

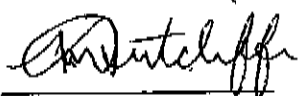
ETHEKWINI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2006

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 3 to 62 , in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Dr M.O. Sutcliffe
Municipal Manager

30 August 2006.
Date

**ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

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ETHEKWINI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R'000	2005 R'000
NET ASSETS AND LIABILITIES			
Net assets		10,093,376	9,042,454
Housing Development Fund	1	709,881	778,241
Capital replacement reserve		93,275	61,899
Capitalisation reserve		29,499	34,991
Government grant reserve		468,019	180,295
Donations and public contribution reserves		1,269,539	1,315,859
Self-insurance reserve		456,819	406,394
COIDA reserve		31,802	29,144
Accumulated Surplus		7,058,660	6,235,631
Non-current liabilities		3,068,132	3,068,132
Long-term liabilities	2	3,018,132	3,018,132
Non-current provisions	3	50,000	50,000
Current liabilities		3,839,351	3,839,351
Consumer deposits	4	421,413	421,413
Provisions	5	-	-
Creditors	6	2,663,390	2,663,390
Unspent conditional grants and receipts	7	67,603	67,603
Bank overdraft	18	139,305	139,305
Current portion of long-term liabilities	2	547,640	547,640
Total Net Assets and Liabilities		15,949,937	15,949,937
ASSETS			
Non-current assets		13,045,029	13,045,029
Property, plant and equipment	9	9,635,575	9,635,575
Investment property	10	147,765	147,765
Investments	11	2,895,090	2,895,090
Investment in Joint Venture	12	59,199	59,199
Long-term receivables	13	307,400	307,400
Current assets		2,904,908	2,904,908
Inventory	14	136,216	136,216
Consumer debtors	15	1,440,560	1,440,560
Other debtors	16	1,119,212	1,119,212
VAT	8	13,697	13,697
Current portion of long-term receivables	13	19,072	19,072
Call investment deposits	17	170,533	170,533
Bank balances and cash	18	5,618	5,618
Total Assets		15,949,937	15,949,937

**ETHEKWINI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

REVENUE	Note	2006 R'000	2005 R'000
Property rates	19	2,623,077	2,684,566
Property rates-penalties imposed and collection chgs		248,152	255,007
Service charges	20	4,510,763	4,319,028
Regional Services Levies		570,620	500,851
Rental of facilities and equipment		98,169	85,074
Interest earned - external investments		212,527	234,702
Interest earned - outstanding debtors		68,779	52,590
Fines		112,820	113,422
Licenses and permits		10,808	8,663
Government grants and subsidies	21	1,000,000	738,329
Other income	28	58,173	589,020
Public contributions and donations		1,000,000	10,337
Gains on disposal of property, plant and equipment		25,000	25,103
Total Revenue		10,251,548	9,616,692
 EXPENDITURE			
Employee related costs	22		2,639,887
Remuneration of Councillors	23		40,354
Bad debts			474,693
Collection costs			1,179
Depreciation			676,980
Repairs and maintenance			1,011,158
Interest paid	24		527,717
Bulk purchases	25		2,349,834
Contracted services			344,715
Grants and subsidies paid	26		110,046
General expenses	27		946,318
Loss on disposal of property, plant and equipment			22,895
Contributions to/from provisions			22,895
Total Expenditure			9,145,776
 SURPLUS FOR THE YEAR			470,916

ETHEKWINI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R'000	2005 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		9,323,739	9,037,982
Cash paid to suppliers and employees		(7,637,345)	(8,170,992)
Cash generated from operations	31	1,706,394	866,990
Interest received		291,306	287,292
Interest paid		(560,317)	(527,717)
NET CASH FROM OPERATING ACTIVITIES		1,957,368	626,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,050,749)	(2,015,027)
Proceeds on disposal of property, plant and equipment		66,328	396,265
Increase in investment properties		30	259
(Increase)/decrease in non-current receivables		(462,149)	446,998
Decrease/(Increase) in non-current investments		201,264	(745,297)
Decrease/(Increase) in call investment deposits		(285,300)	843,858
NET CASH FROM INVESTING ACTIVITIES		(1,505,336)	(1,072,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised			145,168
Increase in consumer deposits			421,413
NET CASH FROM FINANCING ACTIVITIES			566,581
NET INCREASE IN CASH AND CASH EQUIVALENTS			120,202
Cash and cash equivalents at the beginning of the year			(253,889)
Cash and cash equivalents at the end of the year	32		(133,687)

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. BASIS OF PRESENTATION

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

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 29. Furthermore, the Municipality has changed its accounting policy in respect of Regional Council Levies as set out in Note 30.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

5. RESERVES (Continued)

5.2 Capitalisation Reserve (Continued)

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

5. RESERVES (Continued)

5.5 Self-Insurance Reserve

The Municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arose from the differences between premiums charged against claims paid & various administrative expenditure incurred.

At the end of each financial year a surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed & negotiable deposits.

5.6 COIDA Reserve

The Municipality is exempted in terms of Section 84 of the COID Act. In terms of section 19 of the COID Act employers are required to keep a reserve. This reserve is made up of the capitalized value of pensions for all the dependants and widows or widowers of employees who died on duty and is based on the calculation by the Compensation Commissioner. Monthly pensions are paid by transferring funds out of the reserve to the expense account.

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

DETAILS	YEARS	DETAILS	YEARS
<i>Infrastructure</i>		<i>Other</i>	
Rivers and Coastal Engineering	30	Buildings	30
Roads and Motorways	15	Markets and Informal Markets	30
Economic Development	20	Fire Engines	20
Traffic Equipment	20	Landfill Sites	15
Stormwater Drainage	20	Car Parks	10
Airport Infrastructure	20	Lifts	10
Solid Waste	10-30	Building Improvements	10
Water and Sanitation	5-30	Heavy and Mobile Plant	10
Major Substations: Buildings	30	Furniture and Fittings	7
Transformers and Related Equip	20	Vehicles	5
Mains	20	Bins and Containers	5
Street Lighting	20	Plant - General	5
		Security Systems	5
<i>Community</i>		Office Equipment	3-5
Buildings	30	Other items of Plant & Equip	3-5
Recreational Facilities	20-30		

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 13 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7. INVESTMENTS

7.1 Financial Instruments

Financial instruments, which include unlisted stock and debentures, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2 Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

7.3 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

7. INVESTMENTS (Continued)

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7.4 *Investments In Securities*

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

7.5 *Investments In Derivative Financial Instruments*

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. REVENUE RECOGNITION

11.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

11. REVENUE RECOGNITION (Continued)

11.1 Revenue from Exchange Transactions (Continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

11. REVENUE RECOGNITION (Continued)

11.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data are accrued. Estimates are reviewed regularly to ensure that average data is appropriate.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

14. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

15. UNAUTHORISED EXPENDITURE

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

16. IRREGULAR EXPENDITURE

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

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

17. FRUITLESS AND WASTEFUL EXPENDITURE

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

18. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

19.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

20. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

**ETHEKWINI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (Continued)**

21. RETIREMENT BENEFITS

The municipality and its employees contribute either to the Durban Pension Fund or the KZN Municipal Pension Fund.

The Durban Pension Fund is a defined benefit fund and is actuarially valued on an interim basis each year with a statutory valuation undertaken every three years. The KZN Municipal Pension Fund is a defined contribution pension fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

22. BORROWING COSTS

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

ETHEKWINI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	2006 R'000	2005 R'000
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	709,881	778,241
Unappropriated Surplus	442,902	511,262
Loans extinguished by Government on 1 April 1998	266,979	266,979
The Housing Development Fund is represented by the following assets and liabilities:		
Property, plant and equipment (see note 9)	66,882	68,162
Housing Selling Scheme loans (see note 13)	181,518	190,354
Housing Rental Debtors (see note 15)	10,609	34,290
Housing Other Debtors	42,311	58,670
Housing Stock	606	859
Investments	458,601	192,272
Bank and cash	4	268,646
Sub-total	<u>760,531</u>	<u>813,253</u>
Long-term Liabilities	(1,341)	(2,371)
Bank Overdraft	(13,324)	0
Creditors	(35,985)	(32,641)
Total Housing Development Fund Assets and Liabilities	<u>709,881</u>	<u>778,241</u>
2. LONG-TERM LIABILITIES		
Debentures and Local Registered Stock Loans	16,057	27,556
Annuity Loans	3,879,076	2,815,216
Non Annuity Loans	323,000	723,000
Sub - total	<u>4,218,133</u>	<u>3,565,772</u>
Less : Current portion transferred to current liabilities	480,215	547,640
Debentures and Local Registered Stock Loans	657	11,500
Annuity Loans	179,558	136,140
Non Annuity Loans	300,000	400,000
Total External Loans	<u>3,737,918</u>	<u>3,018,132</u>
Refer to Appendix A for more detail on long-term liabilities.		
R343m (2005 : R309m) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See note 33 for more detail.		
DBSA Phase 2 and Phase 3 loans of R400 million each are separately secured, each by a cession of an acceptable revenue stream of R20 million p.a. as security		
3. NON-CURRENT PROVISIONS	<u>50,000</u>	<u>50,000</u>
Provision for reclamation of refuse landfill sites. In terms of the licencing of the landfill refuse site, council will incur rehabilitation estimated costs of R50 million to restore the sites at the end of its useful lives		

