

**ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 68, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Durban

31 August 2010

eThekwini Municipality

Annual Financial Statements for the year Ended 30 June 2010

INDEX

The reports and statements below comprise the annual financial statements presented to the councilors:

INDEX	PAGE
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 20
Notes to the Annual Financial Statements	21- 62
APPENDIX A: Segmental Analysis of Property, Plant and Equipment	63
APPENDIX B: Segmental Statement of Financial Performance	64
APPENDIX C(1): Actual versus Budget (Revenue and Expenditure)	65-66
APPENDIX D: Disclosures of Grants and Subsidies in terms of the Municipal Finance Management Act.	67
APPENDIX C (2) : Actual versus Budget (Acquisition of Property ,Plant and Equipment)	68

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

INDEX

ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GAAP	Generally Accepted Accounting Practice
MFMA	Municipal Finance Management Act
HDF	Housing Development Fund
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Taxation
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DBSA	Development Bank of South Africa
IMFO	Institute of Municipal Finance Officers
MIG	Municipal Infrastructure Grant (previously CMIP)
MEs	Municipal Entities
SALA	South African Local Authority Pension Fund
INK	Inanda / Ntuzuma / Kwamashu

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Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

Figures in Rand thousand	Note(s)	2010	2009
NET ASSETS AND LIABILITIES			
NET ASSETS			
Housing development fund	2	343,410	489,569
Accumulated Surplus		21,299,307	19,146,602
		21,642,717	19,636,171
LIABILITIES			
Non-Current Liabilities			
Long-term liabilities	3	8,150,386	5,779,547
Non-current provisions	4	304,558	213,463
Retirement benefit obligations	5	1,775,342	1,518,244
		10,230,286	7,511,254
Current Liabilities			
Deposits	6	789,263	664,415
Current provisions	4	31,528	32,234
Creditors	7	4,642,523	4,650,652
Unspent conditional grants and receipts	8	622,668	812,403
Bank overdraft	9	379,843	633,129
Current portion of long-term liabilities	3	524,300	290,772
		6,990,125	7,083,605
Total Liabilities		17,220,411	14,594,859
Total Net Assets and Liabilities		38,863,128	34,231,030
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	28,422,909	23,120,667
Intangible assets	11	322,025	350,448
Investment properties	12	335,670	322,503
Investments in municipal entities	13	684,686	707,389
Investments	14	-	288,321
Investment in joint venture	15	137,089	156,851
Long-term Receivables	17	250,926	282,231
Deferred Expenditure		698,012	725,043
		30,851,317	25,953,453
Current Assets			
Inventories	18	224,145	220,548
Investments	14	327,044	2,403,793
Consumer debtors	19	2,492,460	2,192,971
Debtors	20	2,749,700	2,231,377
VAT	22	371,461	297,571
Current portion of Long-term Receivables	17	26,295	13,955
Call investment deposits	21	1,430,751	277,008
Bank balances and cash	9	389,955	640,354
		8,011,811	8,277,577
Total Assets		38,863,128	34,231,030

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2010	2009
Revenue		<u>17,249,999</u>	<u>15,518,425</u>
Property rates	23	4,093,443	3,723,618
Property rates - penalties imposed and collection charges		150,210	195,067
Service charges	24	7,876,318	6,327,351
Rental of facilities and equipment		362,853	257,740
Fines		80,143	139,190
Licences and permits		28,109	25,008
Grants and subsidies	25	3,754,997	3,868,780
Public contributions and donations		31,978	2,046
Housing: Development Income		871,948	979,625
Other income		<u>1,702,323</u>	<u>1,515,154</u>
Other income	26	1,233,211	302,291
Interest earned - external investments		297,298	539,200
Interest earned - outstanding debtors		101,913	150,226
Gains on disposal of property, plant and equipment		34,845	31,509
Reversal of Loss on Impairment of Loans		198	480,029
Fair value adjustments	40	34,858	11,899
Total Revenue		<u>18,952,322</u>	<u>17,033,579</u>
Expenditure			
Employee related costs	27	4,540,518	4,089,007
Remuneration of councillors	28	73,969	69,671
Bad debts		572,984	475,891
Deferred Expenditure		27,031	27,097
Depreciation - Property, Plant and Equipment	10	1,031,924	781,616
Amortisation of intangible assets	11	94,685	76,512
Repairs and maintenance		1,911,411	1,499,763
Finance costs	29	585,867	685,484
Bulk purchases	30	4,544,288	3,649,336
Contracted Services		818,135	741,991
Grants and subsidies paid	31	149,977	93,254
Housing: Development Expenditure		871,948	979,625
General expenses	39	1,550,200	964,325
Impairment - Property, Plant and Equipment		48,620	-
Loss on disposal of property, plant and equipment		11,748	2,956
Depreciation - Investment Properties	12	425	550
Loss on Impairment of Investment in Municipal Entity	13	42,703	133,608
Loss on write-off of Servitudes		-	9,497
Fair value adjustment	40	74,581	12,392
Total Expenditure		<u>16,951,014</u>	<u>14,292,575</u>
Operating surplus		<u>2,001,308</u>	<u>2,741,004</u>
Share of Income from Joint Venture		5,238	19,601
Surplus for the year		<u>2,006,546</u>	<u>2,760,605</u>

Refer to Appendix E(1) for comparison with the approved budget

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing Development Fund	Accumulated Surplus	Net Assets
Opening balance as previously reported	556,816	15,252,865	15,809,681
Adjustments:			
Prior year adjustments (prior to 2008/09)		1,065,885	1,065,885
Balance at 01 July 2008 as restated	556,816	16,318,750	16,875,566
Transfer to Housing Development Fund	(67,247)	67,247	-
Surplus for the year as previously reported		2,563,807	2,563,807
Opening balance as previously reported	489,569	18,949,804	19,439,373
Adjustments:			
Prior year adjustments (2008/09)		196,798	196,798
Balance at 01 July 2009 as restated	489,569	19,146,602	19,636,171
Transfer to Housing Development Fund	(146,159)	146,159	-
Surplus for the year		2,006,546	2,006,546
Balance at 30 June 2010	343,410	21,299,307	21,642,717

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand thousand	Note(s)	2010	2009
Cash flows from operating activities			
Cash receipts from ratepayers, government and other		17,028,366	14,465,040
Cash paid to suppliers and employees		(14,279,982)	(11,090,076)
Cash generated from operations	32	2,748,384	3,374,964
Interest income		399,211	689,426
Finance Costs		(585,867)	(685,484)
Net cash from operating activities		2,561,728	3,378,906
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(6,382,786)	(5,894,884)
Proceeds on disposal of property, plant and equipment, Investment properties and Intangible assets	10,11&12	73,672	56,093
Increase in investment properties	12	(15,514)	(345)
Purchase of other intangible assets	11	(66,279)	(100,634)
Decrease (Increase) in current investments		2,111,607	1,696,547
Decrease (Increase) in non current investments		288,321	4,242
Decrease (Increase) in Loans to Municipal Entities		198	(15,971)
Decrease (Increase) in non-current receivables		(23,682)	12,402
Increase in Investment in Municipal Entities		(20,000)	-
Decrease in Joint Venture loan account		25,000	29,000
Net cash from investing activities		(4,009,463)	(4,213,550)
Cash flows from financing activities			
Loans repaid		(295,635)	(302,463)
New loans raised		2,900,000	1,050,000
Net cash from financing activities		2,604,365	747,537
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,156,630	(87,107)
Cash and cash equivalents at the beginning of the year		284,233	371,340
Cash and cash equivalents at the end of the year	9	1,440,863	284,233

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

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

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Directives issued and effective:

- Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
- Directive 2 Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions.
- Directive 3 Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities.
- Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities.
- Directive 5 Determining the GRAP reporting framework.

Directive 7 The Application of Deemed Cost on the Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP Applying the Probability Test on Initial Recognition of Exchange Revenue

Approved guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs .15 to .19 of the Directive:

IPSAS 20 Related Party Disclosures

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs .20 to .26 of the Directive:

- IFRS 3 (AC 140) Business Combinations
- IFRS 4 (AC 141) Insurance Contracts
- IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
- IFRS 7 (AC 144) Financial Instruments: Disclosures
- IAS 12 (AC 102) Income Taxes
- IAS 19 (AC 116) Employee Benefits
- IAS 32 (AC 125) Financial Instruments: Presentation
- IAS 36 (AC 128) Impairment of Assets
- IAS 39 (AC 133) Financial Instruments: Recognition and Measurement
- SIC - 21 (AC 421) Income Taxes - Recovery of Revalued Non-Depreciable Assets
- SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
- IFRIC 2 (AC 435) Members' Shares in Co-operative Entities and Similar Instruments
- IFRIC 4 (AC 437) Determining whether an Arrangement contains a Lease
- IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
- IFRIC 12 (AC 445) Service Concession Arrangements
- IFRIC 13 (AC 446) Customer Loyalty Programmes
- IFRIC 14 (AC 447) IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

- IFRIC 15 (AC 448) Agreements for the Construction of Real Estate

- IFRIC 16 (AC 449) Hedges in a Net Investment in a Foreign Operation

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 Presentation of currency

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

1.2 Going concern assumption

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

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

GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 21: Impairment of Non-Cash-Generating Assets – issued March 2009:

Non-cash-generating assets have not been tested for impairment. Had a test for impairment been done and an impairment loss recognised, a loss would be recognised in the Statement of Financial Performance and a decrease in the carrying value of the non-cash-generating asset. The impact of the adoption of the Standard cannot be measured as the loss on impairment is uncertain.

GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – issued February 2008:

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial. Refer to paragraph 1.18.2 for compliance in current year.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.3 Standards, amendments to standards and interpretations issued but not yet effective (continued)

GRAP 24: Presentation of Budget Information in Financial Statements – issued November 2007:

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

GRAP 103: Heritage Assets – issued July 2008:

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have already been adopted.

1.4 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.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.5 Investment properties

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in surplus or deficit in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in surplus or deficit when the compensation becomes receivable.

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Transfers to or from investment property are made when and only when there is a change in use.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property - land	indefinite
Property - buildings(2009:30 years)	20 - 80years

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.6 Property, plant and equipment

Initial Recognition

Property, plant and equipment are stated at cost less accumulated depreciation. 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.

Land is not depreciated as it is deemed to have an indefinite life.

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

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

Subsequent Measurement

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

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

Depreciation and Impairment:-

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated from the first day of the month subsequent to the acquisition date. The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Infrastructure	
• Rivers and Coastal Engineering (2009:30 years)	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment (2009: 20 years)	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure (2009: 20 years)	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings (2009: 30 years)	30 - 50 years
• Transformers and Related Equipment (2009: 20 years)	30 - 45 years
• Mains (2009: 20 years)	30 - 45 years
• Street Lighting (2009: 20 years)	20 - 30 years
Community	
• Buildings(2009: 30 years)	20 - 80 years
• Recreational Facilities(2009: 20 - 30 years)	10 - 80 years
Other property, plant and equipment	
• Buildings(2009: 30 years)	20 - 80 years
• Markets and Informal Markets(2009: 30 years)	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	15 years
• Car Parks (2009: 10 years)	15 years
• Lifts	10 years
• Building Improvements	10 years
• Heavy and Mobile Plant	10 years
• Furniture and fittings	7 years
• Vehicles	5 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 years
• Office equipment	3-5 years
• Other items of Plant and Equipment	3-5 years

All assets are considered to have a nil residual value.

Included under the category of "Other" are transport vehicles which are currently leased to a third party - see

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Accounting Policy 1.19 on Leases.

Derecognition:

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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 1.15 on Provisions.

The residual value, the remaining useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

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

1.7 Intangible assets

Initial Recognition.

Intangible assets are initially recognised at cost and comprise of software and servitudes.

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

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

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

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes consist of rights . Rights are not amortised as they have an indefinite useful life.

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil.

Amortisation and Impairment

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows :-.

Computer Software 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition:

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

1.8 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

1.9 Financial instruments

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurement

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

Loans to (from) municipal entities

These include loans to municipal entities and recognised at cost.

An impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors

Debtors are recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.9 Financial instruments (continued)

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

1.10 Investments

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Investments held for less than 12 months are not fair-valued.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality has the positive intention and ability to hold to maturity.

In the current year investments are stated at cost.

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.

1.11 Investments in municipal entities

Investments in municipal entities are carried at cost less any accumulated impairment.

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.

1.12 Investment in joint venture

An investment in a joint venture is carried at cost less any accumulated impairment.

The Municipality's share of profits or losses, resulting from operations of the joint venture, is recognised on the accrual basis and is capitalised to the cost of the investment.

1.13 Inventories

Initial Recognition

ACCOUNTING POLICIES

1.13 Inventories (continued)

Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent Measurement

Consumable stores, maintenance materials and water stock 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.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 Provisions

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

1.16 Retirement Benefits

1.16.1 Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

1.16.2 Pension obligations

The municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 95% of staff.

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 fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.16 Retirement Benefits (continued)

Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligations are spread to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.16.3 Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees to the extent that they exceed the 10% corridor.

1.17 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

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.

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.17 Revenue (continued)

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. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

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.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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.

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.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.17 Revenue (continued)

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.

Durban Marine Theme Park (Proprietary) Limited recognises revenue from entrance parking fees and sales immediately upon receipt.

All other revenue is recognised as it accrues.

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.

In the prior year revenue from Regional Levies, both those based on turnover as well as those based on remuneration, was 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. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.18 Grants, transfers and donations

Income received from conditional grants, donations and subsidies is recognised 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 and funds are invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.19 Leases

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.19 Leases (continued)

They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

Operating leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.20 Tax

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.21 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. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.22 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. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

1.23 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. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.24 Translation of foreign currencies

Foreign currency transactions

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.

1.25 Comparatives Information

1.25.1 Current year comparatives

Budgeted amounts have been included in an annexure to these financial statements for the current financial year only.

1.25.2 Prior year comparatives

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

1.26 Long Service Awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees services provided up to Statement of Financial position date.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

ACCOUNTING POLICIES

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

2. HOUSING DEVELOPMENT FUND

Housing Development Fund

Accumulated Surplus	76,431	222,590
Loans extinguished by Government on 1 April 1998	266,979	266,979
Total	343,410	489,569

The Housing Development Fund is represented by the following assets and liabilities:

Property, plant and equipment	10	74,171	46,960
Housing selling scheme loans		139,621	165,800
Housing rental Debtors		31,342	28,312
Housing other debtors		16,523	3,591
Housing inventory		136	206
Investments		98,501	310,609
Investment properties		15,611	16,168
Bank and cash		631	4
Intangible Assets		9	-
Sub-total		376,545	571,650
Long-term liabilities		(467)	(489)
Bank overdraft		-	(1,707)
Creditors		(19,665)	(66,873)
Government Grant Reserve		(13,003)	(13,012)
Total Housing Development Fund Assets and Liabilities		343,410	489,569

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
3. LONG-TERM LIABILITIES		
Annuity Loans	8,651,486	6,047,119
Non Annuity Loans	23,000	23,000
Local Registered Stock Loans	200	200
Sub-total	8,674,686	6,070,319
Current portion of long term liabilities		
Annuity Loans	501,300	290,772
Non Annuity Loans	23,000	-
Sub-total	524,300	290,772
Non-current liabilities		
Long term Portion	8,150,386	5,779,547

The fair value of all long term loan approximates their book values.

Refer to Note 51 for more detail on long-term liabilities.

R27m (2009:R23.2m) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See note 42 for more detail.

DBSA Phase 2 and Phase 3 loans of R400million each are separately secured, each by a cession of an acceptable revenue stream of R20 million p.a. as security. The DBSA Phase 2 loan of R400million is a floating interest rate contract, and in order to mitigate the floating interest rate exposure, the Municipality entered into a fixed interest rate swap agreement with Standard Corporate & Merchant Bank.

DBSA Phase 5 of R300m is separately secured by a cession of an acceptable revenue stream of R15 million p.a. as security .

AFD Calyon of R58.7m is separately secured by a cession of carbon credit income in the event of default or non-payment. The income is estimated to be R18.4m for the year 2011 and R19.5m to the year 2012.

All other loans are unsecured.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

4. PROVISIONS

Reconciliation of provisions - 2010

	Opening Balance	Additions / (Prior year overprovision)	Utilised during the year	Total
Current				
Clearance of Alien Vegetation	4,570	6,973	(4,713)	6,830
Performance bonus	15,458	7,424	(5,976)	16,906
Long service awards	12,206	(3,864)	(550)	7,792
Non-current				
Environmental rehabilitation: Landfill sites	76,796	13,069	(43)	89,822
Clearance of Alien Vegetation	13,655	4,223	-	17,878
Long service awards	123,012	73,846	-	196,858
	245,697	101,671	(11,282)	336,086

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Current				
Clearance of Alien Vegetation	3,245	4,560	(3,235)	4,570
Performance bonus	10,518	10,251	(5,311)	15,458
Long service awards	5,882	7,103	(779)	12,206
Non-current				
Environmental rehabilitation: Landfill sites	59,693	17,754	(651)	76,796
Clearance of Alien Vegetation	5,082	8,573	-	13,655
Long service awards	76,673	46,339	-	123,012
	161,093	94,580	(9,976)	245,697

Non-current liabilities	304,558	213,463
Current liabilities	31,528	32,234
	336,086	245,697

Environmental rehabilitation: Landfill sites

Provision for reclamation of refuse landfill sites. In terms of the licencing of the landfill refuse site, council will incur rehabilitation estimated costs of R89.8million (2009:R76.8 million) to restore the sites at the end of its useful lives.

The calculation is based on the total actual area of all the Landfill sites which are in use or unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

Long service awards

Employees who achieve 15 years service will be granted 10 days paid leave (once off) together with a service certificate signed by the Head of Department.

Employees who achieve 25 years service will be granted 15 days paid leave (once off) together with an engraved gold watch to a maximum value of R2000 (value reviewable every five (5) years) and service certificate signed by Head of Department.

Employees who achieve 40 years service will be granted 20 days paid leave (once off) and a scroll duly signed by the Mayor in recognition of loyal service rendered to the Council.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions of Service, and may be taken, converted to cash in full, or partially, or accumulated.

The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

4. Provisions (continued)

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2010 (2009: 30 June 2009). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 10% (2009: 11%) was used based on internal rate of return.

Clearance of Alien Vegetation

The clearing of alien vegetation is required in terms of the Conservation of Agricultural Resources Act, 1983 (Act No. 43 of 1983). The Municipality has therefore made a provision for its obligation, based on future estimated costs for the next 3 years. This provision will be reviewed annually to reflect the fair value of the obligation.

Provision for invasive alien plant control / eradication is based on reliable data for growth rates, infestation rates and density. A detailed analysis, based on current costs of alien plant clearing, was undertaken. Input from numerous field staff was obtained with regard to the level of infestation of currently managed areas.

Data used for calculations:

Municipal owned land within the municipal area:	17 932 Ha
Municipal owned open space currently managed (prioritised):	2 186 Ha
Current approximate cost of clearing very high infestations of IAP's:	R4 995.00 / Ha

Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly and against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Manager.

5. RETIREMENT BENEFIT OBLIGATIONS

5.1. Defined benefit plan

Statement of Financial Position obligation for:

Post-employment medical benefits	1,892,056	1,589,173
Pension benefits	(116,714)	(70,929)
Balance at end of year	1,775,342	1,518,244

Statement of Financial Performance obligation for:

Post-employment medical benefits	302,883	194,721
Pension Benefits:	-	-
Defined Benefit Funds	111,662	122,371
Defined Contribution Funds	553,465	508,445
Total, included in employee benefits expense	27 968,010	825,537

5.1.1. Post-Retirement Medical Aid Plan

The municipality operates on 6 accredited medical aid schemes, namely Global Health, Hosmed, Munimed, Bonitas, Samwumed and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

5. Retirement benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	1,589,173	1,394,452
Current service cost	64,122	60,246
Interest cost	147,959	131,715
Actuarial (gains) losses	151,079	48,878
Benefit payments	(60,277)	(46,118)
Balance at end of year	1,892,056	1,589,173

Net expense recognised in the Statement of financial performance

Current service cost	64,122	60,246
Interest cost	147,959	131,715
Actuarial (gains) losses	151,079	48,878
Benefit payments	(60,277)	(46,118)
Total, included in employee benefits expense	27 302,883	194,721

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	9.25 %	9.50 %
General increases to medical aid contributions	7.75 %	8.00 %
Salary Inflation	7.25 %	7.50 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	100.00 %	90.00 %

Other assumptions:

Age of spouse	-	Husbands 5 years older than wives
Mortality of in-service members	-	Mortality table based on Durban Pension Fund experience.
Mortality of pensioners (from base year of 2004)	-	a(m) and a(f) ultimate tables plus 0.50% improvement per annum

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

Percentage of in-service members withdrawing before retirement:

Age 20	7.85 %	7.85 %
Age 25	5.67 %	5.67 %
Age 30	4.20 %	4.20 %
Age 35	3.31 %	3.31 %
Age 40	2.23 %	2.23 %
Age 45	1.21 %	1.21 %
Age 50	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %

5.1.2. Pension benefits

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	6,967,756	6,937,082
Present value of the defined benefit obligation-partially or wholly funded	(8,226,174)	(7,504,933)
Asset not recognised due to future surplus policy not yet established	1,141,704	496,922
Surplus in the Statement of Financial Position	(116,714)	(70,929)

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
5. Retirement benefit obligations (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	(70,929)	(91,640)
Current service cost	111,662	122,371
Contributions by plan participants	25,606	29,979
Actuarial losses	385,752	2,033
Interest cost	656,977	618,505
Benefit payments	(470,336)	(472,662)
Obligation not recognised due to future surplus policy not yet established	(755,446)	(279,515)
Balance at end of year	(116,714)	(70,929)
Movement in the fair value of plan assets is as follows:		
Actuarial gains (losses)	1,019,721	(789,874)
Employer contributions	67,461	78,803
Employee contributions	25,606	29,979
Benefit payments	(470,336)	(472,662)
Expected return on assets	757,776	742,880
Transfers out	(678,987)	-
Asset not recognised due to future surplus policy not yet established	(721,241)	410,874
Balance at end of year	-	-
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost - Defined Benefit Funds	111,662	122,371
Current service cost - Defined Contribution Funds	553,465	508,445
Total included in employee benefits expense	665,127	630,816

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

5. Retirement benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	9.25 %	10.75 %
Expected return on plan assets	9.75 %	11.00 %
Future salary increases	6.75 %	8.00 %
Future pension increases	4.55 %	5.98 %

Examples of mortality rates used were as follows:

Active members (All):

Age 20	0.13 %	0.13 %
Age 25	0.18 %	0.18 %
Age 30	0.25 %	0.25 %
Age 35	0.37 %	0.37 %
Age 40	0.52 %	0.52 %
Age 45	0.72 %	0.72 %
Age 50	0.99 %	0.99 %
Age 55	1.37 %	1.37 %
Age 60	1.89 %	1.89 %

All Councillors and employees belong to 8 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 eThekwini Municipality. The Fund is subject to annual actuarial valuations. A statutory triennial valuation which was performed as at 2010-01-01 revealed that the Fund was 100.9% funded with assets of R8.063 billion and liabilities of R7.989 billion. In compliance with the rules of the Durban Pension Fund an amount of R85.7 million was contributed by Council in respect of retirement funding during the period under report.

