

ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 70, 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

eThekwini Municipality

Annual Financial Statements for the year Ended 30 June 2012

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

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ABBREVIATIONS

GRAP	Generally Recognised 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
DOHS	Department of Human Settlement
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
SCMR	Supply Chain Management Regulations

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Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

Figures in Rand thousand	Note(s)	2012	2011
NET ASSETS AND LIABILITIES			
NET ASSETS			
Housing development fund	2	260,454	278,807
Accumulated Surplus		24,587,519	22,903,071
		24,847,973	23,181,878
LIABILITIES			
Non-Current Liabilities			
Long-term liabilities	3	9,906,679	9,418,040
Non-current provisions	4	290,731	255,950
Retirement benefit obligations	5	2,664,486	1,610,806
		12,861,896	11,284,796
Current Liabilities			
Deposits	6	1,064,895	936,733
Current portion of Retirement benefit obligations	5	259,181	137,356
Current provisions	4	34,919	33,018
Creditors	7	4,829,125	4,358,301
Unspent conditional grants and receipts	8	599,421	767,738
Bank overdraft	9	632,402	542,364
Current portion of long-term liabilities	3	772,327	692,416
		8,192,270	7,467,926
Total Liabilities		21,054,166	18,752,722
Total Net Assets		45,902,139	41,934,600
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	32,780,859	30,845,117
Intangible assets	11	273,598	347,001
Investment properties	12	260,100	263,081
Investments in municipal entities	13	644,013	679,570
Investment in joint venture	15	80,365	70,610
Long-term Receivables	17	286,277	282,442
		34,325,212	32,487,821
Current Assets			
Inventories	18	235,411	211,406
Investments	14	3,500,000	2,450,000
Consumer debtors	19	2,753,087	2,590,485
Debtors	20	3,113,044	2,949,865
VAT	22	25,680	39,019
Current portion of Long-term Receivables	17	13,207	5,962
Call investment deposits	21	1,230,000	590,000
Bank balances and cash	9	706,498	610,042
		11,576,927	9,446,779
Total Assets		45,902,139	41,934,600

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STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2012	2011
Revenue		<u>20,450,794</u>	<u>18,064,084</u>
Property rates	23	4,372,115	4,088,337
Property rates - penalties imposed and collection charges		111,867	81,854
Service charges	24	11,428,037	9,917,898
Rental of facilities and equipment		406,218	353,483
Fines		129,165	129,284
Licences and permits		40,087	29,640
Grants and subsidies	25	3,409,741	2,613,046
Public contributions and donations		13,830	9,876
Housing: Development Income		539,734	840,666
Other income		<u>2,314,489</u>	<u>1,833,431</u>
Other income	26	1,938,878	1,553,680
Interest earned - external investments		221,079	125,809
Interest earned - outstanding debtors		92,526	85,955
Gains on disposal of property, plant and equipment		59,984	48,123
Reversal of Impairment - PPE		-	3,576
Donations - PPE		1,759	1,166
Reversal of Loss on Impairment of Loans		-	1,561
Fair value adjustments	39	263	13,561
Total Revenue		<u>22,765,283</u>	<u>19,897,515</u>
Expenditure			
Employee related costs	27	6,487,630	4,822,931
Remuneration of councillors	28	84,751	77,919
Bad debts		408,730	324,315
Depreciation - Property, Plant and Equipment	10	1,455,464	1,356,753
Amortisation of intangible assets	11	97,691	97,043
Repairs and maintenance		1,804,896	1,214,407
Finance costs	29	855,249	687,345
Bulk purchases	30	6,666,970	5,495,517
Contracted Services		1,071,703	874,755
Grants and subsidies paid	31	141,694	142,621
Housing: Development Expenditure		605,402	840,666
General expenses	38	1,367,098	1,688,214
Impairment - Property, Plant and Equipment		12,037	3,006
Loss on disposal of property, plant and equipment and Investment Property		6,256	329
Depreciation - Investment Properties	12	1,809	1,805
Loss on Impairment of Investment in Municipal Entity	13	35,557	56,929
Fair value adjustment	39	6,006	-
Total Expenditure		<u>21,108,943</u>	<u>17,684,555</u>
Operating surplus		<u>1,656,340</u>	<u>2,212,960</u>
Share of Income from Joint Venture		9,755	3,521
Surplus for the year		<u>1,666,095</u>	<u>2,216,481</u>

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

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STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing Development Fund	Accumulated Surplus	Net Assets
Opening balance as previously reported	341,225	20,376,172	20,717,397
Adjustments:			
Prior year adjustments (prior to 2010/11)		248,000	248,000
Balance at 01 July 2010 as restated	341,225	20,624,172	20,965,397
Transfer to Housing Development Fund	(62,418)	62,418	-
Surplus for the year as previously reported		2,191,304	2,191,304
Opening balance	278,807	22,877,894	23,156,701
Adjustments:			
Prior year adjustments (2010/11)		25,177	25,177
Balance at 01 July 2011 as restated	278,807	22,903,071	23,181,878
Transfer to Housing Development Fund	(18,353)	18,353	-
Surplus for the year		1,666,095	1,666,095
Balance at 30 J	260,454	24,587,519	24,847,973

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Cash Flow Statement

Figures in Rand thousand	Note(s)	2012	2011
Cash flows from operating activities			
Cash receipts from ratepayers, government and other		21,615,673	18,954,955
Cash paid to suppliers and employees		(16,563,805)	(14,966,990)
Cash generated from operations	32	5,051,868	3,987,965
Interest income		313,605	211,764
Finance Costs		(855,249)	(687,345)
Net cash from operating activities		4,510,224	3,512,384
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(3,418,936)	(3,667,441)
Proceeds on disposal of property, plant and equipment, Investment properties and Intangible assets	10,11&12	71,071	79,105
Increase in investment properties	12	-	81,405
Purchase of other intangible assets	11	(23,007)	(108,637)
Decrease (Increase) in current investments		(1,050,000)	(2,122,956)
Decrease (Increase) in non-current receivables		(11,484)	26,730
Increase in Investment in Municipal Entities		-	(10,440)
Decrease in Joint Venture loan account		-	70,000
Net cash from investing activities		(4,432,356)	(5,731,339)
Cash flows from financing activities			
Loans repaid		(431,450)	(564,230)
New loans raised		1,000,000	2,000,000
Net cash from financing activities		568,550	1,435,770
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		646,418	(783,185)
Cash and cash equivalents at the beginning of the year		657,678	1,440,863
Cash and cash	9	1,304,096	657,678

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Annual Financial Statements for the year ended 30 June 2012

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 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners

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ACCOUNTING POLICIES

IGRAP 10 Assets Received from Customers
IGRAP 13 Operating Leases – Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

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

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
IAS 12 (AC 102) Income Taxes
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 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes

Standards of GRAP approved but, for which the Minister of Finance has not yet determined an effective date, that have been early adopted by the Municipality:

GRAP 21 Impairment of Non-cash-generating Assets
GRAP23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating Assets
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments

Standards of GRAP used to interpret the requirements of other Standards of GRAP:

GRAP 24 Presentation of Budget Information in Financial Statements

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.

ACCOUNTING POLICIES

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 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 1.17 for compliance in current year.

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.

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	10 - 80years

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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 of 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 as soon as the asset becomes available for use. The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Infrastructure	
• Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	20 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 30 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fittings	7 years
• Vehicles	5 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Airconditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years

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ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

- | | |
|--------------------------------------|---------------|
| • Electrical | 20 years |
| • Mechanical | 20 years |
| • Hostels | 20 - 80 years |
| • Library Books | 5 - 10 years |
| • Other items of Plant and Equipment | 3 - 5 years |

All assets are considered to have a nil residual value.

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. Rights consist of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude is granted for an indefinite period.

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 :-

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

Computer Software 5 - 10 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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 Cash-generating and Non-cash-generating 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.

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Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

1.9 Financial instruments (continued) 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.

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.

Held-to-maturity investments

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 carried at cost which represents the fair value of the investments as all investments have a maturity date less than 12 months.

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.

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ACCOUNTING POLICIES

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.

1.10.1

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

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.

In the prior periods borrowing costs were recognised as an expense in the period in the Statement of Financial Performance.

ACCOUNTING POLICIES

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.

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.

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.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

1.16 Retirement Benefits (continued)

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 in the year that they arise.

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 by applying the approved tariff to each property based on category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption 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, together with management's best estimate of the probable inflows from the amounts not yet collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

1.17 Revenue (continued)

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.

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, upon the finalisation of an investigation, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

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Annual Financial Statements for the year ended 30 June 2012

ACCOUNTING POLICIES

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, upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

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, upon the finalisation of an investigation, 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

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2. HOUSING DEVELOPMENT FUND

Housing Development Fund		
Accumulated Surplus (Deficit)	(6,525)	11,828
Loans extinguished by Government on 1 April 1998	266,979	266,979
Total	260,454	278,807

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

Property, plant and equipment	10	71,608	74,503
Housing selling scheme loans		127,242	130,761
Housing rental Debtors		35,187	34,053
Housing other debtors		272	6,121
Housing inventory		94	137
Investments		92,398	12,398
Investment properties		17,177	17,544
Bank and cash		4	92,130
Intangible Assets		-	9
Sub-total		343,982	367,656
Long-term liabilities		(354)	(391)
Unspent Conditional Grants		(45,751)	(58,754)
Creditors		(7,012)	(9,885)
Bank Overdraft		(10,592)	-
Government Grant Reserve		(19,819)	(19,819)
Total Housing		260,454	278,807

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3. LONG-TERM LIABILITIES		
Annuity Loans	10,678,806	10,110,256
Local Registered Stock Loans	200	200
Sub-total	10,679,006	10,110,456
Current portion of long term liabilities		
Annuity Loans	772,127	692,416
Debentures and Local Registered Stock Loans	200	-
Sub-total	772,327	692,416
Non-current liabilities		
Long term Portion	9,906,679	9,418,040

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

Refer to Note 50 for more detail on long-term liabilities.

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 R9.9m to the year 2013.

All other loans are unsecured.

eThekweni Municipality

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4. PROVISIONS

Reconciliation of provisions - 2012

	Opening Balance	Additions / (Prior year overprovision)	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	9,233	10,037	(7,624)	-	11,646
Performance bonus	15,208	7,012	(7,424)	-	14,796
Long service awards	8,577	458	(558)	-	8,477
Non-current					
Environmental rehabilitation: Landfill sites	60,751	2,559	-	5,467	68,777
Clearance of Alien Vegetation	20,048	1,852	-	-	21,900
Long service awards	175,151	24,903	-	-	200,054
	288,968	46,821	(15,606)	5,467	325,650

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	6,830	7,893	(5,490)	-	9,233
Performance bonus	16,906	4,448	(6,146)	-	15,208
Long service awards	7,792	1,591	(806)	-	8,577
Non-current					
Environmental rehabilitation: Landfill sites	48,640	7,733	-	4,378	60,751
Clearance of Alien Vegetation	17,878	2,170	-	-	20,048
Long service awards	196,858	(21,707)	-	-	175,151
	294,904	2,128	(12,442)	4,378	288,968

Non-current liabilities	290,731	255,950
Current liabilities	34,919	33,018
	325,650	288,968

Environmental Rehabilitation: Landfill sites

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 9%. The Municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

eThekwini Municipality

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4. Provisions (continued)

The following assumptions were used to calculate the provision:

- (1) Discount rate of 9% (2011: 9%);
- (2) Inflation rate of 5.5% (2011: 5%);
- (3) Total area expected to be rehabilitated: 738 000 square metres;
- (4) Rate per square metre: R123 (2011: R117) escalating every year by inflation rate;
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasa	368 000
Maranhill	140 000
Wyebank	50 000
Shallcross	50 000
Buffelsdraai	130 000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 3 years to 59 years and are best estimates provided for by the respective landfill site engineers.

The total rehabilitation can be reconciled as follows:

Name	O/ Balance	Interest	Additions	C/ Balance
Bisasa	40 376	3 634	844	44 854
Maranhill	10 847	976	634	12 457
Wyebank	4 176	376	199	4 751
Shallcross	3 595	323	250	4 168
Buffelsdraai	1 757	158	632	2 547
TOTALS:	60 751	5 467	2 559	68 777

eThekwini Municipality

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4. Provisions (continued)

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.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2012 (2011: 30 June 2011). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 9% (2011: 9%) 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: 18 000 Ha

Municipal owned open space currently managed (prioritised): 2 200 Ha

Current approximate cost of clearing very high infestations of IAP's: R8 483.00 / Ha
(2011: R 5 200.00 / 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.

eThekwini Municipality

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5. RETIREMENT BENEFIT OBLIGATIONS

5.1. Defined benefit plan

Statement of Financial Position obligation for:

Post-employment medical benefits	2,752,683	2,067,082
Pension benefits	170,984	(318,920)
Balance at end	2,923,667	1,748,162

Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	685,601	175,026
Pension Benefits: Contribution to Defined Benefit Funds	489,904	(202,206)
Total, included	27 1,175,505	(27,180)

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.