**ETHEKWINI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R'000	2005 R'000
4. CONSUMER DEPOSITS		
Electricity and Water	430,568	388,560
Interest paid	35,567	32,853
Total Consumer Deposits	<u>466,135</u>	<u>421,413</u>
Included in deposits is an accrual of interest at an effective interest rate of 3% per annum (2005: 3%) which is paid to consumers when deposits are refunded.		
5. PROVISIONS		
Performance bonus	6,889	0
Total Provisions	<u>6,889</u>	<u>0</u>
The movement in current provisions are reconciled as follows:		
<u>Performance Bonus</u>		
Balance at beginning of year	0	0
Contributions to provision	6,889	0
Balance at end of year	<u>6,889</u>	<u>0</u>
6. CREDITORS		
Trade creditors	467,870	394,854
Payments received in advance	20,650	11,738
Retentions	42,934	43,874
Staff leave	99,472	170,374
Other creditors	1,985,704	2,042,550
Total Creditors	<u>2,616,630</u>	<u>2,663,390</u>
7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>7.1 Conditional Grants from other spheres of Government</i>	118,281	67,603
Equitable Share	18,274	0
MIG Grants	6,970	0
European Union	52,408	56,317
Restructuring Grant	0	7,584
Provincial Health Subsidies	1	0
Other	40,628	3,702
Total Conditional Grants and Receipts	<u>118,281</u>	<u>67,603</u>
See Note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
8. VAT		
VAT receivable	<u>32,337</u>	<u>13,697</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

9. PROPERTY, PLANT & EQUIPMENT

30 June 2006

Reconciliation of Carrying Value R'000	Land and Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Carrying Values at 1 July 2005	1,523,582	6,665,570	491,523	6,410	880,328	68,162	9,635,575
Cost	1,951,491	10,385,465	694,811	6,410	1,833,873	159,961	15,032,011
Accumulated Depreciation	(427,909)	(3,719,895)	(203,288)	0	(953,545)	(91,799)	(5,396,436)
Acquisitions	61,049	737,687	16,272	50	396,081	2,125	1,213,264
Capital Under Construction	247,554	611,323	14,489	0	118	0	873,484
Depreciation	(47,969)	(504,081)	(26,423)	0	(241,139)	(3,264)	(822,876)
Carrying Value of Disposals	0	(1,856)	(1,206)	0	(2,859)	(141)	(6,062)
Cost	0	(4,843)	(1,566)	0	(9,547)	(401)	(16,357)
Accumulated Depreciation	0	2,987	360	0	6,688	260	10,295
Carrying Values at 30 June 2006	1,784,216	7,508,643	494,655	6,460	1,032,529	66,882	10,893,385
Cost	2,260,094	11,729,632	724,006	6,460	2,220,525	161,685	17,102,402
	(475,878)	(4,220,989)	(229,351)	0	(1,187,996)	(94,803)	(6,209,017)

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

9. PROPERTY, PLANT & EQUIPMENT (Continued)

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Carrying Values at 1 July 2004	1,421,166	5,618,122	482,100	6,410	616,719	372,761	8,517,278
Cost	1,809,540	9,027,667	660,173	6,410	1,425,488	464,281	13,393,559
Accumulated Depreciation	(388,374)	(3,409,545)	(178,073)	0	(808,769)	(91,520)	(4,876,281)
Acquisitions	142,089	1,403,189	34,638	0	433,708	1,402	2,015,026
Depreciation	(39,535)	(310,350)	(25,215)	0	(147,237)	(3,270)	(525,607)
Carrying Value of Disposals	(138)	(45,391)	0	0	(22,862)	(302,731)	(371,122)
Cost	(138)	(45,391)	0	0	(25,323)	(305,722)	(376,574)
Accumulated Depreciation	0	0	0	0	2,461	2,991	5,452
Carrying Values at 30 June 2005	1,523,582	6,665,570	491,523	6,410	880,328	68,162	9,635,575
Cost	1,951,491	10,385,465	694,811	6,410	1,833,873	159,961	15,032,011
Accumulated Depreciation	(427,909)	(3,719,895)	(203,288)	0	(953,545)	(91,799)	(5,396,436)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

**ETHEKWINI MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R'000	2005 R'000
10. INVESTMENT PROPERTY		
Cost	152,198	151,984
Less: Accumulated Depreciation	(4,463)	(4,219)
	<u>147,735</u>	<u>147,765</u>
No revenue was earned from certain of the investment properties, as the properties are vacant land held.		
11. INVESTMENTS		
<u>Listed</u>		
RSA Government Stock	4,757	4,757
Eskom Stock	3,793	3,793
Total Listed	<u>8,550</u>	<u>8,550</u>
<u>Unlisted</u>		
Investment in Municipal Entities – at cost		
Investment in Durban Marine Theme Park (Proprietary) Limited – at cost	1	1
Investment in ICC Durban (Proprietary) Limited – at cost	1	1
Umgeni Water Board Stock	0	75,156
Total Unlisted	<u>2</u>	<u>75,158</u>
<u>Financial Instruments</u>		
General Investments	343,849	308,774
Fixed and Negotiable Deposits	2,050,000	2,502,608
Total Cash Investments	<u>2,393,849</u>	<u>2,811,382</u>
Total Investments	<u>2,402,401</u>	<u>2,895,090</u>
<i>Market valuation of unlisted investments</i>		
RSA Government stock	7,199	6,270
Eskom Stock	5,294	5,757
	<u>12,493</u>	<u>12,027</u>
<i>Council's valuation of unlisted investments</i>		
Investment in Municipal Entities	2	2
Unlisted Investments	0	75,156
	<u>2</u>	<u>75,158</u>

**ETHEKWINI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

11. INVESTMENTS (Continued)

<u>Investment in Municipal Entities</u>	<u>ICC Durban (Proprietary Limited)</u>	<u>Durban Marine Theme Park (Proprietary Limited)</u>	<u>Metro Trust</u>
<i>As at 30th June 2006</i>			
Issued Share Capital (R'000)/Trust Capital	1	409	
Percentage owned by Council (%)	100	99.8	100
Indebtedness of Municipal Entities (R'000)- Interest Bearing		64,936	
Indebtedness of Municipal Entities (R'000)-Non Interest bearing	201,325	470,363	
Electricity Income Received(R'000)	2,313	6,500	
Water Income Received (R'000)	418	2,482	
Rates Income Received (R'000)	6,657	0	
Regional Services Levy Income Received (R'000)	125	234	
<i>As at 30th June 2005</i>			
Issued Share Capital (R'000)		409	
Percentage owned by Council (%)	100	99.8	100
Indebtedness of Municipal Entities (R'000)- Interest Bearing		33,914	2,000
Indebtedness of Municipal Entities (R'000)-Non Interest bearing	181,634	467,121	
Electricity Income Received (R'000)	2,168	7,787	
Water Income Received (R'000)	510	2,626	
Rates Income Received (R'000)	6,527	0	
Regional Services Levy Income Received (R'000)	110	267	

**ETHEKWINI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R'000	2005 R'000
12. INVESTMENT IN JOINT VENTURE		
This represents a 66.74% shareholding in the Effingham Development (Joint Venture)		
Capital Account	<u>50,631</u>	<u>59,199</u>
A summary of the financial information relating to the investment as it appears in the unaudited mid year balance sheet of Effingham Development (Joint Venture)		
ASSETS		
Township Property	27,339	23,515
Current Assets	100,916	161,888
Debtors	59,039	154,351
Cash on hand	41,877	7,537
TOTAL ASSETS	<u>128,255</u>	<u>185,403</u>
EQUITY AND LIABILITIES		
Members Loan Accounts	77,828	95,682
Current Liabilities		
Creditors	50,427	89,721
TOTAL EQUITY AND LIABILITIES	<u>128,255</u>	<u>185,403</u>
13. LONG-TERM RECEIVABLES		
Loans to controlled Municipal Entities		
	64,936	33,914
Durban Marine Theme Park (Pty) Ltd	470,363	467,122
-Interest Bearing	64,936	33,914
-Less : Loss on impairment	(470,363)	(467,122)
ICC Durban (Pty) Ltd	0	0
-Non Interest Bearing	201,325	181,634
-Less : Loss on impairment	(201,325)	(181,634)
Car Loans	916	2,391
Sewerage connection loans	45	63
Land Sales	0	57,687
Education Loans	501	383
Rates	0	38,055
Loan: DIDT	138,470	0
Sporting Bodies	2,235	3,625
Housing selling scheme loans	181,518	190,354
	<u>388,621</u>	<u>326,472</u>
Less: Current portion transferred to current receivables	12,774	19,072
Car loans	325	855
Sporting Bodies	164	739
Sewerage connection loans	17	17
Land Sales	0	4,643
Housing selling scheme loans	12,101	12,690
Education Loans	167	128
Total Receivables	<u>375,847</u>	<u>307,400</u>

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13. LONG-TERM RECEIVABLES (Continued)

LOANS TO MUNICIPAL ENTITIES

The loans to controlled Municipal Entities have no repayment date. The interest bearing loan bears interest at 2% below prime with no fixed repayment terms

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.

SEWERAGE CONNECTION LOANS

To encourage property owners to connect to the reticulation system, low interest rate loans are made to provide the necessary financial assistance. These loans attract interest at a rate of 11% per annum and are repayable over a maximum period of 10 years.

SPORTING BODIES LOANS

These loans attract interest of 11% per annum and are repayable over 20 to 50 years.

HOUSING SELLING SCHEME LOANS

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years. These loans will be repaid by the year 2011.