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMP), SALA, Multi Linked and GEPPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

An interim valuation carried out on the NJMP Superannuation fund (defined benefit) 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%. The latest statutory valuation of the NJMP Retirement fund (defined benefit) as at 31 March 2007 reflected a fund deficit of R229.8 million in respect of members. 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 NJMP Provident Fund (defined contribution) as at 31 March 2007 revealed that the Fund was in a sound financial position.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
6. DEPOSITS		
Electricity	575,685	481,805
Water	163,415	136,766
Interest	50,163	45,844
Total Deposits	789,263	664,415
Included in deposits is an accrual of interest at an effective interest rate of 3% per annum (2009: 3%) which is paid to consumers when deposits are refunded.		
7. CREDITORS		
Trade payables	2,230,730	1,889,559
Payments received in advance	1,027,144	1,566,826
Retentions	144,111	57,866
Bank Deposits not yet receipted	164,014	212,819
Staff leave	261,483	195,764
Other payables	811,854	807,641
Deferred Expenditure	15,458	13,855
Adjustment for fair value at amortised cost	(12,271)	(93,678)
Total Creditors	4,642,523	4,650,652
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government:		
Electricity Demand Side Management Grant	8,000	-
Department of Provincial and Local Government	2,250	2,281
Department of Local Government and Traditional Affairs	8,213	12,167
Department of Transport and Public Transport Infrastructure	335,273	298,104
Department of Economic Activity and various Industries	2,295	2,778
Expanded Public Works Incentive Grant	43,243	-
Equitable Share	3,089	3,048
Neighbourhood Development Partnership Grant	9,003	25,216
2010 KZN Government Grant	-	125,026
A1 Grand Prix	-	644
Vuna Awards	2,945	3,056
Municipal Infrastructure Grant	14,330	191
Grant Accreditation	315	410
Metropolitan Transport Authority - Taxi Ranks	32	32
Department of Housing	13,296	51,271
Lamontville and R293 Trf Deeds/Admin	1,556	1,556
Other Conditional Receipts		
European Union	13,819	42,136
Donations and Public Contributions	120,110	142,130
Danida	831	1,973
D Moss Interest and Land Sales	8,362	8,436
Other Grants and Subsidies	35,706	19,472
Tsogo Sun	-	72,476
Total Conditional Grants and Receipts	622,668	812,403

These amounts are invested in a ring-fenced investment until utilised. See note 25 for more detail. No grants or subsidies were withheld during the year.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

9. CASH AND CASH EQUIVALENTS

Refer to note for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	10,093	7,303
Bank balances	379,862	633,051
Bank balances and cash	389,955	640,354
Bank overdraft	(379,843)	(633,129)
	10,112	7,225
Call Investment Deposits	1,430,751	277,008
Cash and cash equivalents	1,440,863	284,233

10. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	2,836,530	(261,512)	2,575,018	2,761,165	(180,504)	2,580,661
Infrastructure	21,085,499	(3,843,409)	17,242,090	18,514,419	(3,362,021)	15,152,398
Community	958,439	(290,361)	668,078	3,651,814	(190,342)	3,461,472
Other	9,829,600	(1,983,929)	7,845,671	3,439,959	(1,567,335)	1,872,624
Heritage	17,881	-	17,881	6,552	-	6,552
Housing Development Fund	158,606	(84,435)	74,171	129,860	(82,900)	46,960
Total	34,886,555	(6,463,646)	28,422,909	28,503,769	(5,383,102)	23,120,667

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Impairment deficit	Total
Land and Buildings	2,580,661	45,053	(3,653)	14,995	18,970	(80,405)	(603)	2,575,018
Infrastructure	15,152,398	2,592,804	(36,943)	14,615	604	(455,286)	(26,102)	17,242,090
Community	3,461,472	2,994	(1,541)	(12,675)	(2,682,153)	(81,411)	(18,608)	668,078
Other	1,872,624	6,391,929	(9,375)	(16,757)	23,844	(413,287)	(3,307)	7,845,671
Heritage	6,552	262	-	-	11,067	-	-	17,881
Housing Development Fund	46,960	44,974	(7,383)	(93)	(8,752)	(1,535)	-	74,171
	23,120,667	9,078,016	(58,895)	85	(2,636,420)	(1,031,924)	(48,620)	28,422,909

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Total
Land and Buildings	2,513,298	435,181	-	(258,492)	(53,019)	(56,307)	2,580,661
Infrastructure	12,000,671	1,516,644	(445)	69,489	1,892,992	(326,953)	15,152,398
Community	2,304,179	93,454	(2)	(81)	1,086,362	(22,440)	3,461,472
Other	1,359,918	901,023	(17,321)	(8,229)	10,960	(373,727)	1,872,624
Heritage	6,883	-	-	(1)	(330)	-	6,552
Housing Development Fund	41,605	4,433	(2,382)	(2,700)	8,193	(2,189)	46,960
	18,226,554	2,950,735	(20,150)	(200,014)	2,945,158	(781,616)	23,120,667

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

11. INTANGIBLE ASSETS

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	47,634	-	47,634	42,985	-	42,985
Computer software	608,012	(333,621)	274,391	546,399	(238,936)	307,463
Total	655,646	(333,621)	322,025	589,384	(238,936)	350,448

Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Disposals	Transfers	Work in Progress	Amortisation	Total
Servitudes	42,985	4,789	-	(140)	-	-	47,634
Computer software	307,463	54,195	(17)	108	7,327	(94,685)	274,391
	350,448	58,984	(17)	(32)	7,327	(94,685)	322,025

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Transfers	Revaluations	Amortisation	Total
Servitudes	42,736	249	-	-	-	42,985
Computer software	279,880	92,592	3,710	7,793	(76,512)	307,463
	322,616	92,841	3,710	7,793	(76,512)	350,448

Intangible assets disclosed relate to servitudes registered by the electricity department of the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the municipality's policy to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

12. INVESTMENT PROPERTIES

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Revenue Generating	28,031	(7,594)	20,437	28,032	(7,170)	20,862
Non-revenue Generating	315,233	-	315,233	301,641	-	301,641
Total	343,264	(7,594)	335,670	329,673	(7,170)	322,503

Reconciliation of investment properties - 2010

	Opening Balance	Additions	Disposals	Depreciation	Total
Revenue Generating	20,862	-	-	(425)	20,437
Non-revenue Generating	301,641	15,514	(1,922)	-	315,233
	322,503	15,514	(1,922)	(425)	335,670

Reconciliation of investment properties - 2009

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Revenue Generating	26,085	-	(4,673)	-	(550)	20,862
Non-revenue Generating	118,138	345	(2,640)	185,798	-	301,641
	144,223	345	(7,313)	185,798	(550)	322,503

The fair value of the above properties is R1.2 billion (2009: R1.1 billion). Investment properties have been valued in accordance with current market conditions.

13. INVESTMENTS IN MUNICIPAL ENTITIES

Name of company	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
ICC Durban (Proprietary) Limited	100 %	100 %	1	1
Durban Marine Theme Park (Proprietary) Limited	99.9 %	99.8 %	860,996	840,996
			860,997	840,997
Impairment of investment in municipal entity			(176,311)	(133,608)
			684,686	707,389

At its meeting on 24 August 2010, and taking cognizance of the International Convention Centre operating at a break-even level, excluding depreciation, property rates and finance charges, the Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern".

On 31 January 2010, 206 additional shares were acquired in Durban Marine Theme Park (Pty) Ltd.

In the prior year, on 23rd June 2009, 5 109 additional shares were acquired in Durban Marine Theme Park (Pty) Ltd. Refer to note 16 for further details.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

13. Investments in municipal entities (continued)

As at 30th June 2010

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,260
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	1,560
Loss on Impairment of Loans	(226,590)	(1,560)
Electricity Income Received (R'000)	6,255	11,773
Water Income Received (R'000)	574	3,851
Rates Income Received (R'000)	6,779	-

As at 30th June 2009

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,054
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	1,759
Loss on Impairment of Loans	(226,590)	(1,759)
Electricity Income Received (R'000)	4,639	9,642
Water Income Received (R'000)	507	2,942
Rates Income Received (R'000)	5,343	-

14. INVESTMENTS

Listed Securities - Held to Maturity

Eskom Stock-Held to maturity (November 2009)	-	3,793
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Financial Instruments - Held to Maturity

General Investments	27,044	20,679
Fixed and Negotiable Deposits	300,000	2,667,642
	327,044	2,688,321

Total Cash Investments

	327,044	2,692,114
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Non-current assets

Financial Instruments	-	288,321
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Current assets

Listed Securities	-	3,793
Held to Maturity	327,044	2,400,000
	327,044	2,403,793
	327,044	2,692,114

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

14. Investments (continued)

Investments are non-derivative financial assets and are classified at fair value and are held to maturity. Investments will mature within two months, therefore cost equates fair value. In the prior year, fair value was based on the average return on total investments. The rate used was 12.09%. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis.

The total amount of change in fair value, estimated using discounted cash flow analysis. - 34,858

Market valuation of listed investments

Eskom Stock - 6,110

15. INVESTMENT IN JOINT VENTURE

Name of company	Unlisted	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Effingham Development		66.74 %	66.74 %	137,089	156,851

This represents a 66.74% investment in Effingham Development (Joint Venture)

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham / Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

Summary of the municipality's interest in the joint venture

Assets

Township Property	57,232	47,185
Current assets - Debtors	123,148	160,283
Current assets - Cash on hand	14,311	10,783

TOTAL ASSETS

194,691 218,251

Equity and Liabilities

Members Loan Accounts	137,089	156,851
Current liabilities - Creditors	57,602	61,400

TOTAL EQUITY AND LIABILITIES

194,691 218,251

Reconciliation of Investment in Joint Venture

Balance at beginning of year	156,851	166,250
Share of Income for the year	5,238	19,601
Payment received	(25,000)	(29,000)
BALANCE AT END OF YEAR	137,089	156,851

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
16. LOANS TO MUNICIPAL ENTITIES		
Durban Marine Theme Park (Proprietary) Limited	1,561	1,759
ICC Durban (Proprietary) Limited	226,590	226,590
Subtotal	228,151	228,349
Impairment of loans to municipal entities	(228,151)	(228,349)
	-	-
<p>Loans to Municipal Entities are fully impaired as they are considered to be irrecoverable in the short-term.</p> <p>In the prior year a further loan of R15.9m was granted to Durban Marine Theme Park (Pty) Ltd. On 23rd June 2009 R496m was converted into 5 109 ordinary shares in the municipal entity. This loan was previously impaired. The reversal of the loan impairment as at 30 June 2008 amounting to R480m was recognised as revenue in the 2009 financial year.</p>		
17. RECEIVABLES		
Long-term receivables		
Loan: DIDT	136,237	150,784
Fair Value Adjustment	(31,439)	(37,413)
Housing Selling scheme loans	139,621	165,800
Sewerage connection loans	-	6
Land sales	21,255	7,982
Education Loans	9,167	6,413
Sporting bodies loans	2,328	2,515
Car Loans	1	26
Housing Bonds	51	73
	277,221	296,186
Less: Current portion transferred to current receivables		
Housing Selling scheme loans	4,451	5,343
Sewerage connection loans	-	6
Land sales	21,255	7,982
Education Loans	98	68
Sporting bodies loans	465	500
Car Loans	1	26
Housing Bonds	25	30
	26,295	13,955
Non-current assets		
Long-term receivables	250,926	282,231
Current assets		
Long-term receivables	26,295	13,955

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

Car loans

Senior staff are entitled to car loans which attract interest at 8.5% (2009:8.5%) per annum and which are repayable over a maximum period of 1 year. These loans are repayable in the year 2010.

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 attracted interest at a rate of 11% - 14% per annum and are repayable over a maximum period of 1 year.

Sporting Bodies Loans

These loans attract interest of 11% - 14% (2009:11% - 14%) 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 administration 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.

18. INVENTORIES

Unsold Properties held for resale	-	15,479
Consumable stores	215,984	197,335
Maintenance materials	136	206
Water	8,025	7,528
	224,145	220,548

The cost of inventories recognised as an expense during the period in respect of water sales was R1 077.5m (2009: R1 008.6m).