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	2,067,082	1,892,056
Current service cost	88,412	85,949
Interest cost	170,195	171,672
Actuarial (gains) losses	508,907	(13,736)
Benefit payments	(81,913)	(68,859)
Balance at end	2,752,683	2,067,082

Net expense recognised in the Statement of financial performance

Current service cost	88,412	85,949
Interest cost	170,195	171,672
Actuarial (gains) losses	508,907	(13,736)
Benefit payments	(81,913)	(68,859)
Total, included	27 685,601	175,026

Trend Information

Disclosure Requirement Paragraph 120A(p) of IAS 19 (AC116)

	30 Jun 2008	30 Jun 2009	30 Jun 2010	30 Jun 2011	30 Jun 2012
Present Value of Obligations	1,394,452	1,589,173	1,892,056	2,067,082	2,752,683
Fair Value of Plan Assets	-	-	-	-	-
Present Value of Obligations in excess of Plan Assets	1,394,452	1,589,173	1,892,056	2,067,082	2,752,683

Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)

In respect of Present Value of Obligations	29,795	(46,905)	(151,079)	13,736	(162,839)
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eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

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5. Retirement benefit obligations (continued)

Sensitivity Results

Disclosure Requirement Paragraph 120A(o) of IAS 19 (AC116)

	Central Assumption 7.5%	Health Care Cost Inflation -1%	+1%
Accrued Liability 30 June 2012	2,752,683	2,316,349	3,314,287
% Change		-15.9 %	20.4 %
Current Service Cost + Interest Cost 2012/13	391,972	320,829	485,767
% Change		-18.2 %	23.9 %
	Central Assumption 6.90%	-1%	+1%
Accrued Liability 30 June 2011	2,067,082	1,769,792	2,439,632
% Change		-14.4 %	18.0 %
Current Service Cost + Interest Cost 2011/12	258,607	214,910	314,825
% Change		-16.9 %	21.7 %

The Municipality's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of the current reporting period amounts to R139.1 million.

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	9.10 %	8.40 %
General increases to medical aid contributions	7.50 %	6.90 %
Salary Inflation	6.00 %	6.00 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	90.00 %	100.00 %

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	-	a(m) and a(f) ultimate tables plus 1% 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 %

eThekwini Municipality

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5. Retirement benefit obligations (continued) 5.1.2. Pension benefits

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

Present value of funded obligations	9,486,188	7,369,519
Present value of the defined benefit obligation-partially or wholly funded	(9,315,204)	(8,824,562)
Asset not recognised due to future surplus policy not yet established	-	1,136,123
Liability (Surpl)	170,984	(318,920)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	(318,920)	(116,714)
Current service cost	122,656	110,780
Contributions by plan participants	26,500	27,576
Actuarial losses	1,885,765	(11,157)
Interest cost	641,239	649,868
Benefit payments	(559,491)	(474,105)
Obligation not recognised due to future surplus policy not yet established	(1,626,765)	(505,168)
Balance at end	170,984	(318,920)

Movement in the fair value of plan assets is as follows:

Actuarial gains (losses)	151,294	185,120
Employer contributions	69,100	70,361
Employee contributions	26,500	27,576
Benefit payments	(559,491)	(474,105)
Expected return on assets	803,239	789,436
Asset not recognised due to future surplus policy not yet established	(490,642)	(598,388)
Balance at end	-	-

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

Pension Benefits: Contribution to Defined Benefit Funds	489,904	(202,206)
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5. Retirement benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	8.30 %	8.75 %
Expected return on plan assets	10.00 %	9.25 %
Future salary increases	6.50 %	6.75 %
Future pension increases	5.50 %	4.07 %

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 1 of 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 Fund has been valuation exempt for the past few years. That is to say that the Financial Services Board does not require the Valuation of the Fund by an Actuary, this means that the solvency of the fund is not of any concern. The auditors of the fund have issued an unqualified opinion on the Annual Financial Statements at 31 July 2011 and the Financial Services Board were satisfied with the Fund following an inspection site visit.

The Durban Pension Fund is a defined benefit fund administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The valuation as at 2012-01-01 revealed that the Fund was 100% funded. The actuarial value of assets and liabilities was determined to be R8.9 billion. Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 5.6% being funded by the employer surplus account. In compliance with the Fund's rules an amount of R69 million was contributed by Council in respect of retirement funding during the period under review.

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMP), SALA, Multi Linked and GEPP. 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. The last actuarial valuations of the 2 Defined Benefit Funds (March 2006) showed both funds to be fully funded as regards pensions in payment, but underfunded as regards contributing members - thus the employers are paying a surcharge. Surcharges were updated to 17.5% for Retirement fund and 9.5% for Superannuation Fund. The 2012 valuations are still in starting phase, outcomes will only be known by November at the annual AGM of funds.

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Committee of Management levies a surcharge until the fund is in a sound financial condition, as is currently the case. In this way the Committee ensures that the funds are able to afford the promised benefits.

Non-current liabilities	2,664,486	1,610,806
Current liabilities	259,181	137,356
	2,923,667	1,748,162

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6. DEPOSITS		
Electricity	780,028	686,868
Water	225,328	194,976
Interest	59,539	54,889
Total Deposits	1,064,895	936,733

Included in deposits is an accrual of interest at an effective interest rate of 3% per annum (2011: 3%) which is paid to consumers when deposits are refunded.

7. CREDITORS

Trade payables	1,974,949	1,956,125
Payments received in advance	79,517	25,560
Income Received in Advance:D.O.H.S	1,063,525	939,366
Retentions	119,709	119,191
Bank Deposits not yet receipted	181,668	135,545
Staff leave	302,269	280,742
Other payables	1,086,371	893,239
Deferred Expenditure	30,212	23,634
Adjustment for fair value at amortised cost	(9,095)	(15,101)
Total Creditors	4,829,125	4,358,301

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government:

Electricity Demand Side Management Grant	35,051	3,279
Department of Provincial and Local Government	2,000	2,000
Department of Co-operative Governance and Traditional Affairs	8,867	7,311
Department of Transport and Public Transport Infrastructure	168,697	317,859
Department of Economic Activity and various Industries	4,195	1,557
Expanded Public Works Incentive Grant	-	22,860
Neighbourhood Development Partnership Grant	-	2,091
2010 KZN Government Grant	-	14,789
Vuna Awards	2,098	2,898
Urban Settlement Development Grant	28,369	-
Grant Accreditation	59	299
Metropolitan Transport Authority - Taxi Ranks	32	32
Department of Human Settlements	143,291	198,132
Lamontville and R293 Trf Deeds/Admin	1,556	1,556
Other Conditional Receipts		
European Union	8,405	9,923
Donations and Public Contributions	125,448	129,866
Danida	295	936
D Moss Interest and Land Sales	8,362	8,362
Other Grants and Subsidies	62,696	43,988
Total Conditional Grants and Receipts	599,421	767,738

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.

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9. CASH AND CASH EQUIVALENTS

Refer to note 49 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	8,614	7,165
Bank balances	697,884	602,877
Bank balances and cash	706,498	610,042
Bank overdraft	(632,402)	(542,364)
	74,096	67,678
Call Investment Deposits	1,230,000	590,000
Cash and cash	1,304,096	657,678

10. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	3,609,767	(583,578)	3,026,189	3,357,033	(512,539)	2,844,494
Infrastructure	28,669,268	(5,382,973)	23,286,295	24,723,944	(4,380,126)	20,343,818
Community	4,667,834	(575,786)	4,092,048	4,899,512	(569,481)	4,330,031
Other	4,765,636	(2,470,418)	2,295,218	5,409,934	(2,167,655)	3,242,279
Heritage	9,501	-	9,501	9,992	-	9,992
Housing Development Fund	134,193	(62,585)	71,608	135,843	(61,340)	74,503
Total	41,856,199	(9,075,340)	32,780,859	38,536,258	(7,691,141)	30,845,117

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Impairment deficit	Total
Land and Buildings	2,844,494	133,054	(3)	31,512	107,126	(89,891)	(103)	3,026,189
Infrastructure	20,343,818	2,225,194	-	1,174,913	280,488	(737,356)	(762)	23,286,295
Community	4,330,031	49,694	(18)	(176,525)	23,886	(128,732)	(6,288)	4,092,048
Other	3,242,279	610,894	(15,765)	(1,030,666)	(9,682)	(496,958)	(4,884)	2,295,218
Heritage	9,992	2,065	-	(491)	(2,065)	-	-	9,501
Housing Development Fund	74,503	41	(385)	(24)	-	(2,527)	-	71,608
	30,845,117	3,020,942	(16,171)	(1,281)	399,753	(1,455,464)	(12,037)	32,780,859

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Impairment deficit	Total
Land and Buildings	2,688,870	75,357	(19)	132,654	28,915	(81,283)	-	2,844,494
Infrastructure	18,368,705	2,732,521	(23,206)	(624,185)	308,634	(420,154)	1,503	20,343,818
Community	3,960,399	113,494	(84)	449,533	(48,954)	(141,831)	(2,526)	4,330,031
Other	3,457,064	458,791	(7,331)	35,237	7,685	(710,791)	1,624	3,242,279
Heritage	17,881	1,123	-	(10)	(9,002)	-	-	9,992
Housing Development Fund	77,859	44	(699)	(7)	-	(2,694)	-	74,503
	28,570,778	3,381,330	(31,339)	(6,778)	287,278	(1,356,753)	601	30,845,117

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R298.7 (2011: R199.9m) but are fully depreciated. This amount is made up as follows:

Land and Buildings	R2.4million
Infrastructure	R246.4million
Community	R22million
Other	R27.9million

Refer to Note 53 and Appendix A for detailed analysis of fixed assets.

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11. INTANGIBLE ASSETS

	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	48,189	-	48,189	47,882	-	47,882
Computer software	734,075	(508,666)	225,409	710,110	(410,991)	299,119
Total	782,264	(508,666)	273,598	757,992	(410,991)	347,001

Reconciliation of intangible assets - 2012

	Opening Balance	Additions	Transfers	Work in Progress	Amortisation	Total
Servitudes	47,882	307	-	-	-	48,189
Computer software	299,119	21,092	1,281	1,608	(97,691)	225,409
	347,001	21,399	1,281	1,608	(97,691)	273,598

Reconciliation of intangible assets - 2011

	Opening Balance	Additions	Disposals	Transfers	Work in Progress	Amortisation	Total
Servitudes	47,634	248	-	-	-	-	47,882
Computer software	281,014	123,509	(20)	6,779	(15,120)	(97,043)	299,119
	328,648	123,757	(20)	6,779	(15,120)	(97,043)	347,001

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.

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12. INVESTMENT PROPERTIES

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Revenue Generating	89,258	(38,187)	51,071	90,803	(37,095)	53,708
Non-revenue Generating	209,029	-	209,029	209,373	-	209,373
Total	298,287	(38,187)	260,100	300,176	(37,095)	263,081

Reconciliation of investment properties - 2012

	Opening Balance	Disposals	Depreciation	Total
Revenue Generating	53,708	(828)	(1,809)	51,071
Non-revenue Generating	209,373	(344)	-	209,029
	263,081	(1,172)	(1,809)	260,100

Reconciliation of investment properties - 2011

	Opening Balance	Disposals	Depreciation	Total
Revenue Generating	55,513	-	(1,805)	53,708
Non-revenue Generating	211,628	(2,255)	-	209,373
	267,141	(2,255)	(1,805)	263,081

The fair value of the above properties is R2.5 billion (2011: R1.3 billion). Investment properties have been valued in accordance with current market conditions.

13. INVESTMENTS IN MUNICIPAL ENTITIES

Name of company	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
ICC Durban (Proprietary) Limited	100 %	100 %	1	1
Durban Marine Theme Park (Proprietary) Limited	99.8 %	99.8 %	872,996	872,996
			872,997	872,997
Impairment of investment in municipal entity			(228,984)	(193,427)
			644,013	679,570

At its meeting on 19 July 2012, and taking cognizance of the International Convention Centre and Durban Marine Theme Park operating at a break-even level, excluding depreciation and finance charges, the Council's Finance and Procurement Committee 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".

In the prior year 124 additional shares were acquired in Durban Marine Theme Park (Pty) Ltd.

As at 30th June 2012

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,384
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	-

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13. Investments in municipal entities (continued)		
Loss on Impairment of Loans(R'000)	(226,590)	-
Electricity Income Received (R'000)	8,704	16,687
Water Income Received (R'000)	1,157	5,249
Gross Rates Income Received (R'000)	18,358	-
Grant-in-Aid (Rates) (R'000)	(10,500)	-
Refuse Removal (R'000)	659	870
Insurance(R'000)	-	1,243
Avance fire training(R'000)	-	33
As at 30th June 2011		
	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	1	9,384
Percentage owned by Council (%)	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	226,590	-
Loss on Impairment of Loans	(226,590)	-
Electricity Income Received (R'000)	7,782	13,876
Water Income Received (R'000)	886	3,721
Gross Rates Income Received (R'000)	17,536	-
Grant-in-Aid (Rates) (R'000)	(10,500)	-
Refuse Removal (R'000)	418	-
14. INVESTMENTS		
Financial Instruments - Held to Maturity		
Fixed and Negotiable Deposits	3,500,000	2,450,000
Total Cash Investments	3,500,000	2,450,000
Current assets		
Held to Maturity	3,500,000	2,450,000

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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 to four months, therefore cost equates fair value. 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.