14. INVENTORY

Consumable stores	98,836	95,442
Maintenance materials	606	859
Water	15,529	15,494
Unsold properties held for resale	13,306	24,421
Total Inventory	128,277	136,216

15. CONSUMER DEBTORS

	Gross Balance	Provision for Bad Debts	Net Balance
As at 30 June 2006			
Service debtors	3,060,633	(1,357,275)	1,703,358
Rates	1,745,552	(778,743)	966,809
Electricity	404,776	(125,000)	279,776
Water	887,575	(453,532)	434,043
Solid Waste	7,175	0	7,175
Waste Water	15,555	0	15,555
Business Service Levies	91,752	0	91,752
Housing rentals	41,490	(30,881)	10,609
Total	3,193,875	(1,388,156)	1,805,719

As at 30 June 2005

Service debtors	2,530,603	(1,195,368)	1,335,235
Rates	1,449,035	(783,482)	665,553
Electricity	354,276	(115,000)	239,276
Water	722,146	(296,886)	425,260
Solid Waste	4,814	0	4,814
Waste Water	332	0	332
Business Service Levies	71,035	0	71,035
Housing rentals	34,290	0	34,290
Total	2,635,928	(1,195,368)	1,440,560

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Rates : Ageing

Current (0 - 30 days)	142,689	83,020
31 - 60 Days	56,170	4,627
61 - 90 Days	45,771	1,096
91 - 120 Days	47,844	723
121 - 365 Days	987,659	1,359,569
+ 365 Days	465,419	0
Total	1,745,552	1,449,035

Electricity, Water and Sewerage: Ageing

Current (0 - 30 days)	447,810	349,313
31 - 60 Days	125,865	101,837
61 - 90 Days	41,190	43,162
91 - 120 Days	31,305	29,654
121 - 365 Days	218,185	557,602
+ 365 Days	450,725	0
Total	1,315,080	1,081,568

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

	2006 R'000	2005 R'000
15. CONSUMER DEBTORS (Continued)		
<i>Regional Services Levies: Ageing</i>		
Current (0 - 30 days)	5,195	4,138
31 - 60 Days	4,363	6,545
61 - 90 Days	39,841	24,757
91 - 120 Days and over	42,352	35,595
Total	91,751	71,035
<i>Housing rentals: Ageing</i>		
Current (0 - 30 days)	2,543	2,415
30 - 90 Days	1,777	1,675
91 - 120 Days	723	681
121 - 360 Days	5,566	5,114
+ 360 Days	30,881	24,405
Total	41,490	34,290
<u>Reconciliation of the Bad Debt Provision</u>		
Balance at beginning of the year	1,195,368	941,271
Contributions to provision	301,197	476,892
Bad debts written off against provision	(108,409)	(222,795)
Balance at end of year	1,388,156	1,195,368
16. OTHER DEBTORS		
Other Debtors	1,161,508	1,083,431
Provision of Bad Debts-Other Debtors	(24,562)	
Payments made in advance	5,449	5,945
Insurance claims	27,914	29,836
Total Other Debtors	1,170,309	1,119,212
17. CALL INVESTMENT DEPOSITS		
30 Day Deposits	667,117	170,533
18. BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
<u>MAIN EXPENDITURE BANK</u>		
Standard Bank of S A Ltd - Durban Main Branch Account Number : 05-007-3117 (Current Account)		
First National Bank-Corporate Account Services Durban Branch Account Number : 6208-572-8106 (Current Account)		
Cash book balance at the beginning of the year	21	13,616
Cash book balance at the end of the year	0	21
Bank statement balance at the beginning of the year (overdrawn)	(806,339)	(378,488)
Bank statement balance at the end of the year (overdrawn)	(662,821)	(806,339)

**ETHEKWINI MUNICIPALITY
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MAIN EXPENDITURE EFT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-015-8627 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Numbr : 6208-572-8263 (Current Account)

Cash book balance at the beginning of the year	0	7
Cash book balance at the end of the year	<u>4</u>	<u>0</u>
Bank statement balance at the beginning of the year (overdrawn)	0	0
Bank statement balance at the end of the year (overdrawn)	<u>(1,151,807)</u>	<u>0</u>

REFUNDS EXPENDITURE ACCOUNT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-014-4227 (Current Account)

First National Bank– Corporate Account Services Durban Branch
Account Number : 6208-885-1764 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year (overdrawn)	(1,345)	281
Bank statement balance at the end of the year (overdrawn)	<u>(1,393)</u>	<u>(1,345)</u>

WATER AND SANITATION SERVICES DEPOSIT ACCOUNT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-000-9761 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-3990 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
VAT receivable	15,870	14,810
Bank statement balance at the end of the year	<u>1,217</u>	<u>15,870</u>

WATER AND SANITATION SERVICES EXPENDITURE

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-024-1419 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-4542 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	85,721	163
Cash book balance at the end of the year (overdrawn)	<u>(3,232)</u>	<u>85,721</u>
Bank statement balance at the beginning of the year (overdrawn)	(192,164)	(140,774)
Bank statement balance at the end of the year (overdrawn)	<u>688</u>	<u>(192,164)</u>

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WATER AND SANITATION SERVICES EFT

Standard Bank of S A Ltd – Durban Main Branch
 Account Number : 05-014-9342 (Current Account)

First National Bank–Corporate Account Services Durban Branch
 Account Number : 6208-572-4732 (Current Account)

Cash book balance at the beginning of the year	0	1
Cash book balance at the end of the year (overdrawn)	(179,446)	0
Bank statement balance at the beginning of the year	0	4
Bank statement balance at the end of the year (overdrawn)	(1,354,731)	0

ELECTRICITY INCOME

Standard Bank of S A Ltd – Durban Main Branch
 Account Number : 05-007-3133 (Current Account)

First National Bank–Corporate Account Services Durban Branch
 Account Number : 6208-572-1952 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	31,143	29,480
Bank statement balance at the end of the year	2,151	31,143

ELECTRICITY PREPAID VENDOR DEPOSITS

Standard Bank of S A Ltd – Durban Main Branch
 Account Number : 05-029-7937 (Current Account)

First National Bank–Corporate Account Services Durban Branch
 Account Number : 6208-572-1481 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	20,326	35,046
Bank statement balance at the end of the year	49,135	20,326

ELECTRICITY EXPENDITURE and EFT

Standard Bank of S A Ltd – Durban Main Branch
 Account Number : 05-002-4671 (Current Account)
 Standard Bank of S A Ltd – Durban Main Branch
 Account Number : 05-015-8627 (Current Account)

First National Bank–Corporate Account Services Durban Branch
 Account Number : 6208-572-2348 (Current Account)

First National Bank–Corporate Account Services Durban Branch
 Account Number : 6208-572-2463 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	(189,820)	7
Cash book balance at the end of the year (overdrawn)	(177,853)	(189,820)
Bank statement balance at the beginning of the year (overdrawn)	(373,485)	161,672
Bank statement balance at the end of the year (overdrawn)	(347,652)	(373,485)

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DISHONoured CHEQUES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3281 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-5996 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	(2,427)	0
Cash book balance at the end of the year (overdrawn)	<u>(401)</u>	<u>(2,427)</u>

Bank statement balance at the beginning of the year (overdrawn)	(2,547)	3,206
Bank statement balance at the end of the year (overdrawn)	<u>(4,550)</u>	<u>(2,547)</u>

SUNDRY PAYE

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3419 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-8908 (Current Account)

Cash book balance at the beginning of the year	179	0
Cash book balance at the end of the year	<u>264</u>	<u>179</u>

Bank statement balance at the beginning of the year	179	172
Bank statement balance at the end of the year	<u>264</u>	<u>179</u>

INCOME DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3168 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-9071 (Current Account)

Cash book balance at the beginning of the year favourable	515,761	183,730
Cash book balance at the end of the year	<u>13,570</u>	<u>515,761</u>

Bank statement balance at the beginning of the year	1,365,656	269,509
Bank statement balance at the end of the year	<u>109,138</u>	<u>1,365,656</u>

INNERWEST INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-4878 (Current Account)

Cash book balance at the beginning of the year	0	1
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year	32	6,757
Bank statement balance at the end of the year	<u>0</u>	<u>32</u>

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OUTERWEST INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5017 (Current Account)

Cash book balance at the beginning of the year	0	2,304
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	1	2,219
Bank statement balance at the end of the year	<u>0</u>	<u>1</u>

NORTH INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5084 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	0	(495)
Cash book balance at the end of the year (overdrawn)	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	252	400
Bank statement balance at the end of the year	<u>0</u>	<u>252</u>

SOUTH INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5092 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	161	1,039
Bank statement balance at the end of the year	<u>0</u>	<u>161</u>

UMKOMAAS INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5181 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	87	490
Bank statement balance at the end of the year	<u>0</u>	<u>87</u>

CASH PAYMENTS ACCOUNT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-014-2240 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-9245 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	(319)	304
Cash book balance at the end of the year (overdrawn)	<u>(663)</u>	<u>(319)</u>
Bank statement balance at the beginning of the year (overdrawn)	(461)	(950)
Bank statement balance at the end of the year (overdrawn)	<u>(2,032)</u>	<u>(461)</u>

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WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3338 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	0	(2,409)
Cash book balance at the end of the year (overdrawn)	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	797	(123,550)
Bank statement balance at the end of the year	<u>0</u>	<u>797</u>

SALARIES ACCOUNT

First National Bank – Corporate Account Services
Account Number : 6208-573-8750 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year	0	0
Bank statement balance at the end of the year (overdrawn)	<u>(422,446)</u>	<u>0</u>

NOE WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5877 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	0	(5,168)
Bank statement balance at the end of the year	<u>0</u>	<u>0</u>

SOE WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5882 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	0	(7,304)
Bank statement balance at the end of the year	<u>0</u>	<u>0</u>

INNER WEST WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-5947 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	0	(19,608)
Bank statement balance at the end of the year (overdrawn)	<u>0</u>	<u>0</u>

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OUTER WEST WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-6099 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year (overdrawn)	0	(1,834)
Bank statement balance at the end of the year	<u>0</u>	<u>0</u>

UMKOMAAS WAGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-006-6110 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year (overdrawn)	(207)	(503)
Bank statement balance at the end of the year (overdrawn)	<u>0</u>	<u>(207)</u>

SHORT TERM 2

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3362 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-7143 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	(897,013)	107,431
Cash book balance at the beginning of the year (overdrawn)	<u>(1,199,679)</u>	<u>(897,013)</u>
Bank statement balance at the beginning of the year (overdrawn)	(548,635)	(21,924)
Bank statement balance at the end of the year (overdrawn)	<u>(1,002,307)</u>	<u>(548,635)</u>

GENERAL BANK

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-2943 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-7116 (Current Account)

Cash book balance at the beginning of the year (overdrawn)	(196,503)	1,269,889
Cash book balance at the end of the year (overdrawn)	<u>(1,144,451)</u>	<u>(196,503)</u>
Bank statement balance at the beginning of the year (overdrawn)	(331,298)	(714,653)
Bank statement balance at the end of the year (overdrawn)	<u>(1,944,279)</u>	<u>(331,298)</u>

CITY FLEET INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-022-6630 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	3,327	9,676
Bank statement balance at the end of the year	<u>0</u>	<u>3,327</u>