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

19. CONSUMER DEBTORS

Gross Balances

Rates	2,504,936	2,125,553
Electricity	770,136	644,746
Water	984,806	1,040,110
Refuse	46,197	10,665
Regional services levies	11,071	24,738
Housing rental	58,399	89,781
Waste water	11,155	11,347
Total	4,386,700	3,946,940

Less Provision for bad debts

Rates	(1,124,622)	(923,057)
Electricity	(190,050)	(157,649)
Water	(534,798)	(587,056)
Refuse	(6,642)	-
Regional services levies	(11,071)	(24,738)
Housing rental	(27,057)	(61,469)
Total	(1,894,240)	(1,753,969)

Net Balance

Rates	1,380,314	1,202,496
Electricity	580,086	487,097
Water	450,008	453,054
Refuse	39,555	10,665
Housing rental	31,342	28,312
Waste water	11,155	11,347
Total	2,492,460	2,192,971

Rates

Current (0 -30 days)	633,790	475,097
31 -90 days	62,368	60,485
61 - 90 days	46,561	54,278
91 - 120 days	40,608	44,460
>120 days	1,018,867	892,668
> 365 days	702,742	598,565
Total	2,504,936	2,125,553

Electricity, Water, Solid Waste and Waste Water

Current (0 -30 days)	683,175	563,578
31 -90 days	140,199	89,097
61 - 90 days	47,623	30,938
91 - 120 days	67,054	55,272
>120 days	874,243	967,983
Total	1,812,294	1,706,868

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
Regional services levies		
> 365 days	11,071	24,738
Housing rental		
Current (0 -30 days)	2,089	2,384
31 -90 days	1,034	2,202
91 - 120 days	28,219	23,466
>120 days	27,057	61,729
Total	58,399	89,781
20. DEBTORS		
Other Debtors	1,136,847	1,049,577
Fair Value Adjustment	(431)	(1,283)
Provision for bad debts	(127,270)	(165,711)
Insurance debtor	128,492	96,564
Accruals	1,591,583	1,236,509
Prepayments made in advance	20,479	15,721
	2,749,700	2,231,377
21. CALL INVESTMENT DEPOSITS		
30 Day deposits	1,430,751	277,008
22. VAT		
VAT reconciliation		
VAT receivable	371,461	297,571
Net Vat	371,461	297,571

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

23. PROPERTY RATES

Rates received

Residential	1,588,788	1,579,023
Agricultural	1,711	3,963
Agricultural - Prior Year adjustments	(3,274)	-
Vacant Land	597,965	448,159
Industrial	782,009	703,769
Business & Commercial	1,118,428	976,526
Public Service Infrastructure	7,261	12,178
Unauthorised / illegal Development	555	-
Total Assessment Rates	4,093,443	3,723,618

Valuations

Residential	243,346,560	238,178,148
Agricultural	1,417,895	2,242,718
Vacant Land	22,069,993	22,372,230
Industrial	34,265,683	31,525,804
Business & Commercial	77,390,069	67,288,348
Public Service Infrastructure	8,846,659	7,547,558
Unauthorised / Illegal Development	36,305	5,220
Total Property Valuations	387,373,164	369,160,026

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R 0.009 (2009:R 0.009); Agriculture - R 0.0024 (2009:R0.0023); Vacant Land - R 0.0378 (2009:R0.0357); Industrial - R 0.0258 (2009:R 0.023); Business and Commercial - R 0.0201 (2009:R 0.0179); Public Service Infrastructure - R 0.0024 (2009:R0.0023). The year-on-year increases in the rate randages were minimal due to the previously rated refuse element becoming tariff-based with effect from 1 July 2009. All residential property owners are exempt from paying rates on the first R120 000 (2009:R120 000) of their property value. Pensioners, child-headed households, disability grantees and the medically boarded are exempt from paying rates on the first R400 000 (2009:R400 000) of their property value (inclusive of the R120 000 referred to earlier). No rates are levied on the first R30 000 (2009:R30 000) value of vacant land.

24. SERVICE CHARGES

Sale of electricity	5,619,105	4,459,743
Sale of water	1,719,533	1,537,699
Solid waste	342,925	149,653
Sewerage and sanitation charges	68,133	65,490
Other service charges	126,622	114,766
Total service charges	7,876,318	6,327,351

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
25. GRANTS AND SUBSIDIES		
Equitable share	1,126,955	1,655,750
Municipal infrastructure grant	516,551	371,216
European Union	29,655	45,133
Provincial health subsidies	50,745	28,747
Department of Transport and Public Transport Infrastructure	539,758	336,975
Department of Economic Activities and Various Industries	2,568	1,054
Vuna Awards	111	183
2010 KZN Provincial grant	700,419	785,482
Department of Minerals and Energy Affairs	1,800	4,200
Tsogo Sun	95,476	-
Other grants	83,502	83,176
Public Contributions	47,715	106
D Moss Land Sales	74	-
Neighbourhood Development Partnership	188,765	45,456
Disaster Fund	-	32,384
Department of Housing	343,229	451,315
Lamontville and R293 transfer Deeds	-	32
Danida	19,363	7,991
Grant Accreditation	95	8,135
Department of Local Government and Traditional Affairs	4,954	33
Provincial grants: Library Books	706	4,504
Metropolitan Transport Authority - Taxi ranks	1,881	5,678
A1 Grand Prix	644	1,000
Department of Provincial and Local Government	31	230
Total grants and subsidies	3,754,997	3,868,780
Equitable share		
Balance unspent at beginning of year	3,048	5,554
Current-year receipts	1,126,996	1,653,244
Conditions met - transferred to revenue	(1,126,955)	(1,655,750)
Conditions still to be met - transferred to liabilities	3,089	3,048
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Unspent portion will be used to provide infrastructure development and job creation in INK as an urban regeneration programme.		
Municipal infrastructure grant		
Balance unspent at beginning of year	191	445
Current-year receipts	508,950	370,962
Current-year accruals	21,740	-
Conditions met - transferred to revenue	(516,551)	(371,216)
Conditions still to be met - transferred to liabilities	14,330	191
This grant was used to construct roads and sewerage infrastructure.		
D Moss Land Sales		
Balance unspent at beginning of year	8,436	9,041
Prior year over accrual	-	(605)
Conditions met - transferred to revenue	(74)	-
Conditions still to be met - transferred to liabilities	8,362	8,436
The above relates to funding for the acquisition of DMoss land.		

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

	2010	2009
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Disaster Fund

Balance unspent at beginning of year	-	67
Current-year receipts	-	32,317
Conditions met - transferred to revenue	-	(32,384)
Conditions still to be met - transferred to liabilities	-	-

Funding received for the financing of storm damage.

Department of Economic Activities and Various Industries

Balance unspent at beginning of year	2,778	3,832
Current-year receipts	2,085	-
Conditions met - transferred to revenue	(2,568)	(1,054)
Conditions still to be met - transferred to liabilities	2,295	2,778

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway.

Department of Transport and Public Transport Infrastructure

Balance unspent at beginning of year	298,105	25,661
Current-year receipts	576,926	609,418
Conditions met - transferred to revenue	(539,758)	(336,975)
Conditions still to be met - transferred to liabilities	335,273	298,104

The funds received and utilised relates to funding for subsidy for traffic and pedestrian planning as well as the Tansnat (2009: Remant Alton) Bus Operating subsidy. Unutilised funds will be expended in the forthcoming year.

Neighbourhood Development Partnership

Balance unspent at beginning of year	25,216	20,070
Current-year receipts	172,552	50,602
Conditions met - transferred to revenue	(188,765)	(45,456)
Conditions still to be met - transferred to liabilities	9,003	25,216

Focus of the grant is to stimulate and accelerate investment in poor underserved residential neighbourhoods.

European Union

Balance unspent at beginning of year	42,136	87,269
Current-year receipts	1,338	-
Conditions met - transferred to revenue	(29,655)	(45,133)
Conditions still to be met - transferred to liabilities	13,819	42,136

The Municipality has an Area-based Management Programme that focuses on key areas of the Council and enhances service delivery and stimulates job and income generation to these basic areas. The European Union formed a partnership with the Council on condition that the funds provided are to be utilised only in these specific areas.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

Other grants

Balance unspent at beginning of year	19,472	12,882
Current-year receipts	99,322	89,927
Current-year accruals	414	-
Conditions met - transferred to revenue	(83,502)	(83,176)
Reversal of prior year (over)under provision	-	(161)
Conditions still to be met - transferred to liabilities	35,706	19,472

Other Grants and subsidies were utilised during the year to fund various Council projects. The prior years information has been restated to provide the users of the financial statements with more useful information. A major portion of the prior years other grants information has been reclassified as separate grants.

Department of Housing

Balance unspent at beginning of year	51,270	50,907
Current-year receipts	305,255	451,679
Conditions met - transferred to revenue	(343,229)	(451,315)
Conditions still to be met - transferred to liabilities	13,296	51,271

Funding for the administration of Hostels in KwaZulu Natal.

Lamontville and R293 transfer Deeds

Balance unspent at beginning of year	1,556	1,588
Conditions met - transferred to revenue	-	(32)
Conditions still to be met - transferred to liabilities	1,556	1,556

This grant was used to fund the maintenance of the Lamontville houses as well as the transfer of the R293 township houses to the beneficiaries .

Danida

Balance unspent at beginning of year	1,973	384
Current-year receipts	17,621	9,580
Current-year accruals	600	-
Conditions met - transferred to revenue	(19,363)	(7,991)
Conditions still to be met - transferred to liabilities	831	1,973

These funds are used to enhance existing capacity in Urban Environmental Management. This programme prioritizes poverty reduction and building institutional capacity for enhanced local level delivery of environmentally sustainable services.

Grant Accreditation

Balance unspent at beginning of year	410	545
Current-year receipts	-	8,000
Conditions met - transferred to revenue	(95)	(8,135)
Conditions still to be met - transferred to liabilities	315	410

These funds are for the administrative support provided for RDP houses.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

	2010	2009
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Department of Local Government and Traditional Affairs

Balance unspent at beginning of year	12,167	-
Current-year receipts	1,000	12,200
Conditions met - transferred to revenue	(4,954)	(33)
Conditions still to be met - transferred to liabilities	8,213	12,167

Funding provided for the implementation of projects identified through the KZN Corridor Development Programme and to unlock strategic economic development opportunities within the Northern Municipal Planning Region (NMPR) of the city.

Public Contributions

Balance unspent at beginning of year	142,129	111,185
Current-year receipts	13,657	31,051
Transfer from Creditors (Incorrect classification in prior year)	12,039	-
Conditions met - transferred to revenue	(47,715)	(106)
Conditions still to be met - transferred to liabilities	120,110	142,130

The grants were received from various organisations to finance various developments. In the current year this includes development of Nandi Drive and Hillcrest Roads. The prior year balance includes a grant to fund the Bayhead Bridge Development Project.

2010 KZN Provincial grant

Balance unspent at beginning of year	125,026	178,469
Current-year receipts	575,393	732,039
Conditions met - transferred to revenue	(700,419)	(785,482)
Conditions still to be met - transferred to liabilities	-	125,026

The grant was received for the building of the stadium and other constructions in preparation for 2010 FIFA World Cup.

Provincial grants: Library Books

Current-year receipts	706	4,504
Conditions met - transferred to revenue	(706)	(4,504)
Conditions still to be met - transferred to liabilities	-	-

This grant was utilised to fund the acquisition of library materials.

