting to debtors be lower than budgeted.

BD27 - Receivables from non-exchange transactions - This includes all other non-exchange debtors, including shared services debtors from Local municipalities and all other debtors. The municipality's budgeted higher than the actual debtors, this means that the municipality has managed to reduce the amount of other debtors.

BD28 - Inventory - Inventories consist of water stock, material and supplies and consumable stores. The budget is less than actual because of consumable stock purchase and issued during the year.

BD29 - VAT - VAT Receivable is the net amount of input VAT raised. The municipality's budget is higher than the actual due to the municipality's large amount of payment during the year end, which resulted in increased VAT input variance.

BD30 - Other current assets - These are the deposit payments to ESKOM, Attorneys that the municipality paid when opening new accounts.

Non-current assets

Zululand District Municipality

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Notes to the Annual Financial Statements

55. Budget information (continued)

BD31 - Property Plant and Equipment - Property plant and equipment include capital acquisition and the amount of all assets owned by the municipality, Capital acquisition which are additions to property plant and equipment. The municipality has over budgeted in the property plant and equipment.

BD32 - Heritage assets - The municipality Heritage asset is the statue and the carrying value remain as budgeted.

BD33 - Intangible assets - This is the carrying value of intangible assets, the municipality did not purchase new intangible assets.

BD33 - Other non-current assets - This is non current portion of the operating lease received by the municipality.

Non-current Liabilities

BD41 - Financial liabilities - The municipality is in a lease agreement with Business Connections (BCX), the contract is for the laptops that the municipality will use for the agreed period and will be given to the Municipality at the end of the contract. The municipality has also acquired loan. This is the non-current portion for both loan and finance lease.

BD42 - Long term portion of trade payables - This is the long-term debt with DWS. An arrangement has been signed by the Municipality and the department of water and sanitation. This resulted in the new amount being calculated and being above the budget.

BD43 - Other non-current liabilities - This is employee benefit such as post-employment benefits and long - service awards, there has been a slight increase in both post-retirement benefits as per actuarial' s calculations.

Current liabilities

BD34 - Financial liabilities - This includes the current portion of finance lease and current portion of loan repayment. The increase results from the current portion of loan liability which R17 million and finance lease.

BD35 - Consumer deposits - This is change on consumer deposits depending on new accounts opened

BD36 - Trade and other payables from exchange transactions - The Payables from exchange transactions consist of trade payables and all other payables. This includes the bulk purchase such as DWS, payables such maintenance payables and all other payables.

BD37 - Payables from non-exchange transactions - The municipality has unspent grants, the municipality has spent grants within the limits of grant conditions. Unspent grants will be spent in 2024-2025 financial year, the municipality has never budgeted for unspent grants, the unspent grant is borehole intervention grant.

BD38 - Provision - This is the current provision for leave pay and annual bonus, this results from the correction of leave provision from employee cost payable to leave provision and bonus provision.

BD39 - VAT payable - This is the VAT output resulting from revenue generated.

BD40 - Other current liabilities - This is the current provision for long service award, leave pay and annual bonus.

55.3. Cashflow flow statement

Cashflows from operating activities

BD41 - Service charges - The budgeted collection of Service charges is 65%. The actual collection rate is 62% of budgeted collection rate. This results from low or poor collection level from debtors. There is higher level of unemployment and mostly is rural area, that results in low collection level.

BD42 - Other revenue - The budget for other revenue includes amounts for tender fees, skills development levy refund and any other revenue the Municipality may be entitled to receive such as VAT refund. The Treasury template for cash flow statements presentation in the budget is different from cash flow statements presented in AFS. On the AFS refund from SARS is considered in working capital under payments to suppliers and employees, while on the budget is treated direct as other revenue.

BD43 - Transfers and Subsidies - Operational - Some of the grants were not fully received last financial year and the debtor was raised, hence the receipts is in this financial year , grant such as AMAFA.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

55. Budget information (continued)

BD44 - Transfers and Subsidies - Capital - No variance.

BD45 - Interest income - Interest on investment - is interest received when the Municipality makes cash investments or call accounts. The investment performance during the first half of the year was good, the budget for interest was adjusted up, the performance further improved in the second half of the year due to available cash from grants that were not utilised immediately and invested.