15. INVESTMENT IN JOINT VENTURE

Name of company	Unlisted	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Effingham Development		66.74 %	66.74 %	80,365	70,610

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	42,573	44,096
Current assets - Debtors	11,446	21,971
Current assets - Cash on hand	46,467	28,024

TOTAL ASSETS

100,486 **94,091**

Equity and Liabilities

Members Loan Accounts	80,365	70,610
Current liabilities - Creditors	20,121	23,481
TOTAL EQUITY AND LIABILITIES	100,486	94,091

RECONCILIATION OF INVESTMENT IN JOINT VENTURE

Balance at beginning of year	70,610	137,089
Share of Income for the year	9,755	3,521
Payment received	-	(70,000)
BALANCE AT END OF YEAR	80,365	70,610

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16. LOANS TO MUNICIPAL ENTITIES		
ICC Durban (Proprietary) Limited	226,590	226,590
Subtotal	226,590	226,590
Impairment of loans to municipal entities	(226,590)	(226,590)
	-	-

The loan to the Municipal Entity is fully impaired as it is considered to be irrecoverable in the short-term.

In the prior year the loan of R1.5m to Durban Marine Theme Park (Pty) Ltd. was converted into ordinary shares in the municipal entity. This loan was previously impaired. The reversal of the loan impairment amounting to R1.5m was recognised as revenue in the prior financial year.

17. RECEIVABLES

Long-term receivables		
Loan: DIDT	145,299	140,402
Fair Value Adjustment	(11,997)	(11,593)
Housing Selling scheme loans	127,242	130,761
First Metro Housing loans	15,975	15,975
Land sales	8,836	999
Education Loans	13,324	10,787
Sporting bodies loans	805	1,073
	299,484	288,404
Less: Current portion transferred to current receivables		
Housing Selling scheme loans	2,714	3,786
First Metro Housing loans	921	848
Land sales	8,836	999
Education Loans	294	115
Sporting bodies loans	442	214
	13,207	5,962
Non-current assets		
Long-term receivables	286,277	282,442
Current assets		
Long-term receivables	13,207	5,962

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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% (2011: 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.

Housing First Metro loan

These loans attract interest at a fixed rate of 10% and are repayable over 20 years.

18. INVENTORIES

Unsold Properties held for resale	6	6
Consumable stores	226,058	202,670
Maintenance materials	94	137
Water	9,253	8,593
	235,411	211,406

The cost of inventories recognised as an expense during the period in respect of water sales was R1 156.4m (2011: R1 080.9m).

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19. CONSUMER DEBTORS		
Gross Balances		
Rates	2,018,384	1,968,777
Electricity	1,084,636	937,728
Water	1,288,075	1,206,749
Refuse	76,684	61,558
Regional services levies	3,938	4,659
Housing rental	74,612	66,624
Waste water	144,584	100,730
Total	4,690,913	4,346,825
Less Provision for bad debts		
Rates	(953,041)	(826,861)
Electricity	(172,010)	(204,567)
Water	(676,548)	(657,395)
Refuse	(39,624)	(5,403)
Regional services levies	(3,938)	(4,659)
Housing rental	(39,425)	(32,571)
Waste water	(53,240)	(24,884)
Total	(1,937,826)	(1,756,340)
Net Balance		
Rates	1,065,343	1,141,916
Electricity	912,626	733,161
Water	611,527	549,354
Refuse	37,060	56,155
Housing rental	35,187	34,053
Waste water	91,344	75,846
Total	2,753,087	2,590,485
Rates		
Current (0 -30 days)	296,744	440,142
31 -60 days	58,228	62,361
61 - 90 days	47,217	49,076
91 - 120 days	18,736	17,525
>120 days	1,590,357	1,056,850
> 365 days	7,102	342,823
Total	2,018,384	1,968,777
Electricity, Water, Solid Waste and Waste Water		
Current (0 -30 days)	993,434	945,150
31 -60 days	189,152	67,524
61 - 90 days	86,037	62,925
91 - 120 days	86,567	199,531
>120 days	1,238,789	1,027,558
Total	2,593,979	2,302,688

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Regional services levies		
> 365 days	3,938	4,659
Housing rental		
Current (0 -30 days)	2,193	1,928
31 -60 days	1,537	1,108
61 - 90 days	31,457	-
91 - 120 days	39,425	31,018
>120 days	-	32,570
Total	74,612	66,624
20. DEBTORS		
Other Debtors (Mainly in respect of Sundry Services)	1,442,084	917,813
Fair Value Adjustment	(146)	(813)
Provision for bad debts	(108,495)	(79,425)
Insurance debtor	146,400	160,598
Accruals	353,946	659,293
Payments made in advance	17,318	13,296
Debtor:D.O.H.S	1,261,937	1,279,103
	3,113,044	2,949,865
21. CALL INVESTMENT DEPOSITS		
30 Day deposits	1,230,000	590,000
22. VAT		
VAT reconciliation		
VAT receivable	25,680	39,019
Net Vat	25,680	39,019

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

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23. PROPERTY RATES

Rates received

Residential	1,670,201	1,578,952
Agricultural	1,466	3,288
Vacant Land	414,839	465,344
Industrial	885,842	801,572
Business & Commercial	1,379,221	1,224,825
Public Service Infrastructure	9,351	14,072
Unauthorised / Illegal Development	11,195	284
Total Assessm	4,372,115	4,088,337

Valuations

Residential	262,901,930	247,376,234
Agricultural	2,397,649	1,536,156
Vacant Land	10,771,038	17,976,729
Industrial	51,003,590	33,859,744
Business & Commercial	86,687,690	81,444,791
Public Service Infrastructure	12,093,564	10,106,936
Unauthorised / Illegal Development	180,890	202,816
Total Property	426,036,351	392,503,406

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R 0.00907 (2011: R0.00852); Agriculture - R 0.00227 (2011: R0.00213); Vacant Land - R 0.04345 (2011: R0.0408); Industrial - R 0.02655 (2011: R0.02493); Business and Commercial - R 0.02057 (2011: R0.01932); Public Service Infrastructure - R 0.00227 (2011: R0.00213). All residential property owners are exempt from paying rates on the first 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 of their property value (inclusive of the R120 000 referred to earlier). No rates are levied on the first R30 000 value of vacant land.

24. SERVICE CHARGES

Sale of electricity	8,352,757	7,022,871
Sale of water	1,893,865	1,833,505
Solid waste	404,734	374,399
Sewerage and sanitation charges	635,915	559,237
Other service charges	140,766	127,886
Total service cl	11,428,037	9,917,898

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25. GRANTS AND SUBSIDIES		
Equitable share	1,581,802	1,417,624
Municipal Infrastructure Grant	-	610,242
Expanded Public Works Programme Incentive	22,860	38,042
European Union	1,600	4,605
Provincial health subsidies	56,111	51,388
Department of Transport and Public Transport Infrastructure	354,161	147,414
Department of Economic Activities and Various Industries	6,912	2,925
Vuna Awards	800	47
2010 KZN Provincial grant	14,789	76,497
Demand Side Management	13,228	29,721
Urban Settlement Development Grant	1,063,205	-
Other grants	162,190	63,295
Public Contributions	6,131	3,104
Neighbourhood Development Partnership	2,091	32,693
Department of Human Settlements	116,383	104,622
Danida	641	12,268
Grant Accreditation	240	16
Department of Co-operative Governance and Traditional Affairs	5,369	17,702
Metropolitan Transport Authority - Taxi ranks	1,228	591
Department of Provincial and Local Government	-	250
Total grants an	3,409,741	2,613,046

Equitable share

Balance unspent at beginning of year	-	3,089
Current-year receipts	1,581,802	1,414,535
Conditions met - transferred to revenue	(1,581,802)	(1,417,624)
Conditions still	-	-

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	-	14,330
Current-year receipts	-	595,912
Conditions met - transferred to revenue	-	(610,242)
Conditions still	-	-

This grant was used to construct roads and sewerage infrastructure. This grant has now been replaced by the Urban Settlement Development Grant.

D Moss Land Sales

Balance unspent at beginning of year	8,362	8,362
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The above relates to funding for the acquisition of DMoss land.

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Department of Economic Activities and Various Industries

Balance unspent at beginning of year	1,557	2,295
Current-year receipts	9,550	2,187
Conditions met - transferred to revenue	(6,912)	(2,925)
Conditions still	4,195	1,557

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	317,859	335,273
Current-year receipts	204,999	130,000
Conditions met - transferred to revenue	(354,161)	(147,414)
Conditions still	168,697	317,859

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	2,091	9,003
Current-year receipts	-	25,781
Conditions met - transferred to revenue	(2,091)	(32,693)
Conditions still	-	2,091

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

European Union

Balance unspent at beginning of year	9,923	13,819
Current-year receipts	82	709
Conditions met - transferred to revenue	(1,600)	(4,605)
Conditions still	8,405	9,923

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 2012

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
Other grants		
Balance unspent at beginning of year	43,988	34,720
Current-year receipts	180,898	72,563
Conditions met - transferred to revenue	(162,190)	(63,295)
Conditions still	62,696	43,988

Other Grants and subsidies were utilised during the year to fund various Council projects.
The prior-year opening balance has been re-classified under "Danida" to provide for improved presentation.

Department of Human Settlements

Balance unspent at beginning of year	198,132	63,353
Current-year receipts	61,542	239,401
Conditions met - transferred to revenue	(116,383)	(104,622)
Conditions still	143,291	198,132

Funding for the administration of Hostels in KwaZulu Natal.

Lamontville and R293 transfer Deeds

Balance unspent at beginning of year	1,556	1,556
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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	936	831
Current-year receipts	-	12,373
Conditions met - transferred to revenue	(641)	(12,268)
Conditions still	295	936

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.

The prior-year opening balance has been re-classified under "Other Grants" to provide for improved presentation.

Grant Accreditation

Balance unspent at beginning of year	299	315
Conditions met - transferred to revenue	(240)	(16)
Conditions still	59	299

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand thousand

	2012	2011
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Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	7,311	8,213
Current-year receipts	6,925	16,800
Conditions met - transferred to revenue	(5,369)	(17,702)
Conditions still	8,867	7,311

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	129,866	120,110
Current-year receipts	1,713	12,860
Conditions met - transferred to revenue	(6,131)	(3,104)
Conditions still	125,448	129,866

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	14,789	-
Current-year receipts	-	91,286
Conditions met - transferred to revenue	(14,789)	(76,497)
Conditions still	-	14,789

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

Metropolitan Transport Authority - Taxi ranks

Balance unspent at beginning of year	32	32
Current-year receipts	1,228	-
Current-year accruals	-	591
Conditions met - transferred to revenue	(1,228)	(591)
Conditions still	32	32

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

Urban Settlement Development Grant

Current-year receipts	1,091,574	-
Conditions met - transferred to revenue	(1,063,205)	-
Conditions still	28,369	-

This grant was utilized for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant.

eThekwini Municipality

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Figures in Rand thousand	2012	2011
Demand Side Management		
Balance unspent at beginning of year	3,279	8,000
Current-year receipts	45,000	25,000
Conditions met - transferred to revenue	(13,228)	(29,721)
Conditions still	35,051	3,279

The grant was used to finance the gas to electricity capital project.

Department of Provincial and Local Government

Balance unspent at beginning of year	2,000	2,250
Conditions met - transferred to revenue	-	(250)
Conditions still	2,000	2,000

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	8,899	6,848
Current-year receipts	47,212	44,540
Conditions met - transferred to revenue	(56,111)	(51,388)
Conditions still	-	-

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.

Expanded Public Works Programme Incentive

Balance unspent at beginning of year	22,860	43,243
Current-year receipts	-	17,659
Conditions met - transferred to revenue	(22,860)	(38,042)
Conditions still	-	22,860

This grant is to be used for job creation and poverty alleviation incentives.

eThekwini Municipality

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Figures in Rand thousand	2012	2011
Vuna Awards		
Balance unspent at beginning of year	2,898	2,945
Conditions met - transferred to revenue	(800)	(47)
Conditions still	2,098	2,898

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	506,751	379,449
Fuel Levy	1,424,593	1,147,254
Moses Mabhida Stadium - Other Income	7,534	26,977
	1,938,878	1,553,680

Refer to Appendix E for a Statement of Financial Performance: Moses Mabhida Stadium.