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DIRECT DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3079 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-0722 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	(5,043)	0
Bank statement balance at the beginning of the year	471,584	557,910
Bank statement balance at the end of the year (overdrawn)	(267,266)	471,584

MAYORS RELIEF

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-013-9770 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-1275 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year (overdrawn)	0	(45)
Bank statement balance at the end of the year	0	0

DIRECT DEBIT COLLECTIONS

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3230 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-1332 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	32,635	28,724
Bank statement balance at the end of the year	370	32,635

UMLAZI DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-005-9645 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	2,466	1,936
Bank statement balance at the end of the year	0	2,466

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TRANSWITCH

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-004-1827 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-1762 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>52,323</u>	<u>86,737</u>
Bank statement balance at the end of the year	<u>353,276</u>	<u>52,323</u>

AGENTS DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3249 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-2546 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>21,977</u>	<u>40,699</u>
Bank statement balance at the end of the year	<u>16,798</u>	<u>21,977</u>

METRO POLICE DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-000-9818 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-2877 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>12,270</u>	<u>19,598</u>
Bank statement balance at the end of the year	<u>2,640</u>	<u>12,270</u>

TRAFFIC FINES TRANSWITCH

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-011-5030 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-9790 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>2,261</u>	<u>4,311</u>
Bank statement balance at the end of the year	<u>1,410</u>	<u>2,261</u>

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PARKS, REC AND CULTURE DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-000-9710 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-3495 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	2,923	2,053
Bank statement balance at the end of the year	9,624	2,923

CITY ENGINEERS

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-000-9583 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-3776 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	4,099	2,314
Bank statement balance at the end of the year	13,541	4,099

BUSINESS LEVIES INCOME DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-003-9318 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-4992 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	32,118	33,585
Bank statement balance at the end of the year	15,803	32,118

BUSINESS LEVIES DIRECT DEPOSIT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-8216 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-5152 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	35,527	195,200
Bank statement balance at the end of the year	37,116	35,527

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BUSINESS LEVIES UNPAID CHEQUES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-004-3366 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-5384 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year (overdrawn)	(49)	65
Bank statement balance at the end of the year (overdrawn)	(65)	(49)

NINGIZUMU HOSTEL INCOME

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-005-1997 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-5706 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	0	0
Bank statement balance at the beginning of the year	402	175
Bank statement balance at the end of the year	0	402

CIF BANK

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3028 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-6449 (Current Account)

Cash book balance at the beginning of the year	400,767	736,277
Cash book balance at the end of the year	936,747	400,767
Bank statement balance at the beginning of the year	158,255	380,693
Bank statement balance at the end of the year	1,313,749	158,255

MARKET AGENCY

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-2994 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-7661 (Current Account)

Cash book balance at the beginning of the year	5,401	4,389
Cash book balance at the end of the year	6,155	5,401
Bank statement balance at the beginning of the year	7,028	5,151
Bank statement balance at the end of the year	438,565	7,028

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ACB NOMINATED

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-3257 (Current Account)

Cash book balance at the beginning of the year	0	(9,440)
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	53	(9,412)
Bank statement balance at the end of the year	<u>0</u>	<u>53</u>

BANK CHARGES

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-007-2951 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-9378 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year (overdrawn)	(843)	(803)
Bank statement balance at the end of the year (overdrawn)	<u>(601)</u>	<u>(843)</u>

VIRGINIA AIRPORT

Standard Bank of S A Ltd – Durban Main Branch
Account Number : 05-003-3123 (Current Account)

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-9534 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year	193	186
Bank statement balance at the end of the year	<u>343</u>	<u>193</u>

ELECTRONIC DEPOSIT ACCOUNT

First National Bank–Corporate Account Services Durban Branch
Account Number : 6208-572-5855 (Current Account)

Cash book balance at the beginning of the year	0	0
Cash book balance at the end of the year	<u>0</u>	<u>0</u>

Bank statement balance at the beginning of the year	0	0
Bank statement balance at the end of the year (overdrawn)	<u>(41,810)</u>	<u>0</u>

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CASHIERS DEPOSIT ACCOUNT

First National Bank-Corporate Account Services Durban Branch
 Account Number : 6208-572-9948 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>1,627,732</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>0</u>	<u>0</u>
Bank statement balance at the end of the year	<u>4,772,005</u>	<u>0</u>

GOVERNMENT DEPOSIT ACCOUNT

First National Bank-Corporate Account Services Durban Branch
 Account Number : 6208-573-0119 (Current Account)

Cash book balance at the beginning of the year	<u>0</u>	<u>0</u>
Cash book balance at the end of the year	<u>0</u>	<u>0</u>
Bank statement balance at the beginning of the year	<u>0</u>	<u>0</u>
Bank statement balance at the end of the year	<u>80,810</u>	<u>0</u>

PETTY CASH AND CASH ON HAND

<u>9,117</u>	<u>5,618</u>
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19. **PROPERTY RATES**

Actual

Residential	1,143,872	1,235,717
Commercial	1,539,407	1,312,113
State	139,798	136,736
Total Assessment Rates	<u>2,823,077</u>	<u>2,684,566</u>

Property Valuations

Residential	56,076,651	54,929,677
Commercial	28,639,391	28,053,610
State	10,737,327	10,517,709
Municipal	3,600,285	3,526,645
Total Property Valuations	<u>99,053,654</u>	<u>97,027,641</u>

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19. PROPERTY RATES (Continued)

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 1998. Interim valuations are processed on a daily basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions. A residential property allocation factor of R0, 073 (2005: R0.0692) is applied to residential property valuations to determine assessment rates. Lifeline rebates on a graduated scale are granted to properties valued at R100 000 or less. Rebates of 70,91% for dwellings and 67,28% for flats and complexes are granted for residential properties valued at over R100 000.. A rate randage of R0, 26808 (2005 R0, 25308) is applied to commercial and industrial land valuations and a randage of R0, 02234 (2005 R0, 02109) is applied to commercial and industrial building valuations. All vacant land is rated on the same basis as commercial land. A rebate of 50% is granted to commercial, industrial and vacant land properties. Rates are levied on a

Rates payable annually are due on 28 January 2006 (2005. 29 January). Interest at 18% per annum (2005: 18%) is levied on outstanding rates for the first two months. Thereafter the interest rate is 24% per annum (2005: 24%). A 15 % (2005: 15%) collection charge is levied on annual rates two months after due date.

20. SERVICE CHARGES

Sale of electricity	3,021,130	2,942,349
Sale of water	1,241,251	1,153,066
Refuse removal	104,834	89,772
Sewerage and sanitation charges	63,960	62,872
Other Service Charges	79,588	70,969
Total Service Charges	<u>4,510,763</u>	<u>4,319,028</u>

21. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	501,705	366,449
Municipal Infrastructure Grant	295,397	226,133
Restructuring Grant	72,584	82,416
European Union	63,988	21,790
Govt Subs - Primary Health	30,533	26,501
Other	63,435	15,040
Total Government Grant and Subsidies	<u>1,027,642</u>	<u>738,329</u>

21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)

21.1 Equitable Share

Balance unspent at beginning of year	0	0
Current year receipts	519,979	366,449
Conditions met - transferred to revenue	(501,705)	(366,449)
Conditions still to be met-transferred to liabilities (see note 7)	<u>18,274</u>	<u>0</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

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21.2 MIG Grant		
Balance unspent at beginning of year	0	0
Current year receipts	302,367	226,133
Conditions met – transferred to revenue	(295,397)	(226,133)
Conditions still to be met–transferred to liabilities (see note 7)	<u>6,970</u>	<u>0</u>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

21.3 Restructuring Grant

Balance unspent at beginning of year	7,584	0
Current year receipts	65,000	90,000
Conditions met – transferred to revenue	(72,584)	(82,416)
Conditions still to be met–transferred to liabilities (see note 7)	<u>0</u>	<u>7,584</u>

This grant is utilised for restructuring the system within the Council.

21.4 European Union

Balance unspent at beginning of year	56,317	16,487
Current year receipts	60,079	61,620
Conditions met – transferred to revenue	(63,988)	(21,790)
Conditions still to be met–transferred to liabilities (see note 7)	<u>52,408</u>	<u>56,317</u>

21.5 Provincial Health Subsidies

Balance unspent at beginning of year	0	0
Current year receipts – included in public health vote	30,534	26,501
Conditions met – transferred to revenue	(30,533)	(26,501)
Conditions still to be met–transferred to liabilities (see note 7)	<u>1</u>	<u>0</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

21.6 Other Grants

Balance unspent at beginning of year	3,702	0
Current year receipts	100,361	15,040
Conditions met – transferred to revenue	(63,435)	(11,338)
Conditions still to be met–transferred to liabilities (see note 7)	<u>40,628</u>	<u>3,702</u>

Other Grants were utilised during the year to fund various Projects including improvements to the Council.