BD46 - Suppliers and employees - Payments to suppliers and employees reflects all payments paid to suppliers, the municipality overspent in most expenditure categories as presented on the budget statement of financial performance above. The reason for this overspending is higher commitments on contracts that support service delivery and payments of previous liabilities.

BD47 - Finance charges - The municipality entered into a finance lease agreement and an annuity loan agreement. The loan was approved during the year; therefore, no budget was allocated.

Cashflows from investing activities

BD48 - Proceeds from sale of property, plant and equipment - These are the proceeds from the sale of assets, the municipality did not provide the budget, but the necessity to dispose prevail during the year.

BD49 - Capital assets - The municipality's capital acquisition budget is higher than the actual acquisition because there are expenditures that were capital in nature, but could not be capitalised, so they were expensed, such as project management expenses.

Cashflows fro financing activities

BD50 - Borrowing long term/refinancing - No variance

BD50 - Repayment of borrowing - This is the finance lease paid and loan payment during the financial year.

56. 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 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification

The following restatements and adjustments occurred which are set out below:

57.1 Adjustments of Statement of financial position items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	27 426 613	-	-	27 426 613
Trade and other receivables from exchange transactions	3	27 788 003	(23 183 577)	1 837 482	6 441 908
Receivables from non-exchange transactions	4	14 398 777	3 965 195	18 344	18 382 316
Deposits	5	-	18 178 536	-	18 178 536
VAT Receivable	6	76 892 047	5 877 387	-	82 769 434
Inventories	7	2 824 420	11 662	-	2 836 082
Receivables from exchange transactions		1 855 826	-	(1 855 826)	-
		151 185 686	4 849 203	-	156 034 889
Non-current assets					
Property, plant and equipment	9	4 991 969 915	(18 284 489)	-	4 973 685 426
Intangible assets	10	51 827	-	-	51 827
Heritage assets	11	7 816 633	-	-	7 816 633
Receivables from non-exchange transactions		18 178 536	(18 178 536)	-	-
		5 018 016 911	(36 463 025)	-	4 981 553 886
Total assets		5 169 202 597	(31 613 822)	-	5 137 588 775
Net assets and liabilities					
Current liabilities					
Lease liabilities	19	-	-	1 483 982	1 483 982
Consumer deposits	12	3 620 159	-	-	3 620 159
Payables from exchange transactions	13	454 405 633	16 712 145	(27 522 845)	443 594 933
Payables from non-exchange transactions	15	1 559 960	-	-	1 559 960
Employee benefit obligation	16	500 000	-	-	500 000
Provisions	17	1 654 000	-	27 522 845	29 176 845
Operating lease liability	19	542 591	(542 591)	-	-
VAT payables	14	-	614 517	-	614 517
Finance lease liability	19	1 483 982	-	(1 483 982)	-
		463 766 325	16 784 071	-	480 550 396
Non-current liabilities					
Lease liabilities	19	1 201 738	542 591	-	1 744 329
Employee benefits	16	30 426 000	-	-	30 426 000
Provisions	17	13 061 000	-	-	13 061 000
Trade and other payables from exchange transactions	20	32 779 089	-	-	32 779 089
		77 467 827	542 591	-	78 010 418
Total net assets		4 627 968 430	(48 940 458)	-	4 579 027 972
Total net assets and liabilities		5 169 202 582	(31 613 796)	-	5 137 588 786