27. EMPLOYEE RELATED COSTS

Employee related costs-Salaries and Wages		3,506,256	3,316,079
Medical Aid and Pension Benefits	5	2,100,775	816,615
UIF		27,963	26,460
Leave pay provision contribution		139,600	69,774
Travel, motor car, accommodation, subsistence and other allowances		167,610	134,493
Overtime payments		342,807	337,280
Housing benefits and allowances		19,196	19,298
Holiday Bonus		247,763	220,808
Other		28,471	30,244
Less: Employee costs capitalised to PPE		(92,811)	(148,120)
		6,487,630	4,822,931

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 - Mr.S. Sithole (appointed 03/01/2012)

Annual Remuneration	960	-
Car Allowance	90	-
Contributions to UIF, Medical Aid and Pension Funds	11	-
Total	1,061	-

Remuneration of the Chief Finance Officer

Annual Remuneration	1,163	1,096
Car Allowance	372	351
Market Allowance	242	242
Contributions to UIF, Medical Aid and Pension Funds	254	238
Total	2,031	1,927

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand thousand

2012

2011

Safety and Security

Annual Remuneration	1,552	1,463
Contributions to UIF, Medical and Pension Funds	20	17
Total	1,572	1,480

Health and Social Services

Annual Remuneration	1,368	1,283
Contributions to UIF, Medical and Pension Funds	36	42
Car Allowance	120	120
Total	1,524	1,445

Governance

Annual Remuneration	1,163	1,096
Car Allowance	372	351
Market Allowance	121	121
Contributions to UIF, Medical Aid and Pension Funds	251	235
Total	1,907	1,803

Remuneration of the Municipal Manager - Dr. M. Sutcliffe (01/07/2011 - 31/12/2011)

Annual Remuneration	823	1,545
Car Allowance	51	102
Market Allowance	191	382
Contributions to UIF, Medical Aid and Pension Funds	20	21
Total	1,085	2,050

Procurements and Infrastructure

Annual Remuneration	1,590	1,492
Car Allowance	120	120
Market Allowance	210	210
Contributions to UIF, Medical Aid and Pension Funds	59	51
Total	1,979	1,873

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
Sustainable Development & City Enterprises		
Annual Remuneration	-	1,014
Car Allowance	-	150
Contributions to UIF, Medical and Pension Funds	-	48
Total	-	1,212

28. REMUNERATION OF COUNCILLORS

Mayor	734	950
Deputy Mayor	797	669
Mayoral Committee Members	4,244	5,370
Speaker	819	685
Councillors	73,184	64,328
Councillors' pension contribution	4,973	5,917
Total Councillors	84,751	77,919

In-kind Benefits:

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	832,265	674,922
Consumer Deposits	11,281	10,352
Other interest paid	11,703	2,071
Total Finance Costs	855,249	687,345

An amount of R132.7m (2011: R226.1m) relating to borrowing costs was capitalised to work-in-progress with 8.73% (2011: 8.73%) being the weighted average cost of funds borrowed generally by the municipality.

30. BULK PURCHASES

Electricity	5,510,492	4,414,590
Water	1,156,478	1,080,927
Total Bulk Purchases	6,666,970	5,495,517

31. GRANTS AND SUBSIDIES PAID

Grant paid: Durban Arts Association	-	2,805
Grant paid: Enhanced Extended Discount Benefit	8,926	15,052
Grant paid: Sporting Organisations	41,829	35,969
Grant paid: Playhouse Company	3,087	2,913
Grant paid: Natal Philharmonic Orchestra	7,022	6,752
Grant paid: Tourism Indaba	13,685	9,574
Grant paid: Trade Point Durban	1,206	965
Grant paid: Food Aid Program	9,876	6,985
Grant paid: Other	56,063	61,606
Total Grants and Subsidies Paid	141,694	142,621

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
32. CASH GENERATED FROM OPERATIONS		
Surplus for the year	1,666,095	2,216,481
Adjustments for:		
Depreciation - property, plant and equipment	1,455,464	1,356,753
Amortisation of intangibles	97,691	97,043
Donations received:PPE	(1,759)	(1,166)
Depreciation of investment properties	1,809	1,805
Surplus on sale of assets	(59,984)	(48,123)
Deficit on sale of assets	6,256	329
Contribution to bad debt provision	408,730	324,315
Reversal of Loss on Impairment: PPE	-	(3,576)
Share of income from joint venture	(9,755)	(3,521)
Reversal of Loss on Impairment: Loans to Municipal Entities	-	(1,561)
Interest earned - other	(313,605)	(211,764)
Finance Costs	855,249	687,345
Fair value adjustments	5,743	(13,561)
Loss on impairment of Property, plant and equipment	12,037	3,006
Loss on Impairment of Investment in Municipal Entity	35,557	56,929
Movements in retirement benefit assets and liabilities	1,175,505	(27,180)
Contributions to provisions - non current	34,781	(7,426)
Contributions to provisions - current	1,901	1,490
Changes in working capital:		
Inventories	(24,005)	12,739
Decrease/(increase) in other debtors	(158,435)	(210,863)
Decrease/(increase) in consumer debtors	(575,409)	(691,600)
Creditors	464,818	(129,244)
Increase in deposits	128,162	147,470
(Decrease)/Increase in VAT	13,339	336,831
Unspent conditional grants and receipts	(168,317)	95,013
	5,051,868	3,987,964

33. COMMITMENTS

33.1 Commitments in respect of capital expenditure

Approved and contracted for		
• Infrastructure	699,226	539,455
• Community	82,641	41,857
• Land and buildings	3,765	28
• Other assets	33,912	20,452
Approved but not yet contracted for		
• Infrastructure	439,583	752,385
• Community	38,289	48,250
• Other	2,631	4,388
• Land and Buildings	-	110
Total	1,300,047	1,406,925

Refer to Note 50 for Repayment of Long Term Liabilities.

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
33. Commitments (continued)		
33.2 Operating leases – as lessee (expenditure)		
The future minimum lease payments payable under operating leases are as follows:		
- within one year	35,373	30,881
- in second to fifth year inclusive	127,505	111,398
- later than five years	38,409	102,714
	201,287	244,993
34. CONTINGENCIES		
Contractual Disputes	1,203	1,123
Various departments within the municipality have price disputes with certain contractors.		
Self Insurance Reserve	22,763	25,759
Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.		
Property Rates	335,037	60,009
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	65,584	15,509
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: R76 000 (Standard Bank) dated 11 December 1998;		
- S.A. Post Office: R1.9m (Standard Bank) dated 16 August 2004;		
- ESKOM Holdings: R7 800 (First National Bank) dated 1 November 2011;		
-Durban Marine Theme Park: R10m (First National Bank) dated 29 January 2009;		
- -Department of Labour R50 m(Standard bank) dated 05 March 2012.		
Legal Claims	68,399	151,379
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		
Legal disputes relate to:		
-Cancellation of Contract R20m		
-Rates dispute R1.1m		
-Value of compensation in respect of expropriation of various properties R34.1m		
-Contractual dispute in respect of AC Pipe Replacement Project R13.1m		

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
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		
Loan accounts - Owing by related parties		
Durban Infrastructural Development Trust	145,299	140,402
	145,299	140,402
Amounts included in Trade Receivable regarding related parties		
I.C.C. Durban (Proprietary) Limited	1,300	1,467
Durban Marine Theme Park (Proprietary) Limited	2,283	1,388
Metro Club Trust Fund	-	2,422
	3,583	5,277
Amounts included in Trade Payable regarding related parties		
I.C.C. Durban (Proprietary) Limited	486	4,040
Durban Marine Theme Park (Proprietary) Limited	520	165
Ethekwini Transport Authority	51,897	50,973
	52,903	55,178
Amounts included in Consumer Deposits regarding related parties		
Durban Marine Theme Park (Proprietary) Limited	-	492

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Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
35. Related parties (continued)		
Related party transactions		
Sales to related parties		
I.C.C. Durban (Proprietary) Limited:		
Electricity	8,704	7,782
Water	1,157	886
Refuse	659	418
Gross Rates	18,358	17,536
Grant-in-Aid (Rates)	(10,500)	(10,500)
Durban Marine Theme Park (Proprietary) Limited		
Electricity	16,687	13,876
Water	5,249	3,721
Waste	870	680
Insurance	1,243	1,174
Advanced fire Training	33	-
Riverhorse Valley Joint Venture		
Electricity and Water	102	42
Income from Joint Venture	9,755	3,521
	52,317	39,136
Purchases from related parties		
I.C.C. Durban (Proprietary) Limited		
General Expenses	87,068	12,582
(Included in the above is an amount of R70.4 m which is related to COP 17)		
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	1,782	1,774
Ethekwini Transport Authority		
General Expenses	2,696	2,500
	91,546	16,856
36. TRAFFIC FINES		
Traffic fines issued but not yet recovered at year end.	1,376,589	1,118,032

The recoverability of outstanding traffic fines is uncertain.

20% of the total outstanding fines are considered recoverable, in accordance with a 5 year trend analysis, and has been accrued.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
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37. 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).

38. GENERAL EXPENSES

General Expenses	1,288,085	1,579,262
Stadium: Operator costs	77,207	63,309
2010 World Cup costs	1,806	34,864
Stadium: Hire of temporary seating	-	10,779
	1,367,098	1,688,214

Refer to Appendix E for a Statement of Financial Performance: Moses Mabhida Stadium.

39. FAIR VALUE ADJUSTMENTS

Fair Value Adjustment - Creditors	6,006	2,830
Fair Value Adjustment - Debtors	(667)	(382)
Fair Value Adjustments - Long-term Receivables	404	11,113
	5,743	13,561

40. COMPARATIVE FIGURES

Certain comparative figures have been restated (refer note 44 for details).

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities	10,679,006	10,110,456
Used to finance property, plant and equipment – at cost	(10,679,006)	(10,110,456)
	-	-

42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Cases reported during the 2011/12 year are included below:

The irregular expenditure relating to Housing was awarded to contractors / consultants in accordance with Council's delegated authority to the Head of Housing dated 11/11/1997, to enter into contracts for housing development in terms of National Housing Programs. This expenditure is deemed to be irregular as the expenditure was not reported to the Accounting Officer for disclosure purposes	-	576,905
Parks, Recreation & Culture: Non-compliance with S.C.M. - splitting of orders	-	2,247
Non-compliance with S.C.M. - various	473,561	612,014
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	20,632	37,546
107 awards made to 122 entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	78,247	84,650
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality as Councillors	-	1,658
Misappropriation and Embezzlement of Council Funds	184	-
Wasteful Expenditure: Misuse of Council Funds	17	-
Fraudulent undercharge by Council employee for Electricity connection	1	-

Investigations are still in progress regarding 14 other cases (2011: 13), the details of which are summarised as follows:

- 10 cases (2011: 11) relating to non-compliance with Supply Chain Management policy;
- 1 case of misappropriation of funds;
- 2 cases of theft;
- 1 case of a duplicate payment on the payroll.

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Figures in Rand thousand	2012	2011
Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	166,334	874,315
Irregular expenditure current year	572,642	1,315,020
Recoveries/Condonements current year	-	(2,023,001)
Irregular expen	738,976	166,334
<p>A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers</p> <p>Disciplinary action has been instituted against 24 (2011: 39) employees that have transacted with the municipality and the services of 2 (2011: 6) employees have been terminated. 14 investigations have been finalised and are ready for prosecution.</p> <p>In the prior year a report, in terms of section 170 (2) of the Municipal Finance Management Act No.56 of 2003, was submitted to National Treasury for the condonation of irregular expenditure</p>		
43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organized local government		
Council subscriptions	5,710	9,100
Amount paid - current year	(5,710)	(9,100)
Balance unpaid	-	-
Audit fees		
Current year audit fee	12,357	2,858
Previous years audit fee	13,213	11,675
Amount paid - current year	(12,357)	(2,858)
Amount paid - previous years	(13,213)	(11,675)
Balance unpaid	-	-
VAT		
VAT received (paid) for the year	568,630	619,177
PAYE and UIF		
Current year payroll deductions	698,029	668,821
Amount paid - current year	(698,029)	(668,821)
Balance unpaid	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	1,326,257	1,131,640
Amount paid - current year	(1,326,257)	(1,131,640)
Balance unpaid	-	-

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand

2012

2011

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 2012	
Councillor Dlamini C	84,750
Councillor Ncane T	40,411
Councillor Nzuza T	23,249
Councillor Ngcobo O	10,854
Councillor Naidoo P	6,242
Councillor Cele H	6,227
Councillor Moyo F	5,140
Councillor Shozi D	4,954
Councillor Bhengu M	4,359
Councillor Gebashe V	3,996
Councillor Maphumulo H	1,769
Councillor Shabalala A	1,362
Councillor Mcoyi S	1,239
Councillor Ngwane B	1,150
Councillor Xhakaze M	830
Councillor Ndzoyiya Z	371
Councillor Bayeni M	168
Councillor Sibiyi P	146
Councillor Ngwazi	91
Councillor Hlongwa	76
Councillor Nhlapo S	51
Councillor Nyanisa N (as at 31 May 2012)	1,076
Councillor Mthembu (as at 31 May 2012)	472
Councillor Naidoo J (as at 31 March 2012)	46,088
Councillor Cassimjee I (as at 31 March 2012)	948
Councillor Gumede M (as at 31 March 2012)	929
Councillor M Bayeni (as at 31 March 2012)	617
Councillor Davis P (as at 31 January 2012)	16,840
	<u>264,405</u>
30 June 2011	
Councillor Bayeni M	2,472
Councillor Moyo F	7,293
	<u>9,765</u>

eThekweni Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand

2012

2011

44. PRIOR YEAR ADJUSTMENTS

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality:

VAT:

VAT portion of a re-statement relating to a Moses Mabhida Stadium Income adjustment in 2010/11 (R3.5million).

Other Debtors:

A change in Accounting Policy resulting in the accrual of traffic fine income for the first time (R223million).
Reversal of a Department of Water Affairs Grant incorrectly accrued for in 2010/11 (R4million).

Unspent Conditional Grants:

Transfer of a Municipal Infrastructure Grant previously incorrectly reflected as unspent (R26.2million).

Creditors:

Accrual of NJMPF exited members compensation payable (R26.9million).
Reclassification between Accumulated Surplus and Creditors relating to an internal memo-bank adjustment (R17million).

Consumer Debtors:

A write-off of outstanding rates prior to the 2008/09 financial year relating to properties owned by the Ingonyama Trust in terms of a Supreme Court decision (R232million). There was no loss to Council as this amount was previously fully provided for as a bad debt provision, which has now also been written back as a prior year adjustment.
Rates adjustments processed in terms of interims applicable to prior periods (20.2million).