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22. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	1,538,917	1,473,055
Employee related costs - Contributions for UIF, pensions and medical aids	471,933	454,631
Travel, motor car, accommodation, subsistence and other allowances	84,231	82,189
Housing benefits and allowances	26,134	31,494
Overtime payments	152,810	152,832
Holiday bonus	121,523	115,294
Long-service awards	119	1,061
Other	332,265	329,331
	<u>2,727,932</u>	<u>2,639,887</u>
There were no advances to employees. Loans to employees are set out in note 13.		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	986	924
Car Allowance	102	102
Contributions to UIF, Medical and Pension Funds	1	1
Total	<u>1,089</u>	<u>1,027</u>
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	702	664
Car Allowance	225	212
Contributions to UIF, Medical and Pension Funds	150	140
Total	<u>1,077</u>	<u>1,016</u>
<i>Remuneration of Individual Deputy City Managers</i>		
<u>Governance</u>		
Annual Remuneration	702	699
Car Allowance	225	212
Medical and pension funds	142	133
Total	<u>1,069</u>	<u>1,044</u>
<u>Corporate and Human Resources</u>		
Annual Remuneration	741	691
Car Allowance	165	165
Medical and pension funds	202	18
Total	<u>1,108</u>	<u>874</u>
<u>Health, Safety and Social Services</u>		
Annual Remuneration	769	730
Car Allowance	144	144
Medical and pension funds	13	18
Total	<u>926</u>	<u>892</u>
<u>Procurement and Infrastructure</u>		
Annual Remuneration	769	799
Car Allowance	144	60
Medical and pension funds	13	15
Total	<u>926</u>	<u>874</u>

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23. REMUNERATION OF COUNCILLORS		
Mayor	552	549
Deputy Mayor	483	466
Speaker	483	466
Mayoral Committee Members	3,199	2,939
Councillors	35,087	32,256
Councillors' pension contribution	3,320	3,678
Total Councillors' Remuneration	<u>43,124</u>	<u>40,354</u>
<i>In-kind Benefits</i>		
<p>The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.</p> <p>The Mayor has three full-time bodyguards whilst on duty and at official functions. The Deputy Mayor has two full-time bodyguards.</p>		
24. INTEREST PAID		
Long-term liabilities	543,175	468,425
Consumer deposits	5,992	5,607
Other	11,150	53,685
Total Interest on External Borrowings	<u>560,317</u>	<u>527,717</u>
25. BULK PURCHASES		
Electricity	1,645,491	1,604,332
Water	798,062	745,502
Total Bulk Purchases	<u>2,443,553</u>	<u>2,349,834</u>
26. GRANTS AND SUBSIDIES PAID		
Grant paid to Sporting Organisations	48,212	47,852
Grant paid: Playhouse Company	2,346	2,015
Grant paid: Durban Arts Association	2,265	0
Grant paid: Natal Philharmonic Orchestra	6,009	10,000
Grant paid: Tourism Indaba	5,211	7,467
Grant paid: Trade Point Durban	1,000	12
Grant paid: Food Aid Program	3,241	1,591
Grant paid :Other	8,048	41,109
Total Grants and Subsidies	<u>76,332</u>	<u>110,046</u>

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

	2006 R'000	2005 R'000
27. GENERAL EXPENSES		
Included in general expenses is the following: -		
27.1 COIDA Claims Paid	<u>6,760</u>	<u>6,302</u>
These COIDA claims are determined by the Compensation Commissioner.		
28. OTHER INCOME		
Share of profit from Joint Venture	1,432	27,067
Housing :Development Income	405,356	389,784
Other Income	127,585	172,169
	<u>534,373</u>	<u>589,020</u>
29. CHANGE IN ACCOUNTING POLICY – IMPLEMENTATION OF GAMAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the Implementation of GAMAP: -		
29.1 Statutory Funds		
Balance previously reported		<u>3,477,882</u>
Implementation of GAMAP		
Transferred to Accumulated Surplus (see 29.8 below)		3,355,799
Transferred to Capital Replacement Reserve		122,083
Total		<u>3,477,882</u>
29.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported		7,260,181
Implementation of GAMAP		
Re-instatement of amounts previously undisclosed		476,233
Transferred to Accumulated Surplus (see 29.8 below)		<u>7,736,414</u>
29.3 Provisions and Reserves		
Balance previously reported		<u>1,348,212</u>
Implementation of GAMAP		
Transferred to Housing Development Fund		292,126
Transferred to Creditors		150,036
Transferred to Accumulated Surplus (see 29.8 below)		898,994
Transferred to Capital Replacement Reserve		7,056
Total		<u>1,348,212</u>
29.4 Inventory		
Balance previously reported		91,148
Implementation of GAMAP		
Transferred to Accumulated Surplus (see 29.8 below)		17,944
Water previously expensed now shown as inventory		15,494
Other inventory		2,450
Total		<u>109,092</u>

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

	2006 R'000	2005 R'000
29. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP (Continued)		
29.5 Non-current provisions		
Balance previously reported		<u>0</u>
Implementation of GAMAP		
Transferred from Accumulated Surplus (see 29.8 below)		
Landfill site rehabilitation		<u>50,000</u>
29.6 Property, plant and equipment		
Balance previously reported		13,331,351
Implementation of GAMAP		
Infrastructure previously not recorded credited to Accumulated Surplus (see 29.8 below)		<u>62,208</u>
Total		<u>13,393,559</u>
29.7 Accumulated Depreciation		
Balance previously reported		<u>0</u>
Implementation of GAMAP		
Backlog depreciation: Land and buildings		(388,373)
Backlog depreciation: Infrastructure		(3,409,545)
Backlog depreciation: Community		(178,074)
Backlog depreciation: Other		(808,769)
Backlog depreciation: Investment Properties		(19,060)
Backlog depreciation: Housing Development Fund		(91,519)
Total (debited to Accumulated Surplus) (see 29.8 below)		<u>(4,895,340)</u>
29.8 Accumulated Surplus/(Deficit)		
Implementation of GAMAP		
Adjustments to inventory (see 29.4 above)		17,944
Excessive provisions and reserves no longer permitted (see 29.3 above)		898,994
Non-current provisions previously not recognised (see 29.5 above)		(50,000)
Transferred from statutory funds (see 29.1 above)		3,355,799
Transferred from Loans Redeemed and Other Capital Receipts (see 29.2 above)		7,736,414
Transferred to Capitalisation Reserve		(39,149)
Transferred to Government Grants Reserve		(172,004)
Transferred to Donations and Public Contributions Reserve		(1,098,802)
VAT Adjustment (1999 / 2000)		(4,367)
Joint Venture - Riverhorse Valley Project		32,132
Property, Plant & Equipment previously not recorded (see 29.6 above)		62,208
Backlog depreciation (see 29.7 above)		(4,895,340)
Total		<u>5,843,829</u>

**ETHEKWINI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R'000	2005 R'000
30. CHANGE IN ACCOUNTING POLICY - LEVY INCOME RECOGNITION		
During the year, the Municipality changed its accounting policy in respect of Regional Service Levies from the cash received basis to the payment due basis. The reason for the change in accounting policy is to comply with the requirements of GAMAP 9 on revenue recognition which requires municipalities to use the payment due basis.		
The comparative amounts have been appropriately restated. The effect of this change in accounting policy is as follows: -		
Increase in Regional Services Levies and surplus for the year	<u>20,715</u>	<u>777</u>
The effect of the change in accounting policy at the beginning of the year on the accumulated surplus is as follows: -	<u>777</u>	<u>70,258</u>
31. CASH GENERATED BY OPERATIONS		
Surplus for the year	1,050,923	470,915
Adjustment for: -		
Depreciation	822,876	525,606
Gain on disposal of property, plant and equipment	(30,268)	(25,103)
Contribution to provisions - non-current	0	50,000
Contribution to provisions - current	(39,451)	0
Contribution to bad debt provision	301,197	264,552
Investment income	(281,306)	(287,292)
Interest paid	560,317	527,717
Operating surplus before working capital changes:	<u>2,384,288</u>	<u>1,526,395</u>
Decrease in inventories	7,939	(45,068)
(Increase)/decrease in debtors	(666,356)	785,295
Increase in other debtors	(4,757)	(1,119,212)
Increase in conditional grants and receipts	50,678	67,603
Decrease in creditors	(46,758)	(361,720)
Increase in VAT	(18,640)	13,697
Cash generated by/(utilised in) operations	<u>1,706,394</u>	<u>866,990</u>
32. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	9,117	5,618
Bank overdraft	(126,206)	(139,305)
Total cash and cash equivalents	<u>(117,089)</u>	<u>(133,687)</u>
33. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 2)	4,218,132	3,565,772
Used to finance property, plant and equipment - at cost	<u>4,218,132</u>	<u>3,565,772</u>
Sub- total	0	0
Cash set aside for the repayment of long-term liabilities	343,849	308,774
Cash invested for repayment of long-term liabilities (see note 11)	<u>343,849</u>	<u>308,774</u>

2006
R'000

2005
R'000

34. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

During the period under review, 341 incidents of losses, fraud or fruitless and wasteful expenditure have been reported to the Ombudsperson. However, the majority of these cases are either still under investigation or are considered not material in nature.

A register of all cases reported is maintained by the Office of the Ombudsperson, which is available for inspection.

35. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.1 Contributions to organized local government

Opening balance	0	0
Council subscriptions	6,000	3,648
Amount paid – current year	(6,000)	(3,648)
Amount paid – previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

35.2 Audit fees

Opening balance	8,436	5,884
Current year audit fee	9,113	9,465
Amount paid – current year	0	(1,029)
Amount paid – previous years	(8,436)	(5,884)
Balance unpaid (included in creditors)	<u>9,113</u>	<u>8,436</u>

35.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE and UIF

Opening balance	356,655	229,582
Current year payroll deductions	0	0
Amount paid – current year	(356,655)	(229,582)
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

ETHEKWINI MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2006

	2006 R'000	2005 R'000
35. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>35.5 Pension and Medical Aid Deductions</u>		
Opening balance	0	0
Current year payroll deductions and Council Amount paid – current year	366,718 (366,718)	539,850 (539,850)
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<u>35.6 Councillor's arrear consumer accounts</u>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
	RANDS	
<u>Outstanding more than 90 days</u>		
Councillor Chamane B.N	3,343	
Councillor Buthelezi S.S	320	
Councillor Cele J.N.	4,884	
Councillor Hoosen M.H.	54,960	
Councillor Kaunda T.M.	1,737	
Councillor Lutyeku V.	208	
Councillor Mabuza F.T.	694	
Councillor Mfeka P.	4,460	
Councillor Mlaba T.O.	7,129	
Councillor Mkhize N.I.	994	
Councillor Mthembu M.K.	156	
Councillor Mthembu N.E.	17,097	
Councillor Mshibe Z.W.	237	
Councillor Ngcece Z.V.	287	
Councillor Ngcobo M.C.	1,292	
Councillor Shabalala A.N.	1,657	
Total Councillor Arrear Consumer Accounts	<u>99,455</u>	
36. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for:	294,277	928,110
<i>Infrastructure</i>	267,537	
<i>Community</i>	26,740	
- Approved but not yet contracted for:	16,124	1,182,933
<i>Infrastructure</i>	4,404	
<i>Community</i>	11,720	
Total	<u>310,401</u>	<u>2,111,043</u>

**2006
R'000**

**2005
R'000**

37. RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 9 retirement funds. The KZN Municipal Pension Fund is a defined contribution fund and became operational from 2001-11-01.