Metropolitan Transport Authority - Taxi ranks

Balance unspent at beginning of year	32	32
Current-year receipts	-	5,678
Current-year accruals	1,881	-
Conditions met - transferred to revenue	(1,881)	(5,678)
Conditions still to be met - transferred to liabilities	32	32

Funding from eThekwini Transport fund to contribute towards the upgrading of Taxi Ranks.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
A1 Grand Prix		
Balance unspent at beginning of year	644	2,230
Reversal of prior-year over-accrual	-	(586)
Conditions met - transferred to revenue	(644)	(1,000)
Conditions still to be met - transferred to liabilities	-	644
Funding received for the A1 Grand Prix related roadwork.		
Tsogo Sun		
Balance unspent at beginning of year	72,476	24,000
Current-year receipts	23,000	48,476
Conditions met - transferred to revenue	(95,476)	-
Conditions still to be met - transferred to liabilities	-	72,476
This amount was received from Tsogo Sun for the Suncoast precinct upgrade and Inner-City distribution.		
Department of Minerals and Energy Affairs		
Current-year receipts	9,800	4,200
Conditions met - transferred to revenue	(1,800)	(4,200)
Conditions still to be met - transferred to liabilities	8,000	-
The grant was used to finance the gas to electricity capital project.		
Department of Provincial and Local Government		
Balance unspent at beginning of year	2,281	2,511
Conditions met - transferred to revenue	(31)	(230)
Conditions still to be met - transferred to liabilities	2,250	2,281
Grant to be utilised for the Shembe Development Precinct (Rural ABM) and the acquisition of land for the Bridge City Project (INK).		
Provincial health subsidies		
Inventory received	8,133	2,725
Current-year receipts	42,612	26,022
Conditions met - transferred to revenue	(50,745)	(28,747)
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders health services on behalf of the Provincial Government. 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.		
Expanded Public Works Programme Incentive		
Current-year receipts ,Conditions still to be met - transferred to liabilities	43,243	-
This grant is to be used for job creation and poverty alleviation incentives.		

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
Vuna Awards		
Balance unspent at beginning of year	3,056	3,239
Conditions met - transferred to revenue	(111)	(183)
Conditions still to be met - transferred to liabilities	2,945	3,056

The Vuna Awards is an initiative of the Department of Provincial and Local Government, together with its partners in the coordination of development in local government, the South African Local Government Association, Development Bank of Southern Africa and the National Productivity Institute. The Vuna awards, as the awards are called, reward the municipalities that provide communities excellent services and governance.

26. OTHER INCOME

Sundry Income	337,763	302,291
Fuel Levy	895,448	-
	1,233,211	302,291

27. EMPLOYEE RELATED COSTS

Employee related costs-Salaries and Wages	2,908,792	2,506,046
Medical Aid and Pension Benefits	5 968,010	825,537
UIF	22,951	20,156
Leave pay provision contribution	204,151	126,476
Travel, motor car, accommodation, subsistence and other allowances	111,978	105,931
Overtime payments	351,614	281,906
Long-service awards	-	32
Housing benefits and allowances	24,293	35,339
Holiday Bonus	183,610	158,399
Other	20,581	30,174
Less: Employee costs capitalised to PPE	(255,462)	(989)
	4,540,518	4,089,007

There were no advances to employees. Loans to employees are set out in note 17.

Included in the employee related costs are the following:

Remuneration of the Municipal Manager

Annual Remuneration	1,416	1,253
Car Allowance	102	102
Market Allowance	382	382
Contributions to UIF, Medical Aid and Pension Funds	1	1
Total	1,901	1,738

Remuneration of the Chief Finance Officer

Annual Remuneration	1,009	875
Car Allowance	317	280
Market Allowance	242	242
Contributions to UIF, Medical Aid and Pension Funds	203	183
Total	1,771	1,580

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
Safety and Security		
Annual Remuneration	1,349	1,154
Contributions to UIF, Medical and Pension Funds	1	1
Total	1,350	1,155
Health and Social Services		
Annual Remuneration	684	953
Market Allowance	-	180
Contributions to UIF, Medical and Pension Funds	12	23
Car Allowance	70	70
Total	766	1,226
The above post was vacant for 5 months during the year		
Governance		
Annual Remuneration	1,009	875
Car Allowance	316	280
Market Allowance	121	121
Contributions to UIF, Medical Aid and Pension Funds	198	178
Total	1,644	1,454
Corporate and Human Resources		
Annual Remuneration	-	161
Car Allowance	-	28
Contributions to UIF, Medical Aid and Pension Funds	-	4
Total	-	193
The above post has been vacant for year (2009:vacant for 10 months).		
Procurements and Infrastructure		
Annual Remuneration	1,365	1,068
Car Allowance	120	60
Market Allowance	210	210
Contributions to UIF, Medical Aid and Pension Funds	30	28
Total	1,725	1,366

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
Sustainable Development & City Enterprises		
Annual Remuneration	1,004	950
Car Allowance	180	180
Contributions to UIF, Medical and Pension Funds	28	26
Total	1,212	1,156
28. REMUNERATION OF COUNCILLORS		
Mayor	866	959
Deputy Mayor	708	885
Mayoral Committee Members	3,465	3,010
Speaker	705	916
Councillors	62,506	58,661
Councillors' pension contribution	5,719	5,240
Total Councillors' Remuneration	73,969	69,671
<i>In-kind Benefits:</i>		
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.		
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.		
29. FINANCE COSTS		
Non-current borrowings	463,158	588,973
Consumer Deposits	8,781	4,167
Other interest paid	113,928	92,344
Total Finance costs	585,867	685,484
An amount of R230.7m (2009: R311.2m) relating to borrowing costs was capitalised to work-in-progress with 8.75% (2009: 9.86%) being the weighted average cost of funds borrowed generally by the municipality.		
30. BULK PURCHASES		
Electricity	3,466,747	2,640,807
Water	1,077,541	1,008,529
Total Bulk Purchases	4,544,288	3,649,336
31. GRANTS AND SUBSIDIES PAID		
Grant paid: Durban Arts Association	2,805	2,646
Grant paid: Enhanced Extended Discount Benefit	33,719	18,401
Grant paid: Sporting Organisations	33,216	801
Grant paid: Playhouse Company	2,809	2,633
Grant paid: Natal Philharmonic Orchestra	6,752	6,328
Grant paid: Tourism Indaba	10,289	6,878
Grant paid: Trade Point Durban	1,096	893
Grant paid: Food Aid Program	87	38
Grant paid: Other	59,204	54,636
Total Grants and Subsidies Paid	149,977	93,254

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
32. CASH GENERATED FROM OPERATIONS		
Surplus for the year	2,006,546	2,760,605
Adjustments for:		
Depreciation - property, plant and equipment	1,031,924	781,616
Amortisation of intangibles	94,685	76,512
Depreciation of investment properties	425	550
Surplus on sale of assets	(34,858)	(31,509)
Deficit on sale of assets	11,748	2,879
Contribution to bad debt provision	572,984	772,536
Surplus on foreign exchange	(198)	(480,029)
Share of income from joint venture	(5,238)	(19,601)
Interest earned - other	(399,211)	(689,426)
Finance Costs	585,867	685,484
Fair value adjustments	39,723	493
Loss on impairment	48,620	-
Servitudes write-off	-	9,497
Loss on Impairment of Investment in Municipal Entity	42,703	133,608
Movements in retirement benefit assets and liabilities	257,098	215,432
Contributions to provisions - non current	91,095	72,015
Contributions to provisions - current	(706)	12,589
Increase (decrease) in deferred expense	27,031	24,770
Changes in working capital:		
Inventories	(3,597)	(72,678)
Decrease/(increase) in other debtors	(517,471)	(807,859)
Decrease/(increase) in consumer debtors	(872,473)	(910,961)
Creditors	(89,536)	633,566
Increase in deposits	124,848	90,653
(Decrease)/Increase in VAT	(73,890)	(158,269)
Unspent conditional grants and receipts	(189,735)	272,491
	2,748,384	3,374,964

33. COMMITMENTS

33.1 Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure	747,851	1,637,631
• Community	42,882	325,150
• Land and buildings	7,096	161,022
• Other assets	30,384	20,444

Approved but not yet contracted for

• Infrastructure	895,831	97,988
• Community	117,525	1,500
• Other	16,164	-
• Land and Buildings	1,450	3,000

Total	1,859,183	2,246,735
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33.2 Operating leases – as lessee (expenditure)

The future minimum lease payments payable under operating leases are as follows:

- within one year	27,914	36,938
- in second to fifth year inclusive	83,744	122,831
- later than five years	33,184	43,965
	144,842	203,734

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

34. CONTINGENCIES

Self Insurance Reserve	47,676	18,643
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	52,314	53,900
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response may lodge an appeal in terms of the MPRA. The appeals process will commence in the near future, once an appeals board has been established by Provincial Treasury to resolve appeals. The valuers from eValuations will be required to attend the appeals hearing in terms of Section 75(3) of the MPRA and their contract. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	15,508	15,508
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These guarantee's are issued in favour of the following:

- The Member(s), Jeena's Warehouse Close Corporation: R3.6m (Standard Bank) dated 11 November 1998;
- S.A. Post Office: R0.008m (Standard Bank) dated 11 December 1998;
- S.A. Post Office: R1.9m (Standard Bank) dated 11 August 2004;
- Durban Marine Theme Park: R10m (First National Bank) dated 29 January 2009..

Legal Claims	-	1,229
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

35. RELATED PARTIES

Relationships
Municipal Entities

Durban Marine Theme Park (Proprietary) Limited
I.C.C. Durban (Proprietary) Limited
Refer to note 13

Joint Venture

Ethekwini Transport Authority
Riverhorse Valley Joint Venture
Refer to note 15

Councillors / Official with significant influence

Durban Infrastructural Development Trust
Trustees:
G.M. Borman - Councillor
R.D. Macpherson - Councillor
V.G. Reddy - Councillor
J. Balwanth - Council Official
M. Tembe - Independent 3rd party
P. Ngcobo - Independent 3rd party
K. Ragunandan - Independent 3rd party

Councillors / Officials with significant influence

Metro Club Trust Fund
Trustees:
Z.R.T. Gumede - Councillor
V.G. Reddy - Councillor
B.N. Magwaza - Council Official
S.O. Cele - Council Official

Related party balances

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

35. Related parties (continued)

Loan accounts - Owing by related parties

I.C.C. Durban (Proprietary) Limited	226,590	226,590
Durban Marine Theme Park (Proprietary) Limited	1,561	1,759
Loans impaired	(228,151)	(228,349)
Durban Infrastructural Development Trust	136,237	138,096
	136,237	138,096

Amounts included in Trade Receivable regarding related parties

I.C.C. Durban (Proprietary) Limited	984	1,159
Durban Marine Theme Park (Proprietary) Limited	316	1,395
Metro Club Trust Fund	2,422	-
	3,722	2,554

Amounts included in Trade Payable regarding related parties

I.C.C. Durban (Proprietary) Limited	1,375	1,448
Durban Marine Theme Park (Proprietary) Limited	337	1,555
Metro Club Trust Fund	-	912
EtheKwini Transport Authority	62,548	58,647
	64,260	62,562

Related party transactions

Sales to related parties

I.C.C. Durban (Proprietary) Limited:		
Electricity	6,255	4,639
Water	574	507
Operating Lease Rentals - Centrum Parking	144	203
Rates	6,779	6,246
Durban Marine Theme Park (Proprietary) Limited		
Electricity	11,773	9,642
Water	3,851	2,942
Riverhorse Valley Joint Venture		
Electricity and Water	25	12
Income from Joint Venture	5,328	19,601
	34,729	43,792

Purchases from related parties

I.C.C. Durban (Proprietary) Limited		
General Expenses	7,818	7,956
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	2,295	6,101
EtheKwini Transport Authority	-	-
General Expenses	10,489	10,856
	20,602	24,913

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
36. POST REPORTING DATE EVENTS		
Establishment of the Regional Electricity Distributors		
A Cabinet decision was taken on the 25 October 2006 where approval was given to the proposal of creating six Regional Electricity Distributors which will be established as public entities under the auspices of the Electricity Distribution Industry (EDI) Holdings (Ltd). These entities will be accountable to the Ministry of Minerals and Energy. The latest information on the RED formation is that the proposed Constitution Seventeenth Amendment Bill is in the process of being passed through various Government departments for approval, including the National Council of Provinces, before it can be accepted by the President. The time span for the establishment of the Reds is therefore uncertain at this stage and consequently, it appears unlikely that the REDS will have any financial impact on the Council in the short to medium term.		
37. TRAFFIC FINES		
Traffic fines issued but not yet recovered at year end.	1,022,657	897,427
38. COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's E(1) and E(2).		
39. GENERAL EXPENSES		
General Expenses	1,410,815	964,325
Stadium: Management Fee	45,043	-
Stadium: Operating costs	94,342	-
	1,550,200	964,325
40. FAIR VALUE ADJUSTMENTS		
Fair Value Adjustment - Creditors	81,407	(12,391)
Fair Value Adjustment - Debtors	(852)	887
Fair Value Adjustments - Long-term Receivables	(5,974)	15,424
Investments - Financial Instruments	(34,858)	(4,413)
	39,723	(493)
41. COMPARATIVE FIGURES		
Certain comparative figures have been restated (refer note 45 for details).		
42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities	8,674,686	6,070,319
Used to finance property, plant and equipment – at cost	(8,674,686)	(6,070,319)
	-	-
Cash set aside for the repayment of long-term liabilities	27,044	23,179
43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

Cases reported during the 2009/10 year are included below:

Supplier double charges on VAT resulting in overpayment	1,035	-
Supplier overcharging of 10% administration fee	49	-
Supplier irregular invoicing resulting in overcharges	121	-
Payments without any invoice	17	-
Irregular awarding of refurbishing work and repairs to Metro Police Vehicles	43	-
Overpayment to contractor for supplies	-	1,402

Investigations are still in progress regarding 10 other cases (2009: 15), the details of which are summarised as follows:

- 8 cases (2009: 13) relating to non-compliance with Supply Chain Management policy totalling R38.9million (2009: R45.5million).
- 2 cases (2009: 2) relating to contractual overpayments totalling R0.4million (2009: R1.6million).