Property, Plant and Equipment:

Moveable assets that were not recorded in the fixed asset register have been recorded at fair value (R81million).
Depreciation adjustments (R25.2million) have also been processed as a result of these fair value assets as well as the extension of useful lives of assets that had reached nil book values, in particular library books.

The comparative statements for the 2010/11 financial year have been restated to recognise the amendments relating to all of the above. The effects of the changes are detailed below:

Property, Plant and Equipment	
Balance previously reported	- 30,788,906
Fair Value of moveable assets - prior to 2010/11	- 81,113
Other Property, Plant and Equipment adjustments - prior to 2010/11	- 30
Creditors: Adjustment - 2010/11	- 200
Other Debtors: Adjustment - 2010/11	- (2)
Reclassification of Repairs and Maintenance - 2010/11	- 600
Reduction in Gain on Disposal - 2010/11	- (532)
Depreciation Adjustments - 2010/11	- (25,198)
	- 30,845,117
Other Debtors	
Balance previously reported	- 2,732,430
Housing fees accrual adjustment - 2010/11	- (2,350)
Accrual of Traffic Fines Income - prior to 2010/11	- 204,531
Accrual of Traffic Fines Income - 2010/11	- 19,075
Recovery of Salary overpayments - prior to 2010/11	- 254
Property, Plant and Equipment: Adjustment - 2010/11	- 2
Reversal of Department of Water Affairs Grant incorrectly accrued for - 2010/11	- (4,077)
	- 2,949,865

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Figures in Rand thousand	2012	2011
44. PRIOR YEAR ADJUSTMENTS (continued)		
Creditors		
Balance previously reported	-	4,314,104
Bus Shelter Advertising Income adjustment - 2010/11	-	71
Accrual of exited members compensation payable - prior to 2010/11	-	26,870
Reclassification of Trust Fund Creditors	-	17,056
Property, Plant and Equipment: Adjustment - 2010/11	-	200
	-	4,358,301
VAT		
Balance previously reported	-	42,182
Moses Mabhida Stadium: VAT portion of Stadium Income adjustment - 2010/11	-	(3,461)
Housing fees accrual adjustment - 2010/11	-	288
Bus Shelter Advertising Income adjustment - 2010/11	-	10
	-	39,019
Consumer Debtors		
Balance previously reported	-	2,569,788
Rates adjustments - prior to 2010/11	-	5,998
Rates adjustments - 2010/11	-	14,699
Write-off of Ingonyama Rates - prior to 2010/11	-	(232,445)
Write-back of Ingonyama Rates Bad Debt Provision	-	232,445
	-	2,590,485
Unspent Conditional Grants		
Balance previously reported	-	793,932
Transfer of Municipal Infrastructure Grant previously incorrectly reflected as unspent - 2010/11	-	(26,194)
	-	767,738

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44. PRIOR YEAR ADJUSTMENTS (continued)		
Accumulated Surplus		
Balance previously reported	-	22,629,894
Fair Value of moveable assets - prior to 2010/11	-	81,113
Other Property, Plant and Equipment adjustments - prior to 2010/11	-	30
Creditors: Accrual of exited members compensation payable - prior to 2010/11	-	(26,870)
Other Debtors: Accrual of Traffic Fines Income - prior to 2010/11	-	204,531
Other Debtors: Accrual of Traffic Fines Income - 2010/11	-	19,075
Other Debtors: Reversal of Department of Water Affairs Grant incorrectly accrued for - 2010/11	-	(4,077)
Consumer Debtors: Write-off of Ingonyama Rates - prior to 2010/11	-	(232,445)
Consumer Debtors: Write-back of Ingonyama Rates Bad Debt Provision - prior to 2010/11	-	232,445
Unspent Conditional Grants: Transfer of Municipal Infrastructure Grant previously incorrectly reflected as unspent - 2010/11	-	26,194
Other Debtors: Housing fees accrual adjustment - 2010/11	-	(2,062)
Other Debtors: Recovery of Salary overpayments - prior to 2010/11	-	254
Consumer Debtors: Rates Income adjustment - prior to 2010/11	-	5,998
Consumer Debtors: Rates Income adjustment - 2010/11	-	14,699
Re-classification of Trust Fund Creditors - 2010/11	-	(17,056)
Moses Mabhida Stadium: VAT portion of Stadium Income adjustment - 2010/11	-	(3,461)
Bus Shelter Advertising Income adjustment - 2010/11	-	(61)
Reclassification between Repairs and Maintenance and Property, Plant and Equipment - 2010/11	-	600
Reduction in Gain on Disposal relating to Property, Plant and Equipment - 2010/11	-	(532)
Property, Plant and Equipment: Depreciation adjustment - 2010/11	-	(25,198)
	-	22,903,071

45. 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.

46. DISCLOSURE IN TERMS OF SUPPLY CHAIN MANAGEMENT POLICY

During the year there were contracts awarded of more than R2 000 to various employees of council and councillors or people who are spouse's, children or parents of people in the service of the municipality amounting to R20.6million (2011: R43.8 million) .

Contract awards made in terms of Section 36 (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1.128 billion (2011: R469million).

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47. 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.

As part of managing the municipality's liquidity risk Promissory notes have been issued to facilitate the timeous repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment.

Categories of Financial Instruments :

	2012	2011
Financial Assets:		
Investments and Receivables		
Investments	3,500,000	2,450,000
Cash and cash equivalents	1,304,096	657,678
Long-term receivables	299,484	288,404
Consumer Debtors	2,753,087	2,590,485
Debtors	3,113,044	2,949,865
	<hr/>	<hr/>
Liabilities and Creditors		
Long-term liabilities	10,679,006	10,110,456
Creditors	4,829,125	4,358,301
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47. FINANCIAL INSTRUMENTS (continued)

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:

	2012 Carrying amount	2012 Fair value
Investments	3,500,000	3,500,000
Long-term receivables	311,481	299,484
Consumer Debtors	2,753,087	2,753,087
Debtors	3,113,190	3,113,044
Long-term Liabilities	10,679,006	10,679,006
Creditors	4,838,220	4,829,125

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.

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47. FINANCIAL INSTRUMENTS (continued)

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:

Details

Standard Bank:

Ethekwini Municipality - Derivative Trading	70,000
Ethekwini Municipality - Letter of Credit	1,500
Ethekwini Municipality - Performance guarantee	6,000
Ethekwini Municipality - Overdraft	209,995
Ethekwini Municipality - Fleet Management card	15

Total Facilities:

287,510

	12 months or less	More than 12 months
30 June 2012		
Long-term Liabilities	772,327	9,906,679
Creditors	4,829,125	-
30 June 2011		
Long-term Liabilities	692,416	9,418,040
Creditors	4,358,301	-

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 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, when the conveyancer applies for a rates clearance certificate
- 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
- reviewing the municipality's Credit Control Policy annually to ensure that it is updated for to current practice that enhance revenue collection.

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

eThekwini Municipality

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Figures in Rand thousand	2012	2011
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47. FINANCIAL INSTRUMENTS (continued)

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

	2012	2011
Consumer Debtors	2,753,087	2,590,485
Other Debtors	3,111,345	2,949,865
Cash and Cash Equivalents	1,304,096	657,678

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

Consumer Debtors:

Gross		
0 - 30 days	1,292,370	1,387,220
31 - 120 days	522,870	495,727
More than 120 days	2,875,673	2,463,878
Less: Provision for Bad Debts	(1,937,826)	(1,756,340)
Net Consumer	2,753,087	2,590,485

Movement in the provision for Bad Debts: Consumer Debtors

Balance at beginning of year	1,756,340	1,661,795
Contribution	379,028	295,640
Bad debts written off	(197,542)	(201,095)
Balance at year end	1,937,826	1,756,340

Movement in the provision for Bad Debts: Other Debtors

Balance at beginning of year	79,425	127,270
Contribution	29,702	28,675
Bad debts written off	(632)	(76,520)
Balance at year-end	108,495	79,425

48. MATERIAL LOSSES

Water:

The Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. The primary objective of the NRW reduction activities is to reduce the NRW levels from 35.2% by volume (731 litres/connection/day total water losses) at present to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2019. Water losses of 112 121 754 kl (2011: 104 321 876 kl) occurred during the year under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R411.0m (2011: R360.4m) were due mainly to water theft and delays in the SCM processes. The non-revenue water volume increased from 33.2% in 2010/11 to 35.2% in 2011/12. The current South African NRW average is 34.7% whilst the African average is 36.0%. In line with its Business Plan, EWS is implementing a number of water loss interventions, the highlights of which for 2011/12 are as follows:

1. During the year 51 Pressure Reducing Valves were installed and more installations will be done in the 2012/13 year.
2. The Leak Detection and Repair Strategy with a total of 16 Category B plumbers in formal and informal areas has proved extremely successful and a total of 18941 leaks were repaired.
3. 78 meters Informal Area Meters were installed and registered on the COINS Billing Database. This intervention has proved very successful in monitoring and controlling the water consumption in informal areas.
4. 3 Custody Transfer Point Check Meters which measure 80% of the volumes purchased from the Bulk Services Provider, Umgeni Water have now been installed. At one installation (Point M – Cato Ridge), the has volume dropped considerably with the accurate new meters and a substantial credit was claimed from Umgeni Water. Over the year, the purchases have only increased 5.1Ml/day (0.59%), which is testament to the work of the Unit.
5. In terms of the programme for meter replacement for domestic consumers which are more than 20 years old a total of 2924 out of a target of 22 136 has been achieved.
6. The total number of registered connections increased by 10 113 (2,2%) but the consumer sales decreased by

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48. MATERIAL LOSSES (continued)

15,5Ml/day (-2,7%). There are now a total of 466 945 registered connections in eThekwini.

7. The prosecution of those consumers found with illegal connections has commenced in earnest and R1.7m has been recovered to date and 14 convictions have been obtained. A total of 2 175 new connections have been registered through the Water Amnesty programme.

Electricity:

Estimated Electricity losses of 664,796,777kWh (2011: 630,883,534 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated electricity losses amounted to R 364m (2011: R262.8m).

The norm for electricity losses ranges from 5.6% to 12%. The loss incurred by the municipality is 5.8% (2011: 5.5%) and is due to a combination of transmission/distribution losses and losses due to illegal connections. In comparison to other Metro's, eThekwini Municipality maintains its losses at a lower end of the norm.

Transmission losses are inevitable, however, the following interventions have been implemented:

1. Optimal Network Configuration:

The Planning and Design engineers ensure that all network additions are implemented with correct equipment ratings and configuration so as to minimize losses.

2. Effective Maintenance on Network:

The unit has adopted a comprehensive maintenance schedule to promote the reliability of the network as well as enhance the efficiency of the network.

3. Efficient Network Loading:

Power flow into the network is carefully monitored on a 24 hour basis and the correct, most efficient electrical loading configuration is adopted.

Illegal electricity connections are a major contributing factor to non-technical losses. The following interventions have been implemented to curb illegal connections:

1. Area Sweeps:

The Revenue protection teams continuously investigate high theft area's to remove all illegal connections.

2. Employment of security Intelligence Teams:

Private investigators are deployed to site to try and gather evidence to apprehend suspects.

3. Installation of anti-theft technologies at substations:

The employment of this technology deters intruders from entering into substations and carrying out illegal connections.

4. Theft Hotline:

A 24 hour hotline has been set up to report acts of theft and illegal connections - Once a suspicious activity is reported, security will be dispatched immediately to the affected site.

Bad Debts written off:

Debt of R198m (2011: 271m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to services, housing and sundry debts. In the prior year 30% of the debt written off was interest raised on prescribed debt. Only the capital amount was written off in the previous year, in the current year interest relating to this debt was written off. Prescribed debt is debt that cannot be legally recovered. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on debt that can still be recovered. This debt was written off in terms of Prescription Act which forbids the Municipality to recover prescribed debt as advised by our legal advisor. 38% of the debt written off was rental debt owed by Hostel residents.