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

57.2 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges - Waste water management	21	14 831 359	-	-	14 831 359
Services charges - Water	21	39 169 620	-	-	39 169 620
Interest on investments	24	7 433 381	-	-	7 433 381
Interest on receivables	23	75 296	-	-	75 296
Licences or permits		-	-	87 515	87 515
Operational revenue		-	-	562 671	562 671
Sales of goods and rendering of services	22	-	-	1 425 827	1 425 827
Rental from fixed assets	26	180 833	-	-	180 833
Other income		2 076 013	-	(2 076 013)	-
		63 766 502	-	-	63 766 502
Non-exchange revenue					
Transfers and subsidies	29	1 269 331 843	-	-	1 269 331 843
Fines, penalties and forfeits	28	909 670	-	-	909 670
Gains on disposal	30	2 214 821	-	-	2 214 821
Actuarial gain	31	4 211 000	-	-	4 211 000
		1 276 667 334	-	-	1 276 667 334
Total revenue		1 340 433 836	-	-	1 340 433 836
Expenditure					
Employee related cost	32	(286 175 778)	(116 908)	-	(286 292 686)
Remuneration of councillors	33	(9 275 903)	-	-	(9 275 903)
Depreciation and amortisation	36	(100 249 047)	(8 050 586)	-	(108 299 633)
Debt impairment	35	(6 428 188)	(20 307 169)	-	(26 735 357)
Irrecoverable Debt Written Off	40	(2 191 696)	-	-	(2 191 696)
Finance costs	37	(552 621)	-	-	(552 621)
Inventory consumed	34	(51 978 067)	(1 353 923)	-	(53 331 990)
Contracted services	38	(364 771 463)	(1 926 790)	-	(366 698 253)
Transfers and subsidies	39	(4 682 749)	-	-	(4 682 749)
Operational cost	42	(163 288 156)	(19 272 306)	6 420 302	(176 140 160)
Operating leases	41	-	-	(6 420 302)	(6 420 302)
Inventories (write-down)	43	(135 106)	-	-	(135 106)
Total expenditure		(989 728 774)	(51 027 682)	-	(1 040 756 456)
surplus/loss		350 705 062	(51 027 682)	-	299 677 380

Statement of financial position

Trade and other receivables from exchange transactions

As previously reported	27 788 003
Correction of prior period error - impairment adjustment (a)	(23 183 577)
Re-classification from other receivables from exchange transactions (b)	1 837 482
Re-classification from non-exchange receivables debtor balance (c)	1 062 894
Re-classification from non-exchange receivables impairment balance (c)	(1 062 894)
	6 441 908

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(a) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

(b) Re-classification relates to other receivables being grouped together with trade receivables from exchange transactions, mSCOA alignment

(c) Re-classification of both debtor balance and impairment amount from non exchange to exchange receivables due to mSCOA alignment

Receivables from non-exchange transactions

As previously reported	14 398 777
Correction of prior period error - Output VAT treatment on autioneer (a)	(36 900)
Correction of prior period error - Debtor employee advances (b)	35 645
Correction of prior period error - Irregular expenditure debtor 2022 (c)	3 939 150
Correction of prior period error - Irregular expenditure debtor 2023 (c)	27 300
Re-classification from other receivables from exchange transactions (d)	18 344
	<hr/>
	18 382 316

(a) Correction of prior period error relates to incorrect interpretation of autioneer VAT treatment, debtor was incorrectly raised inclusive of VAT.

(b) Correction of prior period error relates to excess amount paid to employee to be recovered, employee was paid inclusive of PAYE and UIF deductions.

(c) Correction of prior period error relates to recoverable irregular expenditure

(d) Re-classification from other receivables from exchange transactions to receivables from non exchange transactions due to mSCOA alignment.

Deposits

As previously reported	-
Correction of prior period error (a)	18 178 536
	<hr/>
	18 178 536

(a) Reclassification from non-current receivables from non-exchange transactions.

VAT Receivable

As previously reported	76 892 047
Correction of prior period error - Input VAT on payments 2023 (a)	3 591 674
Correction of prior period error - Input VAT on payments 2022 (b)	(1 317 256)
Correction of prior period error - Output VAT treatment on autioneer (c)	36 900
Correction of prior period error - Output VAT accrual reclassification (d)	24 893 002
Correction of prior period error - Output VAT accrual impairment reclassification (e)	(21 326 933)
	<hr/>
	82 769 434

(a) Correction of prior period error relates to VAT adjustment of payments accrued as at 30 June 2023.

(b) Correction of prior period error relates to VAT adjustment of payments accrued as at 30 June 2022.

(c) Correction of prior period error relates to incorrect interpretation of autioneer VAT treatment, debtor was incorrectly raised inclusive of VAT.

(d) Correction of prior period error relates to output VAT accrual reclassification to VAT payable.