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	6,929	5,527
Irregular expenditure current year	1,265	1,402
Recoveries current year	(510)	-
Irregular expenditure awaiting condonement / recovery	7,684	6,929

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organized local government

Council subscriptions	6,000	5,779
Amount paid - current year	(6,000)	(5,779)
Balance unpaid (included in creditors)	-	-

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand	2010	2009
Audit fees		
Current year audit fee	1,690	1,972
Previous years audit fee	8,976	9,854
Amount paid - current year	(1,690)	(1,972)
Amount paid - previous years	(8,976)	(9,854)
Balance unpaid (included in creditors)	-	-
VAT		
VAT received (paid) for the year	649,910	570,714
PAYE and UIF		
Current year payroll deductions	563,332	480,586
Amount paid - current year	(563,332)	(480,586)
Balance unpaid (included in creditors)	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	1,002,383	841,280
Amount paid - current year	(1,002,383)	(841,280)
Balance unpaid (included in creditors)	-	-

Councillors arrears

The following Councillors had arrear accounts outstanding for more than 90 days at any point during the respective financial years:

	<u>Amount Outstanding Rands</u>
30 June 2010	
Councillor Mabaso M	1,554
Councillor Majola	1,936
Councillor Ngwane B	420
Councillor Hoosman N	17,149
Councillor Shabalala A	2,774
Councillor Gangile T	364
Councillor Zwane P	272
Councillor Cele G	5,605
Councillor Bhengu M	3,323
	33,397
30 June 2009	
Councillor Naidoo P.	1,691
Councillor Ndlovu	9,154
Councillor Zwane P.S	450
Councillor Mngwengwe B.V.	4,842
Councillor Mpungose N.E.	1,891
Councillor Shabalala A.N.	2,522
	20,550

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

45. PRIOR YEAR ADJUSTMENTS

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the full compliance of GRAP Standards. Details of which are as follows:

Long-term Receivables and Deferred Expenditure:

During the year the municipality changed its classification of recognising the I.C.C. building value as a long-term receivable to deferred expenditure.

Property, Plant and Equipment, Intangible Assets and Investment Properties:

During the year the municipality changed its method for depreciating Property, plant and equipment, Intangible assets and Investment Properties so as to comply more fully with GRAP 17 - Property, Plant and Equipment. The useful lives of assets were reviewed and resulted in changes to the useful lives of certain categories of assets. Depreciation is now effective from acquisition date.

The comparative statements for the 2009 year have been restated to conform to the changed policies. The effects of the changes are detailed below:

Deferred Expenditure

Balance previously reported	-	-
Recognition of Deferred Expenditure (previously included in long-term receivables)	-	727,444
Adjustment - prior to 2008/09	-	2,846
Adjustment - 2008/09	-	(5,247)
	-	725,043

Long-term Receivables

Balance previously reported	-	1,009,675
Transfer to Deferred Expenditure	-	(727,444)
	-	282,231

Intangible Assets

Balance previously reported	-	339,143
Accumulated Amortisation adjustment - prior to 2008/09	-	9,448
Amortisation adjustment - 2008/09	-	1,857
	-	350,448

Investment Properties

Balance previously reported	-	318,346
Accumulated Depreciation adjustment - prior to 2008/09	-	3,906
Depreciation adjustment - 2008/09	-	251
	-	322,503

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

45. PRIOR YEAR ADJUSTMENTS (continued)

Property, Plant and Equipment

Balance previously reported	-	21,871,045
Accumulated Depreciation adjustment - prior to 2008/09	-	1,049,685
Depreciation adjustment - 2008/09	-	199,937
	-	23,120,667

Accumulated Surplus

Balance previously reported	-	17,883,919
Accumulated Depreciation adjustment: PPE - prior to 2008/09	-	1,049,685
Depreciation adjustment: PPE - 2008/09	-	199,937
Accumulated Depreciation adjustment: Investment Properties - prior to 2008/09	-	3,906
Depreciation adjustment: Investment Properties - 2008/09	-	251
Accumulated Amortisation adjustment: Intangibles - prior to 2008/09	-	9,448
Amortisation adjustment: Intangibles - 2008/09	-	1,857
Deferred Expenditure adjustment - prior to 2008/09	-	2,846
Deferred Expenditure adjustment - 2008/09	-	(5,247)
	-	19,146,602

46. LEASES (INCOME) - LESSOR

Rental income recognised from operating leases have not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;
Approximately 45% of long term lease income is based on turnover ie.subjective and not fixed.

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

47. DISCLOSURE IN TERMS OF SUPPLY CHAIN MANAGEMENT POLICY

During the year there were contracts awarded of more than R2 000 to various people who are employees or spouse's, children or parents of people in the service of the municipality amounting to R1.6million (2009: R98.67 million). This excludes contracts awarded to councillors, their spouse's, children or their parents. The information for this disclosure was not available during the finalisation of the municipality's Financial Statements, but will be disclosed in the consolidated Annual Financial Statements

Contract awards in terms of Section 36 (Deviation from, and ratification of minor breaches of, procurement processes) of the Supply Chain Management Policy amounted to R1.03 billion (2009: R680.7 million).

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

48. FINANCIAL INSTRUMENTS

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.

Financial Risk Management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

Categories of Financial Instruments :

	2010 R	2009 R
Financial Assets:		
Investments and Receivables		
Investments	327,044	2,692,114
Cash and cash equivalents	1,440,863	284,233
Long-term receivables	277,221	296,186
Consumer Debtors	2,492,460	2,192,971
Debtors	2,749,700	2,231,377
	<hr/>	<hr/>
Financial Liabilities:		
Liabilities and Creditors		
Long-term liabilities	8,674,686	6,070,319
Creditors	4,642,855	4,650,652
	<hr/>	<hr/>

Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2010 Carrying amount R	2010 Fair value R
Investments	327,044	327,044
Long-term receivables	308,660	277,221
Consumer Debtors	2,492,460	2,492,460
Debtors	2,750,131	2,749,700
Long-term Liabilities	8,674,686	8,674,686
Creditors	4,655,126	4,642,855
	<hr/>	<hr/>

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

2010

2009

48. FINANCIAL INSTRUMENTS (continued)

Basis for determining fair value:

The following summarises the significant methods and assumptions used in estimating the fair values of the Financial Instruments reflected in the tables above:

Debtors and Creditors:

The fair value of Debtors and Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investments:

In the prior year the fair value of investments was estimated as the present value of future cash flows, discounted at the internal rate of return at the reporting date 12.09%.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The following are the contractual maturities of financial liabilities:

	12 months or less R	More than 12 months R
30 June 2010		
Long-term Liabilities	524,300	8,150,386
Creditors	4,590,770	52,085
	<hr/>	<hr/>
30 June 2009		
Long-term Liabilities	290,772	5,779,547
Creditors	4,602,164	48,488
	<hr/>	<hr/>

Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus. All long-term debt is at fixed rates.

The municipality's income and operating cash are substantially independent of changes in market rates. The municipality has no significant interest bearing assets.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand 2010 2009

48. FINANCIAL INSTRUMENTS (continued)

refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

Long term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

	2010	2009
Consumer Debtors	2,492,460	2,192,971
Other Debtors	2,749,700	2,231,377
Cash and Cash Equivalentents	1,440,863	284,233

The ageing of trade receivables at the reporting date was as follows:

Consumer Debtors:

Gross		
0 - 30 days	1,319,054	1,041,059
31 - 120 days	433,666	360,198
More than 120 days	2,633,980	2,545,683
Less: Provision for Bad Debts	(1,894,240)	(1,753,969)
Net Consumer Debtors	2,492,460	2,192,971

Movement in the provision for Bad Debts:

Balance at beginning of year	1,753,969	1,588,432
Contribution	1,382,236	954,363
Bad debts written off	(1,241,965)	(788,826)
Balance at year end	1,894,240	1,753,969

49. MATERIAL LOSSES

Water:

Significant water losses of 124,847,528 kl (2009: 129,086,351 kl) occurred during the year under review, which resulted in material revenue losses to the municipality. The estimated water losses amounting to R406.2m (2009: R394.2m) were due mainly to deterioration in the water reticulation system and water theft. The acceptable norm in developing countries is a water loss of 20%. The loss above the norm amounts to R189.6m (2009: R191.5m). Since the 2007 financial year the municipality has embarked on an AC-Mains replacement programme to replace ageing infrastructure and installation of pressure reducing valves, to reduce water loss. This programme is due to be finalised during the 2011 financial year.

Electricity:

Significant electricity losses of 567,719,675 kWh (2009: 612,235,354 kWh) occurred during the year under review which resulted in material revenue losses to the municipality. These estimated electricity losses amounted to R160.4m (2009: R122.9m). The norm for electricity losses is 3% which is as a result of transmission losses. The loss incurred by the municipality is 5.2% (2009: 5.3%) and is therefore due to a combination of transmission losses and losses due to illegal connections.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

50. BANK BALANCES

Account number - Bank - Account Description	Cash Book Balance 30 June 2010	Bank Statement balance 30 June 2010	Cash Book Balance 30 June 2009	Bank Statement balance 30 June 2009
62085728106 - FNB - Main Expenditure	57,547	(361,867)	52,424	(302,016)
62085728263 - FNB - Main Expenditure EFT	33	(758,878)	4	(822,694)
62085720722 - FNB - Direct Deposits Account	10,179	290,851	7,433	256,146
62085725855 - FNB - Electronic Deposits Account	26,384	1,343,203	14,086	266,237
62085729948 - FNB - Cashiers Deposit Account	(8,892)	156,139	(6,002)	281,712
62085730119 - FNB - Government Deposit Account	25,190	595,304	54,512	316,145
62085721952 - FNB - Electricity Income Account	1,899	9,984	1,086	4,853
62085721481 - FNB - Electricity Prepaid Vendor Deposits	10,267	54,525	5,624	40,222
62085729071 - FNB - SARS E-Filing Account	-	-	56,553	16,592
62085725996 - FNB - Dishonoured Cheques Account	(1,103)	(2,196)	(520)	(2,192)
050073117 - Standard Bank - Main Expenditure Bank	262	262	336	336
62116972599 - FNB - Housing Operating Account	-	-	-	-
62085721275 - FNB - Mayors Relief Account	-	-	-	-
62085721332 - FNB - Direct Debit Collections Account	-	54,431	-	46,035
62085721762 - FNB - Transwitch Account	81	99,390	80	99,761
62085722546 - FNB - Agents Deposit Account	21,804	84,484	8,156	59,124
62085722877 - FNB - Metro Police Deposit Account	-	3,882	-	3,611
62085729790 - FNB - Metro Police Transwitch Deposit Account	-	1,016	-	1,016
62085723495 - FNB - Parks, Recreation and Culture Deposit Acc.	211	(1,106)	181	1,354
62085723776 - FNB - City Engineers Account	398	3,187	77	3,064
62085724992 - FNB - Business Levies Income Deposit Account	105	151	206	308
62085725152 - FNB - Business Levies Direct Deposit Account	-	-	-	-
62085729534 - FNB - Virginia Airport Account	1	434	1	421
62116972755 - FNB - Department of Housing Account	825	8,521	-	17,275
62085728908 - FNB - Sundry PAYE Account	472	472	563	563
62085729245 - FNB - Cash Payments Account	91	(752)	167	(1,089)
62088851764 - FNB - Refunds Expenditure Account	4,543	218	5,774	927
62085724542 - FNB - Water and Sanitation Services Expenditure Acc.	365	(928)	1,829	(2,291)
62085724732 - FNB - Water and Sanitation Services EFT Account	3	(306,256)	-	(399,315)
62085722348 - FNB - Electricity Expenditure Account	(7,255)	(7,256)	(626,607)	(5,744)
62085722463 - FNB - Electricity EFT Account	(362,593)	(362,593)	-	(609,109)
62085738750 - FNB - Salaries Account	-	(201,285)	-	(183,679)
62085727661 - FNB - Durban Fresh Produce Market Account	10,594	10,508	10,488	10,401
62151500496 - FNB - CIFAL Durban Account	1,336	1,336	1,192	1,192
62085727116 - FNB - General Bank Account	115,986	(662,710)	162,942	902,005
62085729378 - FNB - Bank Charges Account	-	(1,285)	-	(1,168)
62246569191 - FNB - 2010 Host City Operating Account	26,000	26,000	-	-
62121186705 - FNB - 2010 Soccer Grant Account	65,286	8,567	249,337	76,927