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49. BANK BALANCES

Account number - Bank - Account Description	Cash Book Balance 30 June 2012	Bank Statement balance 30 June 2012	Cash Book Balance 30 June 2011	Bank Statement balance 30 June 2011
050134353 - Standard Bank - Main Expenditure	68,576	(70,280)	3,872	(59,644)
050133535 - Standard Bank - Main Expenditure EFT	(41)	(696,749)	(975)	(843,485)
62085720722 - FNB - Direct Deposits Account	-	-	-	2,066
050133969 - Standard Bank - Direct Deposits Account	7,607	262,962	8,884	280,413
62085725855 - FNB - Electronic Deposits Account	-	-	-	4,274
050134116 - Standard Bank - Electronic Deposits Account	40,940	1,594,095	23,897	1,527,204
050134132 - Standard Bank - Cashiers Deposit Account	(3,262)	182,771	(5,948)	476,770
050134140 - Standard Bank - Government Deposit Account	2,357	44,670	6,759	80,233
050134655 - Standard Bank - Electricity Income Account	1,394	7,913	2,062	6,958
050134671 - Standard Bank - Electricity Prepaid Vendor Deposits	5,738	10,790	2,830	48,979
050134469 - Standard Bank - SARS E-Filing Account	-	37,465	6,102	6,102
050134442 - Standard Bank - Dishonoured Cheques Account	(1,408)	(7,159)	(2,383)	(999)
050073117 - Standard Bank - Main Expenditure Bank	-	(13)	20	20
050133993 - Standard Bank - Direct Debit Collections Account	-	62,864	-	67,509
62116972599 - FNB - Housing Operating Account	-	-	-	-
62085721275 - FNB - Mayors Relief Account	-	-	-	-
050134019 - Standard Bank - Transwitch Account	(4,045)	74,940	(1,588)	118,401
050134094 - Standard Bank - Agents Deposit Account	15,380	96,725	1,778	77,055
050134213 - Standard Bank - Metro Police Deposit Account	-	4,550	-	3,937
050134183 - Standard Bank - Metro Police Transwitch Deposit Account	-	934	-	590
050134248 - Standard Bank - Parks, Recreation and Culture Deposit Account	810	2,707	457	2,647
050134264 - Standard Bank - City Engineers Account	1,067	5,563	365	4,204
050134272 - Standard Bank - Durban Tourism Deposit Account	-	175	-	158
050134531 - Standard Bank - Central Foreign Rand Account	-	(204)	-	(975)
050134574 - Standard Bank - Water Foreign Rand Account	-	(844)	-	253,041
050134698 - Standard Bank - Electricity Foreign Rand Account	(5,390)	(5,390)	-	-
050134299 - Standard Bank - Virginia Airport Account	1	514	21	819
050134329 - Standard Bank - Department of Housing Account	-	50,452	2	92,114
050134450 - Standard Bank - Sundry PAYE Account	149	149	458	485
050134507 - Standard Bank - Cash Payments Account	37	(1,836)	25	(1,167)
050134426 - Standard Bank - Refunds Expenditure Account	-	3,227	29,338	844

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050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	436	(455)	457	(1,208)
050133616 - Standard Bank - Water and Sanitation Services EFT Account	(3)	(296,204)	(307)	(542,174)
050134701 - Standard Bank - Electricity Expenditure Account	(1,211)	(3,196)	(714)	(616)
050133608 - Standard Bank - Electricity EFT Account	(613,944)	(611,960)	(530,421)	(530,421)
050133586 - Standard Bank - Salaries Account	50,553	(317,673)	48,494	(335,960)
050134590 - Standard Bank - Durban Fresh Produce Market Account	15,684	15,658	13,040	13,016
050134515 - Standard Bank - CIFAL Durban Account	1,520	1,520	20	20
050134493 - Standard Bank - General Bank Account	411,508	(529,092)	452,376	(692,687)
050134434 - Standard Bank - Bank Charges Account	-	(408)	(28)	271
050041827 - Standard Bank - E-Ticketing Account	-	10	-	-
050134337 - Standard Bank - Moses Mabhida Stadium Deposit Account	74,127	74,127	-	-
050138987 - Standard Bank - Pay at Deposit Account	(3,098)	67,013	-	-
050041924 - Standard Bank - Vehicle Auctions Account	-	5,151	-	-
050134345 - Standard Bank - 2010 Soccer Grant Account	-	-	1,710	1,710
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	697,884	2,606,945	602,877	3,089,640
Bank overdraft	(632,402)	(2,541,463)	(542,364)	(3,009,336)

Note 50: Schedule of External Loans at 30 June 2012

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-11 R 000's	RECEIVED DURING THE YEAR R 000's	REDEEMED DURING THE YEAR R 000's	BALANCE AT 30-Jun-12 R 000's
Stock Loan	14.60%	K34	30-06-2013	200			200
Total Stock Loans				200	0	0	200
FRB PN	Variable	1/58	30-06-2016	189,203		17,777	171,426
INCA INDWA	9.52%	1/66	30-06-2020	376,904		-3,680	380,584
Nedbank Ltd	8.47%	1/67	31-03-2021	720,211		48,081	672,130
DBSA Ph 1	13.50%	P1	30-09-2017	441,373		45,339	396,034
DBSA Ph 2	Variable	P2	31-03-2016	187,869		29,432	158,437
DBSA Ph 3	12.90%	P3	30-09-2017	299,772		28,447	271,325
DBSA Ph 4	10.40%	P4	30-06-2019	401,658		-3,440	405,099
DBSA Ph 5	8.90%	P5	30-06-2020	236,644		16,683	219,961
DBSA Ph 6	8.75%	P6	30-06-2022	674,947		-10,011	684,958
DBSA Ph 7	8.30%	P7	02-01-2028	2,709,285		-73,846	2,783,130
NEDBANK 7 YRS	10.09%	1/70	28-02-2017	462,956		59,267	403,689
NEDBANK 5 YRS	9.21%	1/71	30-04-2015	423,520		91,888	331,632
RMB R 1b 15YRS	10.28%	1/72	30-06-2025	969,810		33,109	936,702
ABSA 7 YRS	8.73%	1/73	29-09-2017	967,154		115,985	851,169
ABSA 15 YRS	10.19%	1/74	30-06-2026	1,000,000		30,155	969,845
AFD Calyon	9.52%	1/68	31-12-2018	48,950		6,526	42,424
RMB R1B 20YRS	9.53%	1/75	30-06-2032	0	1,000,000	-261	1,000,261
Total Annuity Loans				10,110,256	1,000,000	431,451	10,678,806
TOTAL EXTERNAL LOANS				10,110,456	1,000,000	431,451	10,679,006

eThekweni Municipality

NOTE 51: STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2012

Description	Current Year 2011/12								
	R thousands	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual; Outcome as a % of Original Budget
Financial Performance									
Property rates	4 620 707	(150 707)	4 470 000	4 372 115		(97 885)	98%	95%	
Service charges	12 248 267	(268 894)	11 979 373	11 428 037		(551 336)	95%	93%	
Investment revenue	222 605	5 701	228 306	221 079		(7 227)	97%	99%	
Transfers recognised - operational	1 899 750	155 993	2 055 743	1 951 227		(104 516)	95%	103%	
Other own revenue	2 294 574	507 547	2 802 121	3 334 311		532 190	119%	145%	
Total Revenue (excluding capital transfers and contributions)	21 285 904	249 640	21 535 543	21 306 769		(228 774)	99%	100%	
Employee costs	5 337 350	290 317	5 627 667	6 487 630		(859 963)	115%	122%	
Remuneration of councillors	79 705	6 047	85 752	84 751		1 001	99%	106%	
Debt impairment	428 429	750	429 179	408 730		20 449	95%	95%	
Depreciation & asset impairment	1 639 561	495	1 640 056	1 567 001		73 055	96%	96%	
Finance charges	1 194 934	(64 700)	1 130 234	855 249		274 985	76%	72%	
Materials and bulk purchases	6 942 406	(34 828)	6 907 578	6 666 970		240 608	97%	96%	
Transfers and grants	166 319	(16 240)	150 079	141 694		8 385	94%	85%	
Other expenditure	5 430 709	690 261	6 120 970	4 896 918		1 224 052	80%	90%	
Total Expenditure	21 219 412	872 102	22 091 514	21 108 943		982 571	96%	99%	
Surplus/(Deficit)	66 491	(622 462)	(555 972)	197 826		(753 798)	-36%	298%	
Transfers recognised - capital	2 200 491	870 121	3 070 613	1 458 514		1 612 099	47%	0%	
Contributions recognised - capital & contributed assets				-		-			
Surplus/(Deficit) after capital transfers & contributions	2 266 982	247 659	2 514 641	1 656 340		(858 302)	66%	73%	
Share of surplus/ (deficit) of associate			-	9 755		9 755	0%	0%	
Surplus/(Deficit) for the year	2 266 982	247 659	2 514 641	1 666 095		(848 547)	66%	73%	

eThekwini Municipality

Note 51b: STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2012(continued)

Description	Current Year 2011/12								
	R thousands	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual; Outcome as a % of Original Budget
Capital expenditure & funds sources									
Capital expenditure	5 082 596	199 574	5 282 170	3 443 694		1 838 476	65%	68%	
Transfers recognised - capital	2 200 491	184 575	2 385 066	1 458 514		926 552	61%	66%	
Public contributions & donations	–	–	–	–		–			
Borrowing	2 000 000	(1 000 000)	1 000 000	1 000 000		–	100%	50%	
Internally generated funds	882 105	1 014 999	1 897 104	985 180		911 924	52%	112%	
Total sources of capital funds	5 082 596	199 574	5 282 170	3 443 694		1 838 476	65%	68%	
Cash flows									
Net cash from (used) operating	4 451 923	720 118	5 172 041	4 510 224		661 817	87%	101%	
Net cash from (used) investing	(5 064 662)	(411 589)	(5 476 251)	(4 432 356)		(1 043 895)	81%	88%	
Net cash from (used) financing	1 402 209	(1 091 888)	310 321	568 550		(258 229)	183%	41%	
Cash/cash equivalents at the year end	4 013 788	(900 000)	3 113 788	1 304 096		1 809 692	42%	32%	

Note 52: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation							Accumulated Depreciations									Carrying Value
	Opening Balance	Opening Under Construction	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Opening Impairment	Prior Year Adjustments	Additions	Disposals	Impairments	Impairments Reversal	Transfers	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Land and Buildings																	
Land	413,071	181	10,267	-181	-277	0	423,061	0	0	0	0	0	0	0	0	0	
Buildings	2,961,836	116,245	122,787	107,307	-1,195	12,579	3,319,559	572,048	603	0	92,257	-1,097	103	0	-18,933	644,981	
	3,374,907	116,426	133,054	107,126	-1,472	12,579	3,742,620	572,048	603	0	92,257	-1,097	103	0	-18,933	644,981	
Infrastructure																	
Roads	5,949,525	955,910	284,685	711,275	0	1,429,342	9,330,737	1,118,446	5,440	0	256,234	0	762	0	262,228	1,643,110	
Traffic Equipment & Ranks	483,566	88,756	24,747	83,759	0	0	680,828	146,967	0	0	23,030	0	0	0	0	169,997	
Stormwater Drainage	1,128,073	47,397	509,204	-30,902	0	0	1,653,772	138,017	0	0	143,576	0	0	0	0	281,593	
Sewerage Pumps	34,892	36,564	0	53,815	0	0	125,271	70,243	0	0	1,087	0	0	0	0	71,330	
Sewerage Mains & Reticulation	2,312,419	547,943	1,599	170,442	0	79	3,032,482	409,447	0	0	19,616	0	0	0	-1,897	427,166	
Purification Works	95	92,720	0	43,770	0	0	136,585	84	0	0	6	0	0	0	0	90	
Refuse Sites & Transfer Station	508,364	22,528	26,574	45,923	0	12,372	615,761	283,735	0	0	50,821	0	0	0	3,827	338,383	
Water Mains & Reticulation	4,641,615	1,868,643	362,872	-362,872	0	-1,802	6,508,456	438,231	0	0	7,525	0	0	0	763	446,519	
Water Reservoirs	293,637	60,917	46,694	4,460	0	0	405,708	46,366	14,028	0	3,967	0	0	0	0	64,361	
General Infrastructure	123,456	183,889	71,134	-30,945	0	-349	347,185	31,696	0	11	70,447	0	0	0	-192	101,962	
Mains	2,023,180	11,496	163,143	3,686	0	0	2,201,505	657,546	0	0	52,942	0	0	0	0	710,488	
Major Substations	1,732,988	418,014	627,482	-348,240	0	0	2,430,244	524,908	233	0	54,824	0	0	0	0	579,965	
Public Lighting	224,572	16,435	22,415	-9,964	0	0	253,458	57,015	4,806	0	11,578	0	0	0	0	73,399	
Connections & Switches	770,953	145,397	84,645	-53,719	0	0	947,276	432,907	0	0	41,703	0	0	0	0	474,610	
	20,227,335	4,496,609	2,225,194	280,488	0	1,439,642	28,669,268	4,355,608	24,507	11	737,356	0	762	0	264,729	5,382,973	
Community Assets																	
Recreation	4,327,828	4,970	15,103	19,994	-27	-305,231	4,062,637	396,994	17,170	0	73,359	-9	2,480	0	-128,706	361,288	
Clinics & Depots	119,438	3,095	7,616	4,077	0	0	134,226	32,798	2,548	0	38,810	0	3,817	0	0	77,973	
Cemetries & Crematoria	70,034	5,828	995	-654	0	0	76,203	23,394	0	0	312	0	0	0	0	23,706	
Community Halls	91,062	1,525	1,338	1,122	0	0	95,047	20	0	0	195	0	0	0	0	215	
Fire Stations	21,152	10,044	10,849	969	0	0	43,014	17,470	0	0	1,060	0	0	0	0	18,530	
Libraries	174,533	14,712	9,916	108	0	0	199,269	87,527	0	-16,730	14,076	0	0	0	0	84,873	
Museums	1,888	4,857	3,863	-1,730	0	0	8,878	210	0	0	258	0	0	0	0	468	
Police Stations	48,546	0	14	0	0	0	48,560	8,071	9	0	662	0	0	-9	0	8,733	
	4,854,481	45,031	49,694	23,886	-27	-305,231	4,667,834	566,484	19,727	-16,730	128,732	-9	6,297	-9	-128,706	575,786	
Heritage Assets																	
Exhibits	7,927	2,065	2,065	-2,065	0	-491	9,501	0	0	0	0	0	0	0	0	9,501	
	7,927	2,065	2,065	-2,065	0	-491	9,501	0	0	0	0	0	0	0	0	9,501	
Other Assets																	
Airconditioning	84,016	0	5,023	0	-96	-28	88,915	12,505	0	1	6,266	-73	0	0	0	18,699	
Security Systems	77,545	0	367	0	-1	0	77,911	58,168	2	2	3,445	-1	0	0	0	61,614	
Computer Equipment	530,511	6,138	83,091	-6,138	-31,116	-1,265	581,221	352,038	0	474	97,968	-29,598	0	-16	0	420,866	
Car Parks & Fencing	224,820	133	5,261	-133	0	0	230,081	16,611	0	4	5,759	0	9	0	0	22,383	
Plant & Equipment	2,254,034	6,970	106,334	740	-13,689	-1,113,131	1,241,258	542,975	459	855	116,557	-12,706	250	-105,933	542,457		
Furniture & Fittings	56,806	0	11,005	0	-689	-33,335	33,787	32,559	0	346	12,419	-530	121	0	-11,128		
Markets	99,099	1,222	541	0	0	0	100,862	42,925	0	0	3,963	0	4,504	0	51,392		
Vehicles	1,957,741	32,501	396,875	-2,744	-52,393	0	2,331,980	1,073,404	19	15,561	250,615	-39,299	0	0	0	1,300,300	
Fire Engines	78,534	1,407	2,430	-1,407	-45	0	80,919	19,897	80	0	127	-44	0	0	0	20,060	
	5,363,106	48,371	610,927	-9,682	-98,029	-1,147,759	4,766,934	2,151,082	478	17,323	497,119	-82,251	4,884	0	-117,077	2,471,558	
Total	33,827,756	4,708,502	3,020,934	399,753	-99,528	-1,260	41,856,157	7,645,222	45,315	604	1,455,464	-83,357	12,046	-9	13	9,075,298	