(e) Correction of prior period error relates to output VAT accrual impairment reclassification to VAT payable.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Inventories

As previously reported	2 824 420
Correction of prior period error - inventory not capitalised (a)	11 662
Correction of prior period error - water inventory not capitalised (b)	1 353 923
Correction of prior period error - water inventory not issued (c)	(1 353 923)
	2 836 082

(a) Correction of prior period error relates to consumables purchased and delivered but not capitalized at 30 June 2023.

(b) Correction of prior period error relates to water inventory purchased but not capitalized at 30 June 2023.

(c) Correction of prior period error relates to inventory issued but not derecognised at 30 June 2023.

Receivables from exchange transactions

As previously reported	1 855 826
Re-classification to trade and other receivables from exchange transactions (a)	(1 837 482)
Re-classification to receivables from non-exchange transactions (b)	(18 344)
	-
	-

(a) Re-classification relates to other receivables being grouped together with trade and other receivables from exchange transactions, mSCOA alignment.

(b) Re-classification from other receivables from exchange transactions to receivables from non exchange transactions due to mSCOA alignment.

Non-current receivables from non-exchange transactions

As previously reported	18 178 536
Correction of prior period error	(18 178 536)
	-

Reclassification to deposits, mSCOA alignment.

Property, plant and equipment

As previously reported	4 991 969 915
Correction of prior period error - movable asset not capitalized (a)	394 988
Correction of prior period error - accumulated depreciation 2022 (b)	(10 633 639)
Correction of prior period error - accumulated depreciation 2023 (b)	(8 045 881)
Correction of prior period error - accumulated depreciation 2023 (c)	51
Correction of prior period error - cost 2023 (d)	(8)
	4 973 685 426

(a) Correction of prior period error relates to a movable asset not capitalized, the asset was identified through verification.

(b) Correction of prior period error relates to depreciation of asset not capitalized.

(c) Correction of prior period error relates to depreciation recalculation.

(d) Correction of prior period error relates to adjustment in cost of asset.

Lease liabilities

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

As previously reported	-
Re-classification of finance lease obligation	1 483 982
	1 483 982

(a) Re-classification resulted from mSCOA alignment, finance lease obligation and operating lease obligation have been grouped together to lease liabilities.

Payables from exchange transactions - Current

As previously reported	454 405 633
Correction of prior period error - payments accrued as at 30 June 2022 (a)	(10 098 959)
Correction of prior period error - payments accrued as at 30 June 2023 (b)	26 658 556
Correction of prior period error - Employee related cost salaries (c)	(40 147)
Correction of prior period error - Debtor employee advances (d)	36 892
Correction of prior period error - Employee related cost pension contributions (e)	155 803
Re-classification to employee benefits (f)	(27 522 845)
	443 594 933

(a) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2022.

(b) Correction of prior period error relates to adjustment of payments accrued as at 30 June 2023.

(c) Correction of prior period error relates to reversal of employee related cost incorrectly raised.

(d) Correction of prior period error relates to excess amount paid to employee to be recovered, employee was paid inclusive of PAYE and UIF deductions.

(e) Correction of prior period error relates to adjustment in pension fund contributions.

(f) Re-classification bonus provision and leave provision from payables from exchange transactions to provision.

Vat payables

As previously reported	-
Correction of prior period error - Output VAT accrual reclassification (d)	24 893 002
Correction of prior period error - Output VAT accrual impairment reclassification (e)	(21 326 933)
Correction of prior period error - Output VAT accrual impairment recalculation (e)	(2 951 552)
	614 517

(a) Correction of prior period error relates to output VAT accrual reclassification to VAT payable.

(b) Correction of prior period error relates to output VAT accrual impairment reclassification to VAT payable.

(c) Correction of prior period error relates to VAT on debtors impairment, impairment calculation was re-performed to also include government debtors.

Finance lease obligation

As previously reported	1 483 991
Re-classification to lease liabilities	(1 483 991)
	-

(a) Re-classification resulted from mSCOA alignment, finance lease obligation and operating lease obligation have been grouped together to lease liabilities.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Provisions - Current

As previously reported	1 654 000
Re-classification to employee benefits (a)	27 522 845
	<hr/>
	29 176 845

(a) Re-classification of payables from exchange transactions to provision, mSCOA reclassification.