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

Totals:ETHEKWINI MUNICIPALITY

Bank balances	379,862	2,752,595	633,051	2,406,227
Bank overdraft	379,843	(2,667,112)	(633,129)	(2,329,297)

eThekweni Municipality

Annual Financial Statements for the year ended 20 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

51: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2010

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/08	Received during the year	(Redeemed) / Interest Capitalised during this period	Balance at 30/06/10
		<u>%</u>		<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
LONG TERM LOANS							
Stock Loan	K34	14.6	30/06/2013	200	0	0	200
Total Stock Loans				200	0	0	200
FRB PN	1/58	Variable	30/06/2016	213,810	0	(10,738)	203,072
INCA INDWA	1/66	9.52	30/06/2020	425,796	0	(23,310)	402,486
Nedbank Ltd	1/67	8.47	31/03/2021	805,457	0	(40,856)	764,601
DBSA Ph 1	P1	13.5	30/09/2017	516,395	0	(35,065)	481,330
DBSA Ph 2	P2	Variable	31/03/2016	252,054	0	(32,331)	219,723
DBSA Ph 3	P3	12.9	30/09/2017	347,240	0	(22,253)	324,987
DBSA Ph 4	P4	10.4	30/06/2019	460,688	0	(28,020)	432,668
DBSA Ph 5	P5	8.9	30/06/2020	266,066	0	(14,071)	251,995
DBSA Ph 6	P5	8.75	30/06/2022	742,914	0	(32,529)	710,385
DBSA Ph 7	P7	8.3	02/01/2028	1,957,959	900,000	(77,619)	2,780,340
Nedbank Ltd 7 yrs	1/70	10.09	28/02/2017		500,000	16,724	516,724
Nedbank Ltd 5 yrs	1/71	9.21	30/04/2015		500,000	7,696	507,696
RMB	1/72	10.28	30/06/2025		1,000,000	0	1,000,000
AFD Calyon	1/68	9.52	31/12/2018	58,740	0	(3,263)	55,477
Total Annuity Loans				6,047,119	2,900,000	(295,635)	8,651,484
ABSA	1/64	Variable	31/10/2010	23,000	0	0	23,000
Total Non Annuity Loans				23,000	0	0	23,000
TOTAL EXTERNAL LOANS				6,070,319	2,900,000	(295,635)	8,674,684

eThekweni Municipality

Annual Financial Statements for the year ended 20 June 2010

Notes to the Annual Financial Statements

Figures in Rand thousand

52. ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation								Accumulated Depreciations								Carrying Value
	Opening Balance	Opening Under Construction	Additions	Under Construction	Disposals	Impairments	Transfers	Closing Balance	Opening Balance	Prior Year Adjustments	Additions	Disposals	Impairments	Adjustments	Transfers	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R		R	R	R	R	R	R	
Land and Buildings																	
Land	301,116	181	18,225	0	-3,829	0	0	315,693	0	0	0	0	0	0	0	0	
Buildings	2,511,167	77,112	71,802	10,218	-30,069	0	262,351	2,902,581	603,184	-340,553	81,680	-22,862	603	-5,455	247,448	564,045	
	2,812,283	77,293	90,027	10,218	-33,898	0	262,351	3,218,274	603,184	-340,553	81,680	-22,862	603	-5,455	247,448	564,045	
Infrastructure																	
Roads	4,252,269	1,058,599	327,499	-341,831	0	0	0	5,296,536	962,727	-145,362	3,567	0	5,440	-6,373	0	819,999	
Traffic Equipment & Ranks	443,200	92,940	0	25,684	0	0	0	561,824	126,099	141	22,103	0	0	-48	0	148,295	
Stormwater Drainage	761,775	323,944	652	-185,183	0	0	0	901,188	98,743	-1,552	16,001	0	0	0	0	113,192	
Sewerage Pumps	34,842	10,515	0	12,976	-157	0	0	58,176	7,182	252	363	-85	0	0	0	7,712	
Sewerage Mains & Reticulation	1,951,482	541,469	182,294	203,371	-870	0	0	2,877,746	331,233	5,345	62,903	-550	0	0	0	398,931	
Purification Works	95	118,301	0	-6,688	0	0	0	111,708	57	2	19	0	0	0	0	78	
Refuse Sites & Transfer Station	391,142	38,419	70,433	-35,025	0	0	0	464,969	189,767	257	27,805	0	0	0	0	217,829	
Water Mains & Reticulation	1,844,832	1,807,464	1,478,233	149,132	-15,276	0	0	5,264,385	334,700	-303	40,605	-6,320	0	-7	0	368,675	
Water Reservoirs	275,189	20,265	21,553	24,191	-3,105	0	0	338,093	39,703	84	3,934	-233	15,531	0	0	59,019	
General Infrastructure	123,955	80,735	29,762	63,912	0	0	-30,482	267,882	73,116	-23,809	151,823	-1	0	-4,697	-45,097	151,335	
Mains	1,831,054	153,931	230,456	-28,450	-30,551	0	0	2,156,440	675,410	-121,649	43,398	-14,033	0	0	0	583,126	
Major Substations	1,318,701	135,417	143,863	133,537	-20,220	0	0	1,711,298	494,808	-70,451	41,237	-12,022	289	0	0	453,861	
Public Lighting	183,625	6,172	31,749	6,457	-7	0	0	228,196	81,317	-45,951	8,847	-3	4,842	0	0	49,052	
Connections & Switches	667,231	46,656	76,310	-21,479	-58	0	0	768,660	425,182	-75,027	32,681	-53	0	0	0	382,783	
	14,079,592	4,434,827	2,592,894	604	-70,244	0	-30,482	21,007,101	3,840,044	-478,023	455,286	-33,300	26,102	-11,125	-45,097	3,753,887	
Community Assets																	
Recreation	489,463	2,738,166	2,733	-2,683,733	-3,428	0	71,151	614,352	172,197	-58,959	52,701	-1,886	18,599	-15,650	83,826	250,828	
Clinics & Depots	107,672	17,653	0	-15,505	-3	0	0	109,817	31,389	-10,547	22,554	-4	0	0	0	43,392	
Cemeteries & Crematoria	66,974	1,920	0	6,507	0	0	0	75,401	17,677	-23,866	2,575	0	0	0	0	-3,614	
Community Halls	89,473	2,077	0	3,533	0	0	0	95,083	25,998	-2,152	664	0	0	0	0	24,510	
Fire Stations	18,788	9,493	0	0	-1	0	0	28,280	6,069	-1,691	1,457	-1	-174	0	0	5,660	
Libraries	53,335	6,373	0	7,488	0	0	0	67,196	24,544	1,019	409	0	0	0	0	25,972	
Museums	1,542	0	261	13	0	0	0	1,816	594	11	9	0	0	0	0	614	
Police Stations	48,429	456	0	-456	-11	0	0	48,418	32,818	-24,759	1,042	-11	9	0	0	9,099	
	875,676	2,776,138	2,994	-2,682,153	-3,443	0	71,151	1,040,363	311,286	-120,944	81,411	-1,902	18,608	-15,824	83,826	356,461	
Heritage Assets																	
Exhibits	6,552	0	262	11,067	0	0	0	17,881	0	0	0	0	0	0	0	0	
	6,552	0	262	11,067	0	0	0	17,881	0	0	0	0	0	0	0	17,881	
Other Assets																	
Airconditioning	5,351	0	41	0	-52	0	0	5,340	3,430	-618	4,007	-52	0	-24	0	6,743	
Security Systems	64,862	0	61	0	-154	0	0	64,769	19,415	-9,696	16,328	-111	0	0	0	25,936	
Computer Equipment	485,287	0	8,445	0	-8,946	0	-11,445	473,341	296,375	8,335	73,086	-8,628	0	-1,256	-11,528	356,384	
Car Parks & Fencing	82	0	0	0	0	0	0	82	75	-33	8	0	0	0	0	50	
Plant & Equipment	930,502	14,303	6,219,036	-23	-19,933	0	-275,720	6,868,165	630,963	-152,184	103,304	-16,909	0	-4,680	-258,880	301,614	
Furniture & Fittings	46,406	0	2,664	0	-1,123	0	-5,543	42,404	24,934	-2,043	7,875	-1,084	0	-8	-5,542	18,272	
Markets	83,519	1,133	4,827	1,371	0	0	0	90,850	26,635	-21,123	4,510	0	0	0	0	10,022	
Vehicles	1,741,592	0	156,294	22,496	-66,844	0	-14,415	1,839,123	868,111	-133,403	243,750	-43,003	3,307	-5,231	-14,415	919,116	
Fire Engines	66,964	1,407	561	0	-695	0	0	68,237	8,272	663	4,281	-18,585	0	0	0	-5,369	
	3,424,565	16,843	6,391,929	23,844	-97,747	0	-307,123	9,452,311	1,878,210	-310,102	457,149	-88,372	3,307	-11,199	-290,365	1,638,628	
Total	21,198,668	7,305,101	9,078,016	-2,636,420	-205,332	0	-4,103	34,735,930	6,632,724	-1,249,622	1,075,526	-146,436	48,620	-43,603	-4,188	6,313,021	
																28,422,909	

APPENDIX B: ETHEKWINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R'000	2009 Actual Expenditure R'000	2009 Surplus/ (Deficit) R'000		2010 Actual Income R'000	2010 Actual Expenditure R'000	2010 Surplus/ (Deficit) R'000
54,380	200,146	(145,766)	Executive & Council	35,404	211,972	(176,568)
6,712,793	2,247,336	4,465,457	Finance & Admin	6,426,538	2,592,074	3,834,464
960,478	417,283	543,195	Planning & Development	1,140,327	648,311	492,016
29,998	241,195	(211,197)	Health	51,593	276,190	(224,597)
44,831	422,576	(377,745)	Community & Social Services	48,783	472,231	(423,448)
1,706,039	1,644,893	61,146	Housing	1,393,987	1,605,244	(211,257)
182,172	740,758	(558,586)	Public Safety	113,649	864,509	(750,860)
34,233	620,309	(586,076)	Sport & Recreation	59,663	785,301	(725,638)
16,828	92,791	(75,963)	Environmental Protection	10,115	106,472	(96,357)
731,932	1,473,032	(741,100)	Waste Management	1,196,259	1,699,945	(503,686)
671,887	1,323,101	(651,214)	Road Transport	1,342,859	1,443,928	(101,069)
2,349,222	2,247,023	102,199	Water	2,733,012	2,669,202	63,810
4,986,252	4,176,532	809,720	Electricity	6,162,466	5,303,341	859,125
194,103	87,169	106,934	Other	74,726	109,353	(34,627)
18,675,148	15,934,144	2,741,004	Sub Total	20,789,381	18,788,073	2,001,308
19,601			Share of Income from Joint Venture	5,238		
(1,641,569)	(1,641,569)	0	Less Inter-Dep charges	(1,837,059)	(1,837,059)	0
17,053,180	14,292,575	2,760,605	Total	18,957,560	16,951,014	2,006,546