Appendix A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30th June 2012

	Cost							Accumulated Depreciation									Carrying Value
	Opening	Opening Balance	Additions	Under	Disposals	Transfers	Closing	Opening	Opening	Prior Year	Additions	Disposals	Impairments	Impairments	Transfers	Closing	
	Balance Cost	Capital Under		Construction			Balance	Balance	Impairments	Adjustments				Reversal		Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Miscellaneous	28,454	0	0	0	0	0	28,454	9,674	0	0	1,676	0	0	0	0	11,350	17,104
Formal Housing	12	0	0	0	0	0	12	8	0	0	2	0	0	0	0	10	2
Legal Services	9,335	0	179	8	0	0	9,522	1,667	0	0	390	0	0	0	0	2,057	7,465
Real Estates	83,537	0	122	0	-267	0	83,392	15,318	0	6	2,660	-236	0	0	0	17,748	65,644
Health	219,762	3,095	9,487	4,077	-262	-46,081	190,078	55,971	2,566	0	6,772	-165	4,182	0	-5,536	63,790	126,288
Skills Development	2,028	0	87	0	-66	0	2,049	834	0	97	308	-60	0	0	0	1,179	870
Emergency Control Centre - Admin	85,965	0	4,301	1,145	0	0	91,409	43,596	0	9	9,205	0	0	0	0	52,810	38,599
Grant in Aid	21,240	261	2,112	0	-8	0	23,605	1,410	0	16	1,105	-3	0	0	0	2,528	21,077
Security	1,065	0	496	0	-92	0	1,469	599	0	5	158	-85	0	0	0	677	792
Metropolitan Police	82,608	0	1,198	0	-1,068	0	82,738	22,719	7	0	4,348	-898	0	-9	0	26,167	56,571
Retail Market	66,101	0	862	0	0	0	66,963	17,326	65	0	1,941	0	4,724	0	0	24,056	42,907
Housing	1,120,467	28,405	23,433	19,750	-130	120	1,192,045	176,303	0	0	39,950	-100	0	0	96	216,249	975,796
Municipal Information & Policy	3,119	0	1,435	0	0	0	4,554	2,167	0	0	279	0	0	0	0	2,446	2,108
Ombudsperson & Head : Investigation	621	0	26	0	-144	0	503	498	0	0	44	-132	0	0	0	410	93
Office Of International & Governance	578	0	14	0	0	0	592	294	0	0	85	0	0	0	0	379	213
Community Participation	3,192	0	72	0	0	0	3,264	2,365	0	0	270	0	0	0	0	2,635	629
Office Of Geographic Information	3,805	0	279	0	-1	0	4,083	997	0	0	333	-1	0	0	0	1,329	2,754
City Manager's Office	107	0	0	0	0	0	107	98	0	0	5	0	0	0	0	103	4
Strategic Projects	603,790	20,517	31,184	2,272	-130	-28	657,605	24,943	1	19	26,464	-104	0	0	-14	51,309	606,296
Office Of The D C M : Sust. Development	232	0	0	0	-3	0	229	68	0	0	39	-1	0	0	0	106	123
Office of the D C M :Sust.Procurement	223	0	80	0	-1	0	302	76	0	0	49	-1	0	0	0	124	178
Office Of The D C M : Health, Safety	4,234	0	319	0	0	0	4,553	1,000	0	0	330	0	0	0	0	1,330	3,223
Office Of The D C M : Corp & HR	151	0	0	0	0	0	151	48	0	0	28	0	0	0	0	76	75
Office Of The D C M : Governance	12	0	0	0	0	0	12	11	0	0	0	0	0	0	0	11	1
Office Of The D C M : Health & Social	4,900	0	2,135	0	0	0	7,035	1,027	0	0	566	0	0	0	0	1,593	5,442
Office Of The D C M : Treasury	854	0	42	0	-24	0	872	606	0	0	94	-21	0	0	0	679	193
Development Planning & Management	68,464	6,010	1,735	0	-104	0	76,105	4,161	0	0	1,040	-70	0	0	0	5,131	70,974
Economic Development & Facilitation	338,842	144,978	42,076	-9,964	-114	-433	515,385	20,443	0	6	16,077	-101	0	0	-385	36,040	479,345
City Enterprises	7,710	0	357	0	-116	0	7,951	5,442	0	0	583	-42	0	0	0	5,983	1,968
Business Support	142,792	0	151	1,009	0	0	143,952	31,209	538	0	5,380	0	8	0	0	37,135	106,817
Procurement	12,803	106	236	809	-37	0	13,917	6,845	0	0	984	-35	0	0	0	7,794	6,123
Engineering	7,990,711	996,330	386,122	699,238	-722	-2,033	10,069,646	1,385,628	5,440	21	249,606	-622	506	0	-816	1,639,763	8,429,883
Emergency Services	240,084	13,329	19,163	-2,316	-667	0	269,593	89,113	0	404	12,970	-611	0	0	0	101,876	167,717
Parks, Recreation, Cemeteries & Governance	1,678,722	19,742	34,167	-3,844	-263	0	1,728,524	474,321	17,174	-16,729	63,157	-232	2,506	0	0	540,197	1,188,327
Communications	139,417	38,832	540	16,809	-1,165	0	194,433	38,701	0	0	5,184	-1,090	0	0	0	42,795	151,638
Regional Centres	2,078	0	323	0	-116	0	2,285	1,036	0	6	288	-90	0	0	0	1,240	1,045
Human Resources	103,742	100	1,302	2,007	-1	0	107,150	28,843	0	20	2,827	-1	0	0	0	31,689	75,461
Management Services & Org Development	12,219	0	3,261	0	-92	0	15,388	7,671	0	0	1,933	-83	0	0	0	9,521	5,867
Finance	595	0	95	0	-5	0	685	308	0	10	90	-4	0	0	0	404	281
City Fleet	17,308	0	316	0	-453	0	17,171	12,653	0	0	844	-350	0	0	0	13,147	4,024
Durban Transport	875,667	5,327	52,975	25,140	-29,626	756	930,239	461,669	0	-357	83,013	-23,643	0	0	448	521,130	409,109
Office Of Audit & Performance Management	520,437	0	187,866	9,398	-9,491	0	708,210	138,765	0	0	61,964	-3,547	0	0	0	197,182	511,028
Information Technology	1,063	0	269	0	-1	0	1,331	658	0	0	102	-1	0	0	0	759	572
Ethekwini Transport Authority	537,839	6,138	62,700	-6,138	-21,937	1,898	580,500	258,489	0	0	92,919	-21,563	0	0	1,700	331,545	248,955
Occupational Health & Safety	655,899	97,552	5,898	83,294	-90	-167,215	675,338	155,603	351	47	24,297	-64	0	0	-5,781	174,453	500,885
Performance Management	2,173	0	496	0	-37	0	2,632	1,018	0	93	384	-34	0	0	0	1,461	1,171
Durban Energy Office	428	0	153	0	0	0	581	138	0	0	92	0	0	0	0	230	351
Income	575	23,023	23,065	-13,487	-4	0	33,172	137	0	0	1,186	-3	0	0	0	1,320	31,852
Finance and Major Projects	28,281	0	1,398	0	-610	0	29,069	19,719	0	0	1,926	-534	0	0	0	21,111	7,958
Internal Control and Business Systems	981	0	55	0	-101	0	935	650	0	0	101	-81	0	0	0	670	265
ABMS	183,413	1,267	2,474	1,865	-265	0	188,754	47,550	0	0	5,142	-218	0	0	0	52,474	136,280
SDB	9,811	14,708	627	19,911	-97	0	44,960	1,565	0	0	741	-88	0	0	0	2,218	42,742
ABM INK	11,802	0	0	0	0	0	11,802	892	0	1	410	0	0	0	0	1,303	10,499
Water	26,520	0	180	0	-37	0	26,663	3,555	0	0	1,792	-26	0	0	0	5,321	21,342
Sanitation	5,261,793	1,958,155	831,157	-348,061	-16,194	-753	7,686,097	795,864	14,028	1,272	150,091	-14,856	0	0	-452	945,947	6,740,150
Solid Waste	2,873,773	677,727	157,024	268,957	-571	46,082	4,022,992	561,692	0	1	123,408	-516	0	0	5,537	690,122	3,332,870
Airport	898,247	22,528	109,718	45,923	-8,869	18	1,067,565	542,889	0	15,642	111,850	-8,359	0	0	4	662,026	405,539
Moses Mabhida Stadium	1,752	0	52	0	-1	0	1,803	470	0	1	78	0	0	0	0	549	1,254
Housing	3,121,635	0	28,551	0	-34	167,242	3,317,394	171,968	106	0	115,099	-17	120	0	5,795	293,071	3,024,323
Market Service	135,843	0	41	0	-1,571	-120	134,193	61,343	0	0	2,527	-1,186	0	0	-96	62,588	71,605
Gas	111,482	262	2,512	-262	-168	-713	113,113	22,035	0	14	3,168	-131	0	0	-487	24,599	88,514
Electricity Service	105,936	0	3,740	0	0	0	109,676	9,324	0	0	4,162	0	0	0	0	13,486	96,190
Total	5,360,527	630,110	982,276	-417,787	-3,771	0	6,551,355	1,903,232	5,039	0	212,948	-3,352	0	0	0	2,117,867	4,433,488
	33,827,756	4,708,502	3,020,934	399,753	-99,528	-1,260	41,856,157	7,645,222	45,315	604	1,455,464	-83,357	12,046	-9	13	9,075,298	32,780,859

APPENDIX B: ETHEKWINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)		2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R'000	R'000	R'000		R'000	R'000	R'000
36,654	228,077	(191,423)	Executive & Council	33,323	244,691	(211,368)
7,205,987	2,354,026	4,851,961	Finance & Admin	7,893,971	3,607,093	4,286,878
226,888	630,376	(403,488)	Planning & Development	230,268	716,575	(486,307)
52,178	300,172	(247,994)	Health	57,610	313,200	(255,590)
48,988	518,264	(469,276)	Community & Social Services	49,481	563,691	(514,210)
1,061,088	1,342,051	(280,963)	Housing	863,931	1,130,023	(266,092)
136,383	962,006	(825,623)	Public Safety	145,592	1,039,661	(894,069)
85,401	862,424	(777,023)	Sport & Recreation	97,851	1,027,911	(930,060)
8,109	111,294	(103,185)	Environmental Protection	1,822	126,020	(124,198)
1,790,823	1,831,951	(41,128)	Waste Management	2,183,176	2,080,393	102,783
620,021	1,455,239	(835,218)	Road Transport	994,763	1,547,797	(553,034)
2,938,748	2,584,584	354,164	Water	3,190,097	2,905,221	284,876
7,486,745	6,266,595	1,220,150	Electricity	8,949,656	7,685,188	1,264,468
71,576	109,570	(37,994)	Other	81,144	128,881	(47,737)
21,769,589	19,556,629	2,212,960	Sub Total	24,772,684	23,116,344	1,656,340
3,521	0	3,521	Share of Income from Joint Venture	9,755	0	9,755
(1,872,074)	(1,872,074)	0	Less Inter-Dep charges	(2,007,401)	(2,007,401)	0
19,901,036	17,684,555	2,216,481	Total	22,775,038	21,108,943	1,666,095