The results for the year ended 2005-06-30 (per the Fund Valuator) revealed that the fund was in sound financial position.

The Durban Pension Fund is a defined benefit fund administered by the eThekweni Municipality. The Fund is subject to a triennial actuarial valuation. The last statutory valuation was performed in 2003. This valuation indicated that the Fund was in a sound financial position. The estimated liability of the Fund is R4 617 million, which is adequately financed by assets of R4 904 million. An amount of R126, 6 million (2005: R97, 7 million) was contributed by Council in respect of employee's retirement funding in respect of employees belonging to the Durban Pension Fund. These contributions have been expensed.

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds. The latest statutory valuation of the Superannuation Fund at 31 March 2005 revealed a fund deficit with a recommendation that the surcharge be increased from 3% to 6% which would contribute to meeting the deficit. An interim valuation carried out at 31 March 2006 concluded that should the surcharge of 6% be retained for the year to 30 June 2007 and thereafter at 4,5% until 30 June 2008, the deficit should be eliminated within two years.

The latest statutory valuation of the Retirement Fund as at 31 March 2006 reflected a fund deficit of R204,3 million. The total contribution rate payable, including the total surcharge of 14% will eliminate the deficit by the year 2010.

The latest statutory valuation of the Provident Fund as at 31 March 2006 revealed that the Fund was in a sound financial position.

38. CONTINGENT LIABILITY

Contractual Disputes	574	13,533
Self Insurance Fund	75,130	96,542
Locomotion Loans	0	40,837
Finance Guarantee	0	240,000
	75,704	390,912

**2006
R'000**

**2005
R'000**

39. PRIVATE PUBLIC PARTNERSHIPS

The eThekweni Municipality has 4 partnership arrangements with Private Companies that are structured on a sub-contracting basis. These are:

1. Compass Waste - Compass tendered for the Provincial Hospital tender that called for the removal of both medical & general solid waste. A joint submission was made where DSW undertook to remove all solid waste & Compass medical waste. The account with the hospital is in the name of Compass and all DSW services are Billed to the account of Compass who is a customer of DSW.
2. A similar arrangement exists with RE, a recycling company, for the management of the Pavilion Shopping Centre. The Pavilion is the customer of RE who in turn is a customer of DSW. All DSW services are billed to RE. There are other sites operated on the same basis with RE.
3. An arrangement exists with Nadesens Transport for the disposal of pulp from Mondi. Mondi account is with Nadesens Transport who in turn is a customer of DSW.
4. An arrangement exists with Premier Waste cc, a recycling company. They provide a recycling service at DSW's customer sites & is therefore agents of DSW. The customer's account is with DSW. Premier are simply paid by DSW for their services we have numerous sites operating on this basis.
5. The eThekweni Municipality and Durban Water Recycling (Pty) Ltd have entered into a contract in terms whereof the Concessionaire shall have the exclusive right for the development and operation of a recycling plant for the production of Reclaimed Water from Feed Water at SWTW, for sale to its Customers. The sale to its Customers. The sale of Reclaimed Water will be the principal source of revenue to the concessionaire. - Set out significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows.

40. CORRECTION OF ERROR

During the year ended 30 June 2005 certain income and expenditure items were erroneously recorded. The comparative has been restated as follows:

Income	0	24,134
Expenditure	0	(4,802)
Net effect on surplus for the year	<u>0</u>	<u>19,332</u>

APPENDIX A : ETHEKWINI MUNICIPALITY –SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2006

DESCRIPTION	Loan Number	Date Repayable	Balance at 30/06/05 R'000	Received during the year R'000	Redeemed / (Interest Capitalised) during this period R'000	Balance at 30/06/06 R'000	Carrying Value of Property, Plant & Equip R'000	Other Costs in accordance with the MFMA R'000
LONG TERM LOANS								
Debenture Stock	D142	10/11/2007	750	0	0	750		
Stock Loan	N7	31/07/2006	500	0	0	500		
Stock Loan	N8	30/06/2009	1,000	0	0	1,000		
Stock Loan	V1	31/10/2008	11,448	0	0	11,448		
Stock Loan	A645	30/06/2006	4,500	0	4,500	0		
Stock Loan	A735	30/06/2006	7,000	0	7,000	0		
Stock Loan	A700	30/06/2007	158	0	0	158		
Stock Loan	A772	30/06/2009	2,000	0	0	2,000		
Stock Loan	K34	30/06/2013	200	0	0	200		
Total Stock Loans			27,556	0	11,500	16,056	0	0
FRB PN	1/58	31/06/2016	304,783	0	24,626	280,157		
FRB	1/53	31/05/2006	30,744	0	30,744	0		
FRB IW	1/62	31/03/2006	5,540	0	5,540	0		
INC INDWA	1/66	30/06/2020	500,000	0	16,077	483,923	469,821	
Nedbank Ltd	1/67	31/03/2021	0	900,000	(9,709)	909,709	890,139	
SBSA	1/44	31/12/2006	58,041	0	26,935	31,106		
DBSA Ph 1	P1	30/09/2017	598,032	0	407	597,625		
DBSA Ph 2	P2	31/03/2016	369,231	0	23,688	345,543		
DBSA Ph 3	P3	31/09/2017	400,000	0	650	399,350		
DBSA Ph 4	P4	30/06/2019	548,067	0	18,665	529,402		
DBSA Ph 5	P5	30/06/2020	0	300,000	(1,542)	301,542	95,876	
DWAF		31/03/2013	778	0	58	720		
Total Annuity Loans			2,815,216	1,200,000	136,139	3,879,077	1,455,836	0
MLS ABSA	1/36	12/06/2006	400,000	0	400,000	0		
ABSA	1/41	31/05/2007	300,000	0	0	300,000		
ABSA	1/64	31/10/2010	23,000	0	0	23,000		
Total Non Annuity Loans			723,000	0	400,000	323,000	0	0
TOTAL EXTERNAL LOANS			3,565,772	1,200,000	547,639	4,218,133	1,455,836	0

APPENDIX B : ETHEKWINI MUNICIPALITY – ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost / Revaluation					Accumulated Depreciations				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land	552,610	12,227	0	77	564,760	0	0	0	0	564,760
Buildings	1,555,837	49,024	247,554	324	1,852,091	517,183	50,753	261	567,675	1,284,416
	2,108,447	61,251	247,554	401	2,416,851	517,183	50,753	261	567,675	1,849,176
Infrastructure										
Roads	3,034,908	222,500	32,359	2,480	3,287,287	1,145,288	171,756	661	1,316,383	1,970,904
Traffic Equipment & Ranks	220,004	68,219	825	0	289,048	66,528	10,633	0	77,161	211,887
Stormwater Drainage	462,796	33,456	0	0	496,252	183,794	20,503	0	204,297	291,955
Sewerage Pumps	84,036	6,441	72,127	0	162,604	26,901	5,213	0	32,114	130,490
Sewerage Mains & Reticulation	991,134	25,319	129,604	0	1,146,057	292,544	42,822	0	335,366	810,691
Purification Works	377,294	12,429	11,483	0	401,206	161,226	17,254	0	178,480	222,726
Refuse Sites & Transfer Station	224,978	19,851	7,635	0	252,464	67,650	19,927	0	87,577	164,887
Water Mains & Reticulation	1,361,389	53,090	103,973	0	1,518,452	400,185	65,807	0	465,992	1,052,460
Water Reservoirs	178,116	34,868	374	0	213,358	65,264	7,946	0	73,210	140,148
General Infrastructure	426,408	136,194	126,104	0	688,706	221,329	11,352	0	232,681	456,025
Mains	1,133,822	17,943	26,259	0	1,178,024	372,217	40,786	0	413,003	765,021
Major Substations	1,204,290	48,452	95,130	1,858	1,346,014	363,247	46,585	1,821	408,011	938,003
Public Lighting	142,932	9,554	5,450	0	157,936	50,354	7,103	0	57,457	100,479
Connections & Switches	543,464	49,371	0	505	592,330	303,367	36,395	505	339,257	253,073
	10,385,571	737,687	611,323	4,843	11,729,738	3,719,894	504,082	2,987	4,220,989	7,508,749
Community Assets										
Recreation	460,796	13,994	3,091	0	477,881	149,977	18,676	0	168,653	309,228
Clinics & Depots	40,634	85	2,919	0	43,638	8,157	1,334	0	9,491	34,147
Cemeteries & Crematoria	59,589	2,185	1,225	0	62,999	9,419	2,013	0	11,432	51,567
Community Halls	63,953	1	2,443	0	66,397	14,062	2,132	0	16,194	50,203
Fire Stations	14,959	0	1,572	0	16,531	3,490	498	0	3,988	12,543
Libraries	53,236	7	0	1,566	51,677	17,816	1,715	360	19,171	32,506
Museums	926	0	0	0	926	348	31	0	379	547
Police Stations	720	0	3,239	0	3,959	19	24	0	43	3,916
	694,813	16,272	14,489	1,566	724,008	203,288	26,423	360	229,351	494,657
Heritage Assets										
Exhibits	6,410	50	0	0	6,460	0	0	0	0	6,460
NET SURPLUS FOR THE YEAR	6,410	50	0	0	6,460	0	0	0	0	6,460
		0		0						
Airconditioning	5,480	421	0	0	5,901	4,051	526	0	4,577	1,324
Security Systems	34,948	752	0	0	35,700	10,420	5,801	0	16,221	19,479
Computer Equipment	380,412	72,385	118	429	452,486	186,039	57,006	245	242,800	209,686
Car Parks & Fencing	5,758	521	0	0	6,279	2,053	1,725	0	3,778	2,501
Plant & Equipment	613,347	173,826	0	77	787,096	360,005	71,543	54	431,494	355,602
Furniture & Fittings	38,788	3,453	0	26	42,215	23,326	3,781	14	27,093	15,122
Markets	18,073	3,631	0	0	21,704	3,020	581	0	3,601	18,103
Vehicles	718,516	131,928	0	9,015	841,429	361,134	99,572	6,374	454,332	387,097
Fire Engines	21,487	11,048	0	0	32,535	6,022	1,084	0	7,106	25,429
	1,836,809	397,965	118	9,547	2,225,345	956,070	241,619	6,687	1,191,002	1,034,343
					0					
Total	15,032,050	1,213,225	873,484	16,357	17,102,402	5,396,435	822,877	10,295	6,209,017	10,893,385