APPENDIX C(1) : ETHEKWINI MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
REVENUE					
Property rates	4,093,443	4,174,473	(81,030)	(2)	
Property rates - penalties imposed and collection charges	150,210	151,000	(790)	(1)	
Service Charges	7,876,318	8,270,366	(394,048)	(5)	
Regional Services Levies	0	0	0	0	
Rental of facilities and equipment	362,853	327,801	35,052	11	For reasons refer to annexure E(1A): 1
Interest earned - external investments	297,298	336,561	(39,263)	(12)	For reasons refer to annexure E(1A): 2
Interest earned - outstanding debtors	101,913	105,930	(4,017)	(4)	
Fines	80,143	157,146	(77,003)	(49)	For reasons refer to annexure E(1A): 3
Licences and permits	28,109	26,029	2,080	8	
Government grants and subsidies	3,754,997	3,841,331	(86,334)	(2)	
Public contributions and donations	31,978	0	31,978	0	
Housing:Development Income	871,948	861,000	10,948	1	
Other income	1,233,211	1,164,449	68,762	6	
Fair Value Adjustment	34,858	0	34,858	0	
Gains on disposal of property, plant and equipment	34,845	18,000	2,129,784	0	
Reversal of Loss : Loan Impairment	198	0	2,129,784	0	
TOTAL REVENUE	18,952,322	19,434,084	3,760,761		
EXPENDITURE					
Executive & Council	211,972	223,312	(11,340)	(5)	
Finance & admin	2,592,074	2,176,043	416,031	19	
Planning & Development	648,311	811,224	(162,913)	(20)	For reasons refer to annexure E(1A): 4
Health	276,190	278,261	(2,071)	(1)	
Community & Social Services	472,231	545,374	(73,143)	(13)	For reasons refer to annexure E(1A): 5
Housing	1,605,244	489,983	1,115,261	228	For reasons refer to annexure E(1A): 6
Public Safety	864,509	791,260	73,249	9	
Sport & Recreation	785,301	804,546	(19,245)	(2)	
Environmental Protection	106,472	93,295	13,177	14	
Waste Management	1,699,945	1,747,689	(47,744)	(3)	
Road Transport	1,443,928	1,625,457	(181,529)	(11)	For reasons refer to annexure E(1A): 7
Water	2,669,202	2,575,374	93,828	4	
Electricity	5,303,341	5,734,768	(431,427)	(8)	
Other	109,353	112,447	(3,094)	(3)	
Inter-departmental charges	(1,837,059)	(1,062,906)	(774,153)	0	
TOTAL EXPENDITURE	16,951,014	16,946,125	4,887		
Share of Income from Joint Venture	5,238	0	0		
SURPLUS FOR THE YEAR	2,006,546	2,487,959	(481,413)		



ETHEKWINI MUNICIPALITY

APPENDIX C(1A) : - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

1. Rental of Facilities and Equipment - Increase

The increase in income from the rental of facilities and equipment is mainly attributable to an increase in the number of facilities generating rental income.

2. Interest Earned - External Investments - Increase

The decrease is due to lower interest rates and rapid decrease in investments to meet accelerated expenditure.

3. Fines

Metro police - Despite various initiatives in place to encourage payment of fines, poor economic conditions & apathy of offenders to pay has resulted in a decline in income.

4. Planning & Development

- a. Decreases in the employee related costs due to non filling of vacancies
- b. Decrease in general expenses due to stringent control of costs
- c. Decreased building plans submissions especially for larger developments due to economic downturn.

5. Community & Social Services

Savings due mainly to employee related costs:

- a. delay in filling of vacancies,
- b. vacancies held by Agency & Temporary staff were converted to permanent.

6. Housing

The increase is due mainly to the increase in repairs and maintenance attributable to the additional upgrading of R293 properties.

7. Road Transport

Savings is attributable to lessor repairs & maintenance due to the delayed commencement of the bus operation together with the introduction of the original Equipment Manufacture (OEM) contracts which resulted in the reduction of the rate charge by Agencies.

APPENDIX C (2):ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Output Unit	2010 Actual	2010 Under Construction	2010Total Additions	Revised Budget	2010 Variance	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget
	R'000	R'000	R'000	R'000	R'000	%	
Procurement and Infrastructure							
Housing	124,129	12,048	136,177	59,100	77,077	130	Increase is due to the additional upgrades requested for the various hostels.
Engineering	1,949,804	-520,697	1,429,107	1,034,252	394,855	38	Major infrastructural development that was undertaken and the city beautification programme for 2010 World Cup.
Sanitation	238,743	209,300	448,043	444,462	3,581	1	Increase is due to construction and upgrades to sewer pump stations and extension of services .
Solid Waste	145,974	-35,025	110,949	80,340	30,609	38	Increase is due to purchase of additional specialised vehicles.
Water	1,545,392	163,762	1,709,154	1,181,949	527,205	45	Increase is due to acceleration of the A.C. mains water project.
Electricity Service	564,409	118,829	683,238	864,842	-181,604	-21	Under-expenditure is mainly attributable to delays in the supply of substation spares by suppliers and also contractor delays.
Health and Safety							
Parks, Recreation, Cemeteries & Culture	151,761	-34,141	117,620	45,050	72,570	161	Increase is due to the fast tracking of the construction of the new Clermont swimming pool and beautification of City
Health	25,173	-17,644	7,529	2,756	4,773	173	Increase in the provision of Ablution Block facilities at Informal Settlements.
Safety Social and Security							
Emergency Services	64,189	-456	63,733	27,539	36,194	131	Increase is due to purchase of additional fire engines to ensure preparations for the 2010 World Cup.
Sustainable Development and City Enterprises							
Sustainable Development and City Enterprises	209,923	129,107	339,030	360,036	-21,006	-6	Delays in the construction of the Umnini M.P.C awaiting provincial approval.
Treasury							
Finance	38,024	453	38,477	75,639	-37,162	-49	Delays in the finalisation of the Revenue management system.
Real Estates	7,343		7,343	13,010	-5,667	-44	The underspending is due to delays in Land Purchase negotiations, transfers and registrations.
Durban Transport	76,332		76,332	76,142	190	0	
City Fleet	115,677	5,297	120,974	129,713	-8,739	-7	Delays in the processing of orders.
Governance							
Governance	13,405	3,349	16,754	21,096	-4,342	-21	The underspending is due to difficulties experienced in obtaining the specialised materials for the City Hall restoration
Corporate Human Resources							
Human Resources	1,170	7,327	8,497	4,714	3,783	80	Increase is due to additional software required for the development of the new payroll and H.R system.
City Manager's Office							
Strategic Projects	3,677,356	-2,670,276	1,007,080	852,587	154,493	18	Increase is due to upgrade to the training venues and an accelerated beach upgrade programme for the 2010 World Cup.
Information Technology	188,196	-326	187,870	41,949	145,921	348	Increase is due to the acceleration of various fibre optic infrastructure projects eg. Metro Connect.
Total	9,137,000	-2,629,093	6,507,907	5,315,176	1,192,731	22	

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	QUARTELY RECEIPTS					QUARTELY EXPENDITURE					GRANTS AND SUBSIDIES DELAYED/ WITHHELD				REASON FOR DELAY OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT	REASON FOR NON COMPLIANCE
		Sept	Dec	Mar	Jun	Total	Sept	Dec	Mar	Jun		Sept	Dec	Mar	Jun			
		R'000	R'000	R'000	R'000		R'000		R'000	R'000		R'000	R'000	R'000	R'000			
Financial Management Grant	National Treasury	750	0	0	0	750	750,000	0	0	0	750,000	0	0	0	0	N/A	Yes	N/A
Municipal Infrastructure Grant	National Treasury	97,018	137,311	137,311	137,310	508,950	97,018	137,311	137,311	144,911	516,551	0	0	0	21,740	The delay arose due to differing financial year ends between National Treasury and the municipality. The matter has been reported to National Treasury and is being investigated	Yes	N/A
Equitable Share/Subsidy	National Treasury	368,451	508,104	228,798	0	1,105,353	447,290	357,976	265,392	0	0	0	0	0	0	N/A	Yes	N/A
Equitable Share - INK	National Treasury	9,017	7,214	5,412	0	21,643	9,197.00	7,214	5,410	0	0	0	0	0	0	N/A	Yes	N/A
Vuna Awards	National Treasury	0	0	0	0		39	39	13	19	110	0	0	0	0	N/A	Yes	N/A
DEAT	Provincial Government	0	0	2,085	0	2,085	160	786	1,064	558	2,568		0	0	0	N/A	Yes	N/A
NDPG	National Treasury	15,800	61,433	11,101	84,219	172,553	18,745	62,893	31,520	75,606	188,764	0	0	0	0	N/A	Yes	N/A
PTIF	KZN Dept of Transport	210	102	102	163	577	210	102	228	0	540	0	0	0	0	N/A	Yes	N/A
Grant - Accreditation	Provincial Government	0	0	0	0	0	0	96	0	0	96	0	0	0	0	N/A	Yes	N/A
Govt Subs - Primary Health	KZN of Health - State	0	0	0	50,745	50,745	10,605	10,564	10,753	18,823	50,745	0	0	0	0	N/A	Yes	N/A
Disaster Fund	National Treasury	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Books	Provincial Government	0	706	0	0	706	0	0	706	0	706	0	0	0	0	N/A	Yes	N/A
Capital Grants - Dwaf	DWAF	151	8,215	0	0	8,366	151	0	8,215	0	8,215	0	0	0	0	N/A	Yes	N/A
2010 Fifa World Cup	National /Provincial Treasury	60,000	465,393	50,000	0	575,393	60,000	465,393	50,000	124,966	700,359	0	0	0	0	N/A	Yes	N/A
Department of Minerals and Energy Affairs	National Treasury	1,800	8,000	0		9,800	0	1,800	0	0	0	0	0	0	0	N/A	Yes	N/A
DIT	Provincial Government		0	2,989	0	2,989		0	2,989	0	2,989	0	0	0	0	N/A	Yes	N/A
Department of Arts and Culture	Provincial Government	0	0	263		263	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Office of the Premier	Provincial Government	0	134	0	0	0	0	0	134	0	134	0	0	0	0	N/A	Yes	N/A
Department of Provincial and Local Grant	Provincial Government	0	0	0	0	0	0	31	0	0	31	0	0	0	0	N/A	Yes	N/A
Department of Local Government and Traditional Affairs	Provincial Government	0	1,000	0	0	1,000	0	0	0	4,954	4,954	0	0	0	0	N/A	Yes	N/A
Intergrated National Electrification Program	National Treasury	0	47,800	0	0	47,800	0	47,800	0	0	47,800	0	0	0	0	N/A	Yes	N/A
NRF	National Research Foundation	25	23	0	0		18	18	18		54	0	0	0	0	N/A	Yes	N/A
Department of Housing	Provincial Government	120,670	184,585	0	0	305,255			205,541	137,688	343,229	0	0	0	0	N/A	Yes	N/A
ICT	Provincial Government	0	1,531	0	0	0	0	0	1,531	0	0	0	0	0	0	N/A	Yes	N/A
Expanded Public Work Incentive Grant	National Treasury	0	0	19,104	24,139		0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
INTERNATIONAL WORLD MATH		519,877	0	0	0	0	1,789	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Grand Total		1,193,769	1,431,551	457,165	296,576	2,814,227.94	1,395,222	1,092,023	720,825	507,525	2,617,845	0	0	0	21,740			