Operating lease liability

As previously reported	542 591
Correction of prior period error (a)	(542 591)
	<hr/>
	-

(a) Correction of error relates to reclassification resulting from mSCOA alignment, operating lease obligation and finance lease obligation have been grouped together to lease liabilities, further more operating leases have been reclassified to non current since the obligation will not be payable in the current year.

Lease liabilities non-current

As previously reported	1 201 738
Correction of prior period error (a)	542 591
	<hr/>
	1 744 329

(a) Correction of error relates to reclassification resulting from mSCOA alignment, operating lease obligation and finance lease obligation have been grouped together to lease liabilities, further more operating leases have been reclassified to non current since the obligation will not be payable in the current year.

Accumulated surplus

As previously reported	4 627 968 430
Correction of prior period error - Employee related cost (a)	(116 908)
Correction of prior period error - Contracted services 2023 (b)	(1 926 791)
Correction of prior period error - Operational cost 2023 (b)	(561 000)
Correction of prior period error - Inventory consumed 2023 (b)	(1 353 923)
Correction of prior period error - Contracted services 2022 (c)	13 281 853
Correction of prior period error - Operational cost 2022 (c)	(19 272 297)
Correction of prior period error - Debt impairment (d)	(20 307 169)
Correction of prior period error - accumulated depreciation infrastructure 2022 (e)	(10 633 639)
Correction of prior period error - accumulated depreciation infrastructure 2023 (e)	(8 045 884)
Correction of prior period error - accumulated depreciation movables 2023 (e)	(4 759)
Correction of prior period error - accumulated depreciation (f)	51
Correction of prior period error - PPE cost (g)	8
	<hr/>
	4 579 027 972

(a) Correction of prior period error relates to reversal of employee related cost incorrectly raised, and superannuation pension fund reconciling difference at 30 June 2023.

(b) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

(c) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2022.

(d) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

(e) Correction of prior period error relates to depreciation of assets not capitalized.

(f) Correction of prior period error relates to correction in depreciation.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(g) Correction of prior period error relates to correction in cost.

Statement of Financial Performance

Licences or permits

As previously reported	-
Re-classification from other income (a)	87 515
	87 515

(a) Reclassification from other income to licences and permits

Operational revenue

As previously reported	-
Re-classification from other income (a)	562 671
	562 671

(a) Reclassification from other income to operating revenue.

Sales of goods and rendering of services

As previously reported	-
Re-classification from other income (a)	1 425 827
	1 425 827

(a) Reclassification from other income to Sales of goods and rendering of services.

Other income

As previously reported	2 076 013
Re-classification to licences or permits (a)	(87 515)
Re-classification to operating revenue (b)	(562 671)
Re-classification to sales of goods and rendering of services (c)	(1 425 827)
	-

(a) Reclassification from other income to licences and permits

(b) Reclassification from other income to operating revenue

(c) Reclassification from other income to Sales of goods and rendering of services

Employee related cost

As previously reported	(286 175 778)
Correction of prior period error	(116 908)
	(286 292 686)

(a) Correction of prior period error relates to reversal of employee related cost incorrectly raised, and superannuation pension fund reconciling difference at 30 June 2023.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

Depreciation and amortisation

As previously reported	100 249 047
Correction of prior period error - movable assets 2023 (a)	4 759
Correction of prior period error - infrastructure 2023 (b)	8 045 878
Correction of prior period error - movable assets (c)	(51)
	<hr/>
	108 299 633

(a) Correction of prior period error relates to depreciation of movable assets not capitalized.

(b) Correction of prior period error relates to depreciation of assets not capitalized.

(c) Correction of prior period error relates to correction in depreciation.

Debt impairment

As previously reported	6 428 188
Correction of prior period error (a)	20 307 169
	<hr/>
	26 735 357

(a) Correction of prior period error relates to re-performed impairment calculation to also include government debtors.

Inventory consumed

As previously reported	51 978 067
Correction of prior period error (a)	1 353 923
	<hr/>
	53 331 990

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

Contracted services

As previously reported	364 771 463
Correction of prior period error	1 926 790
	<hr/>
	366 698 253

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023.