APPENDIX C(1) : ETHEKWINI MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual	2012 Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
REVENUE					
Property rates	4,372,115	4,470,000	(97,885)	(2)	
Property rates - penalties imposed and collection charges	111,867	150,707	(38,840)	(26)	For reasons refer to annexure C(1A): 1
Service Charges	11,428,037	11,979,373	(551,336)	(5)	
Rental of facilities and equipment	406,218	336,236	69,982	21	For reasons refer to annexure C(1A): 2
Interest earned - external investments	221,079	228,306	(7,227)	(3)	
Interest earned - outstanding debtors	92,526	92,451	75	0	
Fines	129,165	219,071	(89,906)	(41)	For reasons refer to annexure C(1A): 3
Licences and permits	40,087	28,578	11,509	40	For reasons refer to annexure C(1A): 4
Government grants and subsidies	3,409,741	5,126,355	(1,716,614)	(33)	For reasons refer to annexure C(1A): 5
Public contributions and donations	13,830	30,000	(16,170)	(54)	
Other income	1,938,878	1,034,257	904,621	87	For reasons refer to annexure C(1A): 6
Fair Value Adjustment	263	0	263		
Gains on disposal of property, plant and equipment	59,984	46,120	13,864		
Donations - PPE	1,759	0	1,759		
Housing Development Income	539,734	864,701	(324,967)		
TOTAL REVENUE	22,765,283	24,606,155	(1,840,872)		
EXPENDITURE					
Executive & Council	244,691	245,768	(1,077)	(0)	
Finance & admin	3,607,093	2,733,392	873,701	32	For reasons refer to annexure C(1A): 7
Planning & Development	716,575	926,563	(209,988)	(23)	For reasons refer to annexure C(1A): 8
Health	313,200	342,880	(29,680)	(9)	
Community & Social Services	563,691	605,242	(41,551)	(7)	
Housing	1,130,023	1,439,292	(309,269)	(21)	For reasons refer to annexure C(1A): 9
Public Safety	1,039,661	1,055,442	(15,781)	(1)	
Sport & Recreation	1,027,911	1,063,053	(35,142)	(3)	
Environmental Protection	126,020	136,306	(10,286)	(8)	
Waste Management	2,080,393	2,157,373	(76,980)	(4)	
Road Transport	1,547,797	1,808,781	(260,984)	(14)	For reasons refer to annexure C(1A): 10
Water	2,905,221	3,218,568	(313,347)	(10)	
Electricity	7,685,187	8,336,029	(650,842)	(8)	
Other	128,881	147,492	(18,611)	(13)	For reasons refer to annexure C(1A):11
Inter-departmental charges	(2,007,401)	(2,124,667)	117,266		
TOTAL EXPENDITURE	21,108,943	22,091,514	(982,571)		
Share of Income from Joint Venture	9,755	0	0		
SURPLUS FOR THE YEAR	1,666,095	2,514,641	(848,546)		

ETHEKWINI MUNICIPALITY

APPENDIX C(1A) : - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

1. Property Rates - Penalties Imposed and Collection Charges - Decrease

The decrease is attributable to the reduction in the collection rate due to the economic downturn.

2. Rental of Facilities and Equipment - Increase

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

3. Fines - Decrease

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. Licences and Permits-Increase

The increase is due to an increase in the number of taxi ranks and an increase in the issue of Public Driver Permits at the municipal test centres.

5. Government Grants and Subsidies - Decrease

- a. There was an anticipation to receive additional Income from the DEAT grant, however this did not materialize .
- b. There were no funds received in respect of the Danish funded urban environment management program as anticipated.

6. Other Income - Increase

The increase is mainly due to VAT Claims - R150m. and additional income from land sales.

7. Finance & Administration - Increase

The substantial increase in Employee related costs is due to the increased Pension and Medical aid contribution Retirement Benefit obligation ,together with the increase in the provision for staff leave.

8. Planning & Development - Decrease

The decrease is mainly due to co-ordinating challenges in the development partnership at Umlazi budgeted as a contribution towards partnership funding of the Municipal Infrastructure at KwaMnyandu Shopping Centre in uMlazi. The Municipal infrastructure will now be built using 2012/2013 budget.

9. Housing - Decrease

The decrease in expenditure is attributable to the delays in awarding of maintenance contract in terms of SCM policies,

10. Road Transport - Decrease

The decrease in expenditure is due to the following:

- a. Reduction in insurance Claims -This is based on the number of accidents that take place and the excess is not recovered from the third party ,this is difficult to predict due to its nature
- b. Decrease in employee related costs due to the delay in filling of vacancies.
- c. No major repairs and maintenance undertaken due to planned capital upgrades.

11. Other - Decrease

- a. Savings due to the delay in filling of vacant posts in the Busines Support,Markets & Durban Tourism Departments.
- b. The Amalgamation of Business Support Unit, Durban Tourism and Markets resulted in the appointment of one Head of Unit,hence,the provision by Durban Tourism was not utilised.

APPENDIX C (2)-ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

Output Unit	2012 actual	2012 under construction	Adjustments	2012 total additions	Revised Budget	2012 variance	2012 variance %	Explanation of Significant Variances greater than 5% versus Budget
	R'000	R'000		R'000	R'000	R'000	%	
Procurement and Infrastructure	2,502,581	353,731		2,856,312	3,676,876	(820,564)		
Housing	23,506	190,344		213,850	728,240	-514,390	-71	Delays experienced in implementing/ upgrading of projects due to a delay in the appointment of new service providers. In addition, tenders for interim services were delayed.
Engineering	387,606	497,183		884,789	907,518	-22,729	-3	
Ethekezi Transport Authority	5,990	115,564		121,554	125,510	-3,956	-3	
Sanitation	157,051	268,957		426,008	482,454	-56,446	-12	Mainly attributable to delays in the awarding of the tenders for the Informal Settlements Ablution Facilities and Northern and KwaMashu WWTW upgrades .
Solid Waste	113,512	45,923		159,435	211,560	-52,125	-25	The commencement of work on the Electron Road Transfer Station delayed by two months resulting in an underspent of approximately (R35m) as well as delays in the Lovu landfill project as a result of land political issues.
Water	831,355	(348,061)		483,294	471,681	11,613	2	
Electricity Service	983,561	(416,179)		567,382	749,913	-182,531	-24	The underspending is mainly attributable to delays in awarding tenders in terms of Supply Chain Management processes
Health and Safety	46,153	233	-	46,386	94,435	-48,049		
Parks, Recreation, Cemeteries & Culture	34,212	(3,844)		30,368	74,745	-44,377	-59	The underspending is due to the delay in obtaining necessary approvals via the SCM process. In addition, the department relies on Architectural Services and Development Engineering for implementation of projects.
Health	11,941	4,077		16,018	19,690	-3,672	-19	The underspending is due to the delay in obtaining necessary approvals via the SCM process. In addition, the department relies on Architectural Services and Development Engineering for implementation of projects.
Safety Social and Security	27,386	(1,171)	-	26,215	57,525	-31,310		
Emergency Services	27,386	(1,171)		26,215	57,525	-31,310	-54	The decrease in expenditure is due to new fire stations not built due to land issue disputes.Also delays in the supply chain management process in obtaining the necessary approvals for the refurbishment of the Illovo Training Centre and fire stations.
Sustainable Development and City Enterprises	48,403	10,694	-	59,097	136,159	-77,062		
Sustainable Development and City Enterprises	48,403	10,694		59,097	136,159	-77,062	-57	Budgeted contribution of R20m could not be made due to partnership with third parties linked with the KwaMnyandu Shopping Centre not being concluded. Delays in land acquisition for projects and supply chain management contributed for the remainder of the underspending.
Treasury	268,528	22,916	-	291,444	374,202	-82,758		
Finance	4,500	1,865		6,365	8,120	-1,755	-22	Savings are due to the shelving project for the storage of files not being implemented. The project has been rolled over to the new year.
Real Estates	122	-		122	3,500	-3,378	-97	R3m was budgeted for the replacement of the Services Lift at Winder Street. Mechanical division were unable to effect the replacement within last financial year. .
Durban Transport	187,866	9,398		197,264	205,117	-7,853	-4	
City Fleet	52,975	25,140		78,115	110,185	-32,070	-29	The underspending is due to the delay in obtaining necessary approvals via the SCM process
Durban Energy Office	23,065	(13,487)		9,578	47,280	-37,702	-80	Street lighting project controlled by Electricity was delayed due to the late receipt of the EEDSM grant by the Energy Office. This was the major contributor to the decreased spending.
Governance	540	16,809	-	17,349	32,480	-15,131		
Governance	540	16,809		17,349	32,480	-15,131	-47	Attributable to delays experienced with the tender process and postponement of the upgrading of Regional Centres due to ownership by the Ngonyama Trust.
Corporate Human Resources	3,958	-	-	3,958	3,889	69		
Human Resources	3,958	-		3,958	3,889	69	2	
City Manager's Office	144,784	(1,851)	-	142,933	191,903	-48,970		
Strategic Projects	63,789	4,287		68,076	86,889	-18,813	-22	The underspending is mainly due to delays in the awarding of contracts due to tender appeals in respect of the Beachfront project.
Information Technology	80,995	(6,138)		74,857	105,014	-30,157	-29	The reason for under expenditure for Capital in IT is due to delays in the procurement process.
Total	3,042,333	401,361	-	3,443,694	4,567,469	(1,123,775)	-	

ETHEKWINI MUNICIPALITY
APPENDIX D - GRANTS AND SUBSIDIES RECEIVED - 30 JUNE 2011/2012

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 CONDITIONS IN TERMS OF GRANT	REASON FOR NON COMPLIANCE
		Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000	Yes/No		
Financial Management Grant	National Treasury	1,250		14,500		719	998	668	9,288			0	0	N/A	Yes	
USDG	National Treasury	363,838	363,868	363,868		47,145	131,014	161,523	723,523			0	0		Yes	N/A
Equitable Share/Subsidy	National Treasury	664,975	531,981	384,846		664,975	531,981	384,846								
Equitable Share - INK	National Treasury														Yes	N/A
Vuna Awards	National Treasury	0	0	0		0	0	798	3						Yes	N/A
DEAT	Provincial Government		6,912		2,638		6,912					0	0		Yes	N/A
NDPG	National Treasury							555	1,536			N/A	N/A	N/A	Yes	N/A
COGTA	National Treasury	0	4,425	2,000			205	696	4,468						Yes	N/A
Grant - Accreditation	Provincial Government														Yes	N/A
Govt Subs - Primary Health	KZN of Health - State				56,111	11,803	11,803	11,803	11,803			0	0		Yes	N/A
Intergrated National Electrificatio prog	Department of Minerals and energy	6,000	0	20,000	4,500	17,371	18,596	21,994	14,788	0	0	0	0	N/A	Yes	N/A
Books	Provincial Government														Yes	N/A
Capital Grants - Dwaf	DWAF			2,000	2,000			2,000	2,000			0	0	N/A	Yes	N/A
NDOT	National /Provincial Treasury	30,000	175,000			6,494	25,437	107,068	215,162			0	0		Yes	N/A
DIT	Provincial Government														Yes	N/A
Department of Arts and Culture	Provincial Government											0	0	0	Yes	N/A
KZN Provincial Grant	Provincial Government		3,002			527	43	364	1,181			0	0	0	Yes	N/A
2010 World cup Host City Iperating	National														Yes	N/A
2010 FIFA World Cup Stadiums Development	National					14,788									Yes	N/A
Demand Management Grant	National Treasury	9,000	16,000	20,000		253	7,152	3,567	2,256	0	0	0	n/a		Yes	N/A
NRF	National Research Foundation	24				16	24	3				0	0		Yes	N/A
Department of Housing	Provincial Government		61,542				29,095	29,097	58,191			0			Yes	N/A
Dept of Arts and Culture	Provincial Government		998				45		509						Yes	N/A
Museum Subsidy	Provincial Government			4,300												
Grant Accreditation					240											
Dept of Arts and Culture	Provincial Government		6,409			87										
Expanded Public Work Incentive Grant	National Treasury								22,860			0	0		Yes	N/A
Municipal Transport Authority	Provincial				1,228	307	307	307	307							
INTERNATIONAL WORLD MATH															Yes	N/A
Grand Total		1,075,087	1,170,137	811,514	66,717	764,485	763,612	725,289	1,067,875	0	0	0	0			

APPENDIX E : ETHEKWINI MUNICIPALITY : MOSES MABHIDA STADIUM - DETAILED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2012 R'000	2011 R'000
REVENUE		
Rental of facilities and equipment	63,963	31,045
Rent Non Bowl Events	21,976	10,179
Rent Bowl Events	15,152	4,720
Rent Shops	13,666	6,523
Suites & Business Clubs	12,756	9,499
Rent Parking Bays	412	123
Interest earned – external investments	30	0
Interest Received	30	0
Government grants and subsidies (Capital)	14,789	10,779
Fifa World Cup Stadium	14,789	10,779
Other income	7,534	26,977
Adventure Walk	71	71
Food & Beverage	0	5,299
Commission Received	0	54
Mobile Kiosks	201	0
Skycar	5,556	5,161
Stadium Income	0	15,760
Stadium Tours	811	631
Sundry Income	895	0
Total operating revenue	86,315	68,801
EXPENDITURE		
Bad Debts	1,499	734
Bad Debts Provision	1,499	734
Depreciation – Property, Plant and Equipment	115,380	-2,604
Depreciation	115,380	-2,604
Contracted Services	4,200	4,200
Management Fees	4,200	4,200
Impairments	120	0
Impairments – Property Plant & Equipment	120	0
General expenses	91,119	87,519
Electricity	11,039	9,676
Hire of Temporary Seats	0	10,779
Refuse Removal	565	690
Stadium Operational Costs	77,207	63,309
Water	2,308	3,066
Loss on disposal of property, plant and equipment	17	0
Loss on Disposal of Assets	17	0
Total operating expenditure	212,335	89,848
DEFICIT FOR THE YEAR	-126,020	-21,047