APPENDIX C : ETHEKWINI MUNICIPALITY – SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying Value R'000
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Miscellaneous	178,182	-	-	-	178,182	178,182	-	-	178,182	-
Legal Services	1,115	182	1,856	-	3,153	760	118	-	878	2,275
Real Estates	245,716	128	-	-	245,844	32,323	2,130	-	34,453	211,391
Health	144,620	6,856	2,919	-26	154,369	55,941	7,959	-18	63,882	90,487
Skills Development	1,123	113	-	-	1,236	703	144	-	847	-
Metropolitan Police	135,324	9,821	3,239	-764	147,620	62,479	11,799	-722	73,556	74,064
Retail Market	30,186	2,779	-	-	32,965	7,392	1,732	-	9,124	23,841
Housing	114,483	366	125,526	-2,523	237,852	45,915	3,269	-705	48,479	-
Municipal Information & Policy	4,070	542	-	-	4,612	1,560	720	-	2,280	2,332
Ombudsperson & Head : Investigation	683	92	-	-	775	236	135	-	371	404
Office Of International & Governance	131	32	-	-	163	19	24	-	43	120
Community Participation	2,158	686	-	-273	2,571	103	437	-55	485	-
Office Of Geographic Information	1,199	-	-	-	1,199	1,084	57	-	1,141	58
City Manager's Office	147	10	-	-	157	39	29	-	68	-
Strategic Projects	-	132	627	-	759	-	13	-	13	746
Office Of The D C M : Health, Safety	69	11	-	-	80	18	12	-	30	50
Office Of The D C M : Governance	12	-	-	-	12	-	2	-	2	10
Office Of The D C M : Treasury	1,048	48	-	-	1,096	217	140	-	357	739
Development Planning & Management	94,581	3,358	-	-24	97,913	47,064	1,891	-14	48,941	48,972
Economic Development & Facilitation	143,060	62,739	-	-	205,799	17,698	7,699	-	25,397	-
City Enterprises	488,367	10	222,114	-	710,491	111,040	16,959	-	127,999	582,492
Business Support	53,561	2,022	5,281	-	60,864	16,339	2,993	-	19,332	-
Procurement	9,384	57	-	-	9,441	2,848	1,288	-	4,136	5,305
Engineering	3,639,867	288,539	32,360	-304	3,960,462	1,312,563	193,961	-266	1,506,258	-
Emergency Services	121,589	21,983	1,572	-2	145,142	48,143	10,973	-1	59,115	86,027
Parks, Recreation, Cemeteries & Crematoria	1,031,545	40,270	4,862	-1,995	1,074,682	346,555	49,038	-745	394,848	-
Governance	80,458	4,036	-	-24	84,470	53,672	3,930	-24	57,578	26,892
Communications	873	174	-	-	1,047	650	105	-	755	-
Regional Centres	6,961	5,868	4,528	-5	17,352	251	642	-1	892	16,460
Human Resources	77,876	532	-	-43	78,165	47,242	3,573	-34	50,781	27,384
Management Services & Org Development	472	25	-	-	497	328	62	-	390	107
Finance	176,543	100,365	-	-53	276,855	57,223	32,020	-49	89,194	-
City Fleet	371,755	63,521	-	-5,818	429,458	122,970	53,533	-4,592	171,911	257,547
Office Of Audit & Performance Management	1,479	163	-	-	1,642	767	251	-	1,018	-
NET SURPLUS FOR THE YEAR	191,262	44,724	-	-	235,986	89,092	22,420	-	111,512	124,474
Ethekwini Transport Authority	240,699	85,940	-	-	326,639	77,667	13,121	-	90,788	-
	2,302	210	-	-	2,512	1,339	307	-	1,646	866
Area Based Management	48,202	55,316	6,407	-	109,925	947	3,281	-	4,228	-
Water	1,888,167	124,415	104,435	-	2,117,017	634,788	102,032	-	736,820	1,380,197
Sanitation	1,535,150	47,609	213,214	-	1,795,973	540,180	70,698	-	610,878	-
Solid Waste	409,658	57,519	7,635	-	474,812	188,114	38,131	-	226,245	248,567
Housing Service	159,961	2,125	-	-401	161,685	91,799	3,264	-261	94,802	66,883
Market Service	77,389	2,364	3,885	-	83,638	25,706	2,556	-	28,262	55,376
Electricity Service	3,320,823	177,545	133,024	-4,102	3,627,290	1,174,479	159,429	-2,808	1,331,100	2,296,190
Total	15,032,050	1,213,225	873,484	-16,357	17,102,402	5,396,435	822,877	-10,295	6,209,017	10,893,385

APPENDIX D : ETHEKWINI MUNICIPALITY – SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income R'000	2005 Actual Expenditure R'000	2005 Surplus/ (Deficit) R'000		2006 Actual Income R'000	2006 Actual Expenditure R'000	2006 Surplus/ (Deficit) R'000
1,129	104,354	(103,225)	Executive & Council	1,558	116,549	(114,991)
3,655,528	1,481,275	2,174,253	Finance & Admin	4,179,611	949,116	3,230,495
74,851	134,733	(59,882)	Planning & Development	126,250	304,780	(178,530)
28,923	180,132	(151,209)	Health	34,237	213,714	(179,477)
158,877	295,308	(136,431)	Community & Social Services	23,111	305,632	(282,521)
592,779	928,908	(336,129)	Housing	583,520	589,541	(6,021)
120,848	457,511	(336,663)	Public Safety	124,849	504,567	(379,718)
16,440	393,231	(376,791)	Sport & Recreation	19,123	530,998	(511,875)
0	4,257	(4,257)	Environmental Protection	0	5,119	(5,119)
382,051	788,248	(406,197)	Waste Management	442,404	864,961	(422,557)
85,614	630,888	(545,274)	Road Transport	26,064	730,392	(704,328)
1,425,842	1,455,374	(29,532)	Water	1,491,346	1,720,206	(228,860)
3,032,652	2,678,698	353,954	Electricity	3,155,263	2,730,173	425,090
41,157	45,354	(4,197)	Other	48,412	54,152	(5,740)
9,616,691	9,578,271	38,420	Sub Total	10,255,748	9,619,900	635,848
	(432,496)	432,496	Less Inter-Dep Charges	0	(415,075)	415,075
9,616,691	9,145,775	470,916	Total	10,255,748	9,204,825	1,050,923

APPENDIX E(1) : ETHEKWINI MUNICIPALITY - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2006	2006	2006	2006	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	Actual R	Budget R	Variance R	Variance (%)	
Properly rates	2,823,077	2,877,527	(54,450)	(2)	
Properly rates - penalties imposed and collection charges	248,152	162,030	86,122	53	For reasons refer to annex ure E(1A)
Service Charges	4,510,763	4,563,167	(52,404)	(1)	
Regional Services Levies - turnover	570,029	540,121	29,908	6	
Rental of facilities and equipment	98,169	84,039	14,131	17	
Interest earned - external investments	212,527	198,290	14,237	7	
Interest earned - outstanding debtors	68,779	66,734	2,045	3	
Fines	112,820	162,575	(49,755)	(31)	For reasons refer to annex ure E(1A)
Licences and permits	10,808	8,230	2,578	31	For reasons refer to annex ure E(1A)
Government grants and subsidies	1,027,642	1,015,285	12,357	1	
Other income	534,373	87,887	446,486	508	For reasons refer to annex ure E(1A)
Public contributions, donated/contributed Ppe	6,877	0	6,877	0	
Gains on disposal of property, plant and equipment	31,732	0	31,732	0	
TOTAL REVENUE	10,255,749	9,765,886	489,863	5	
EXPENDITURE					
Executive & Council	116,549	123,918	(7,368)	(6)	
Finance & admin	949,117	1,227,618	(278,501)	(23)	For reasons refer to annex ure E(1A)
Planning & Development	304,780	356,692	(51,912)	(15)	For reasons refer to annex ure E(1A)
Health	213,714	223,533	(9,818)	(4)	
Community & Social Services	305,632	322,265	(16,633)	(5)	
Housing	589,541	126,168	463,373	367	For reasons refer to annex ure E(1A)
Public Safety	504,567	525,093	(20,527)	(4)	
Sport & Recreation	530,998	538,250	(7,253)	(1)	
Environmental Protection	5,119	6,106	(987)	(16)	For reasons refer to annex ure E(1A)
Waste Management	864,961	861,716	3,245	0	
Road Transport	730,392	723,428	6,964	0	
Water	1,720,206	1,596,730	123,476	8	
Electricity	2,730,173	3,249,292	(519,119)	(18)	
Other	54,152	61,855	(7,503)	(12)	For reasons refer to annex ure E(1A)
Inter-departmental charges	(415,075)	(528,000)	112,925	0	
TOTAL EXPENDITURE	9,204,825	9,414,464	(209,639)	(2)	
	0	0			
NET SURPLUS FOR THE YEAR	1,050,923	351,422	699,502	199	

APPENDIX E(1A) : ETHEKWINI MUNICIPALITY – ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR

1. Property rates – penalties and collection charges – Increase

During the budgeting process it was felt prudent to provide for what was deemed collectable. However, the accounting treatment was to reflect the full amount raised with a corresponding provision for bad debts (R86,1 m)

2. Rental of facilities and equipment – Increase

Mainly attributable to an increase in leasehold rental income

3. Interest earned – external investments – Decrease

Mainly attributable to lower rates of interest and realization of investments

4. Fines – Decrease

Delays in the processing of fines as a result of staff shortages (R49.8m)

5. Licences and permits – Increase

Mainly attributable to the increase in processing of motor vehicle licences on behalf of the Province (R2,6 m)

6. Capital Grants and subsidies – Increase

Restructuring grant of R58 m set aside for operating expenditure was used to fund capital projects. (Rates Management System)

7. Other Income – Increase

Increase of various items of sundry income, e.g., Electricity connection fees, interest from structured loans.