Operational cost

As previously reported	163 288 156
Correction of prior period error (a)	19 272 306
Re-classification	(6 420 302)
	<hr/>
	176 140 160

(a) Correction of prior period error relates to adjustment of accruals raised as at 30 June 2023

(b) Reclassification from operating cost to operating leases

Operating leases

As previously reported	-
Re-classification (a)	6 420 302
	<hr/>
	6 420 302

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

57. Prior year error and reclassification (continued)

(a) Reclassification from operating cost to operating leases.

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management based on the primary functional areas. 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. Aggregated segments were identified as the segments that generate economic benefits or service potential, and such segments are community and public safety, economic and environmental services, and trading services. Other segments were identified as those that do not generate service economic benefits but are of support services to other segments. 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.

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

Below are the segments:

Community and Public Safety

- Community and social services
- Public safety
- Health

Economic and environmental services

- Planning and development

Trading services

- Water management
- Waste management

Unallocated

Unallocated segment represent governance and administration whis is mainly support services.

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 excessiv

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Segment information (continued)

2024

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	2 177 821	2 969 000	772 850 483	2 000 000	735 717 429	1 515 714 733
External revenue from exchange transactions	107 604	142 616	74 900 871	44 886	1 724 388	76 920 365
Interests on investments	-	-	-	-	15 458 240	15 458 240
Interest earned from receivables	-	-	685 257	-	5 844	691 101
Gains	-	-	-	-	5 877 933	5 877 933
Total	2 285 425	3 111 616	848 436 611	2 044 886	758 783 834	1 614 662 372
Segment expenses						
Total segment expenses	26 637 509	29 276 254	498 084 124	12 300 249	423 551 615	989 849 751
Depreciation and amortisation	572 895	98 308	107 411 064	447 405	5 739 237	114 268 909
Finance costs	-	-	6 115 390	-	1 033 561	7 148 951
Debt impairment	-	-	31 370 039	-	(557 788)	30 812 251
Total	27 210 404	29 374 562	642 980 617	12 747 654	429 766 625	1 142 079 862
Surplus for the year	(24 924 979)	(26 262 946)	205 455 994	(10 702 768)	329 017 209	472 582 510

Other information

Segment assets	1 143 823	22 573 784	5 464 711 671	(4 671 383)	242 556 399	5 726 314 294
Segment liabilities	-	-	4 369 084	-	671 280 152	675 649 236
Total capital expenditure	286 210	74 570	660 238 794	-	1 943 333	662 542 907

2023

	Community and public safety	Economic and environmental services	Trading services	Other	Unallocated	Total
Segment revenue						
External revenue from non-exchange transactions	2 130 657	4 170 817	614 919 558	500 000	648 520 481	1 270 241 513
External revenue from exchange transactions	154 712	-	54 000 979	15 657	2 086 477	56 257 825
Interests on investments	-	-	-	-	7 433 381	7 433 381
Interest earned from receivables	-	-	74 943	-	353	75 296
Gains	-	-	-	-	6 515 092	6 515 092
Total	2 285 369	4 170 817	668 995 480	515 657	664 555 784	1 340 523 107

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

58. Segment information (continued)

Segment expenses

Total segment expenses	27 032 783	22 613 282	519 301 187	9 841 145	326 245 342	905 033 739
Depreciation and amortisation	504 617	91 952	101 809 173	234 148	5 659 743	108 299 633
Losses	15 187	5 932	203 258	-	-	224 377
Finance costs	-	-	-	-	552 621	552 621
Debt impairment	-	-	30 365 096	-	(3 629 739)	26 735 357

Total	27 552 587	22 711 166	651 678 714	10 075 293	328 827 967	1 040 845 727
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Surplus for the year	(25 267 218)	(18 540 349)	17 316 766	(9 559 636)	335 727 817	299 677 380
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Other information

Segment assets	1 464 535	21 018 514	4 895 562 369	(4 178 274)	223 721 631	5 137 588 775
Segment liabilities	34 243	-	5 741 230	-	552 785 341	558 560 814
Total capital expenditure	1 551 391	-	491 994 934	8 500	4 786 781	498 341 606