8. Finance and Admin

Underspent mainly as a result of :

- a. Savings in employee related costs due to non filling of vacancies (R36.8 m)
- b. The asset lives of actual acquisitions differed from those budgeted for resulting in depreciation savings (R38,8m)
- c. Decrease in interest expenses as a result of favourable interest rates (R14,5 m)

APPENDIX E(1A) : ETHEKWINI MUNICIPALITY – ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR

9. Development and Planning

Underspent mainly as a result of :

- a. Savings in employee related costs (R16.8 m) due to the non filling of vacant posts
- b. The asset lives of actual acquisitions differed from those budgeted for, resulting in depreciation savings (R12.8 m)
- c. Stringent control of costs has resulted in the decrease in the general expenses – other (R29 m)

10. Housing

Underspent mainly as a result of :

- a. Increase in repairs and maintenance to Council flats in terms of the Housing Sales Campaign (R35 m)
- b. Decreases in the employee related costs due to non filling of vacancies (R11 m)
- c. Decrease in general expenses due to stringent control of costs (R219m)

11. Environmental Protection

Underspent mainly as a result of savings in employee related costs due to non filling of vacancies (R817 000)

12. Other

Underspent mainly as a result of :

- a. Increase in service charges achieved by Markets (R3,7 m)
- b. Savings in employee related costs due to non filling of vacancies

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA 55 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance
		Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000			
ETHEKWINI TRANSPORT AUTHORITY BUSINESS PLAN GRANT (OPER)	NATIONAL DEPT OF TRANSPORT	0	13,500	0	0	378	355	725	1,212	0	0	0	0	N/A	YES	N/A
NET SURPLUS FOR THE YEAR																
ETHEKWINI TRANSPORT AUTHORITY BUSINESS PLAN GRANT (OPER)	KZN DEPT OF TRANSPORT	0	2,715	0	0	0	0	0	0	0	0	0	0	N/A	YES	N/A
2010 WORLD CUP PLANNING GRANT OPERATING	NATIONAL DEPT OF TRANSPORT	0	0	5,000	0	0	0	0	511	0	0	0	0	N/A	YES	N/A
2006/07 ETHEKWINI TRANSPORT PLAN GRANT (OPER)	KZN DEPT OF TRANSPORT	0	0	0	9,915	0	0	0	0	0	0	0	0	N/A	YES	N/A
MIG (OPERATING)	NATIONAL TREASURY	1,679	0	695	2,063	1,679	0	695	2,063	0	0	0	0	N/A	YES	N/A
MIG (CAPITAL)		60,943	54,532	86,512	94,341	60,943	54,532	86,512	94,341	0	0	0	0	N/A	YES	N/A
TOTAL		279,038	252,239	368,853	115,592	267,934	273,777	281,280	170,017	0	0	0	0			

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant condition in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance
		Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000			
Restructuring Grant	National Treasury	35,000	0	30,000	0	14,789	21,089	15,939	31,926	0	0	0	0	N/A	Yes	N/A
FMG		0	0	3,500	0	1,136	1,325	1,395	862	0	0	0	0	N/A	YES	N/A
KZNPA STAFF SUBSIDY	PROVINCIAL GOVT.	562	562	562	562	562	562	562	562	0	0	0	0	N/A	Yes	N/A
EUROPEAN UNION	EUROPEAN UNION	0	0	59,440	0	7,593	14,984	10,537	29,874	0	0	0	0	N/A	YES	N/A
EQUITABLE SHARE	NATIONAL TREASURY	173,653	173,653	173,653	0	173,653	173,653	155,379	0	0	0	0	N/A	YES	N/A	
FOOD SAMPLE SUBSIDY	PROVINCIAL/ DEPT HEALTH	11	11	11	11	11	11	11	11	0	0	0	0	N/A	YES	N/A
ENVIRONMENTAL HEALTH	PROVINCIAL/ DEPT HEALTH	197	197	197	242	197	197	242	197	0	0	0	0	N/A	YES	N/A
PRIMARY HEALTH	PROVINCIAL/ DEPT HEALTH	6,549	6,824	9,061	8,097	6,549	6,824	9,061	8,097	0	0	0	0	N/A	YES	N/A
CATO MANOR MOU	PROVINCIAL/ DEPT HEALTH	444	245	177	105	444	245	177	105	0	0	0	0	N/A	YES	N/A
MENTAL HEALTH	PROVINCIAL/ DEPT HEALTH	0	0	45	43	0	0	45	43	0	0	0	0	N/A	YES	N/A
CATO MANOR MOU		0	0	0	213	0	0	0	213	0	0	0	0	N/A	YES	N/A

APPENDIX E (2): ETHEKWINI MUNICIPALITY - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

Output Unit	2006	2006	2006	2006	2006	2006	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Legal Services	182	1,856	2,038	1,688	350	21	Overspending to be regularised via Adjustment Budget in September 2006
Real Estates	128	0	128	3,720	(3,592)	(97)	Underspending to be regularised via Adjustment Budget in September 2006
Health	6,856	2,919	9,775	8,849	926	10	Overspending to be regularised via Adjustment Budget in September 2006
Skills Development	113	0	113	122	(9)	(7)	Underspending to be regularised via Adjustment Budget in September 2006
Metropolitan Police	9,821	3,239	13,060	9,564	3,496	37	Overspending to be regularised via Adjustment Budget in September 2006
Retail Market	2,779	0	2,779	3,334	(555)	(17)	Underspending to be regularised via Adjustment Budget in September 2006
Housing	366	125,526	125,892	130,896	(5,004)	(4)	
Municipal Information & Policy	542	0	542	20	522	2,610	Overspending to be regularised via Adjustment Budget in September 2006
Ombudsperson & Head : Investigation	92	0	92	120	(28)	(23)	Underspending to be regularised via Adjustment Budget in September 2006
Office Of International & Governance	32	0	32	30	2	7	Overspending to be regularised via Adjustment Budget in September 2006
Community Participation	686	0	686	584	102	17	Overspending to be regularised via Adjustment Budget in September 2006
Office Of Geographic Information	0	0	0	32	(32)	(100)	Underspending to be regularised via Adjustment Budget in September 2006
City Manager's Office	10	0	10	9	1	11	Overspending to be regularised via Adjustment Budget in September 2006
Strategic Projects	131	627	758	160	598	374	Overspending to be regularised via Adjustment Budget in September 2006
Office Of The D C M : Health, Safety	11	0	11	0	11	100	Overspending to be regularised via Adjustment Budget in September 2006
Office Of The D C M : Treasury	48	0	48	0	48	100	Overspending to be regularised via Adjustment Budget in September 2006
Development Planning & Management	3,355	0	3,355	3,566	(211)	(6)	Underspending to be regularised via Adjustment Budget in September 2006
Economic Development & Facilitation	62,739	0	62,739	62,210	529	1	
City Enterprises	10	222,114	222,124	201,208	20,916	10	Overspending to be regularised via Adjustment Budget in September 2006
Business Support	2,022	5,281	7,303	10,299	(2,996)	(29)	Underspending to be regularised via Adjustment Budget in September 2006
Procurement	57	0	57	170	(113)	(66)	Underspending to be regularised via Adjustment Budget in September 2006
Engineering	288,539	32,358	320,897	384,152	(63,255)	(16)	Underspending to be regularised via Adjustment Budget in September 2006
Emergency Services	21,983	1,572	23,555	37,664	(14,109)	(37)	Underspending to be regularised via Adjustment Budget in September 2006
Parks, Recreation, Cemeteries & Culture	40,269	4,862	45,131	52,822	(7,691)	(15)	Underspending to be regularised via Adjustment Budget in September 2006
Governance	4,036	0	4,036	3,587	449	13	Overspending to be regularised via Adjustment Budget in September 2006
Communications	174	0	174	169	5	3	
Regional Centres	5,868	4,529	10,397	12,393	(1,996)	(16)	Underspending to be regularised via Adjustment Budget in September 2006
Human Resources	532	0	532	257	275	107	Overspending to be regularised via Adjustment Budget in September 2006
Management Services & Org Development	25	0	25	30	(5)	(17)	Underspending to be regularised via Adjustment Budget in September 2006
Finance	100,365	0	100,365	102,361	(1,996)	(2)	
City Fleet	63,521	0	63,521	67,644	(4,123)	(6)	Underspending to be regularised via Adjustment Budget in September 2006
Office Of Audit & Performance Management	163	0	163	160	3	2	
Information Technology	44,724	0	44,724	42,393	2,331	5	
Ethekwini Transport Authority	85,940	0	85,940	86,008	(68)	0	
Occupational Health & Safety	210	0	210	204	6	3	
Area Based Management	55,316	6,407	61,723	73,995	(12,272)	(17)	Underspending to be regularised via Adjustment Budget in September 2006
Water	124,416	104,435	228,851	354,422	(125,571)	(35)	Projects interlinked between Water & Sanitation Over/Under spending
Sanitation	47,609	213,214	260,823	158,797	102,026	64	to be regularised via Adjustment Budget in September 2006
Solid Waste	57,519	7,635	65,154	72,405	(7,251)	(10)	Underspending to be regularised via Adjustment Budget in September 2006
Housing Service	2,126	0	2,126	0	2,126	100	Overspending to be regularised via Adjustment Budget in September 2006
Market Service	2,365	3,885	6,250	6,400	(150)	(2)	
Electricity Service	177,545	133,025	310,570	324,227	(13,657)	(4)	
Total	1,213,225	873,484	2,086,709	2,216,671	(129,962)	(6)	