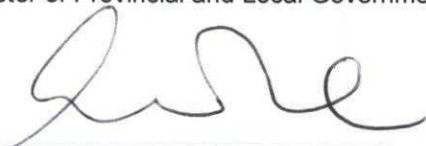


ETHEKWINI MUNICIPALITY  
AND IT'S MUNICIPAL ENTITIES  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

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I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 95, 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 29 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



\_\_\_\_\_  
Municipal Manager

Durban

5 December 2012

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year Ended 30 June 2012

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

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# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## INDEX

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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
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
D' MOSS	Durban Metropolitan Open Space System
ABM	Area Based Management
DANIDA	Danish International Development Agency
SCMR	Supply Chain Management Regulations
DOHS	Department of Human Settlements

# eThekweni Municipality and its Municipal Entities

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)	Group		Municipality	
		2012	2011	2012	2011
<b>NET ASSETS AND LIABILITIES</b>					
<b>NET ASSETS</b>					
Housing development fund	2	260,454	278,807	260,454	278,807
Accumulated Surplus		25,263,284	23,458,841	24,657,555	22,888,138
		<b>25,523,738</b>	<b>23,737,648</b>	<b>24,918,009</b>	<b>23,166,945</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Long-term liabilities	3	10,013,000	9,516,893	9,906,679	9,418,040
Non-current provisions	4	288,260	253,943	288,260	253,943
Retirement benefit obligations	5	2,664,486	1,610,806	2,664,486	1,610,806
		<b>12,965,746</b>	<b>11,381,642</b>	<b>12,859,425</b>	<b>11,282,789</b>
<b>Current Liabilities</b>					
Deposits	6	1,081,004	957,763	1,064,895	936,733
Current portion of Retirement benefit obligations	5	259,181	137,356	259,181	137,356
Current provisions	4	38,801	35,672	34,919	33,018
Creditors	7	4,838,962	4,356,297	4,843,862	4,358,302
Unspent conditional grants and receipts	8	599,421	767,738	599,421	767,738
Bank overdraft	9	632,402	542,364	632,402	542,364
Current portion of long-term liabilities	3	773,025	693,058	772,327	692,416
		<b>8,222,796</b>	<b>7,490,248</b>	<b>8,207,007</b>	<b>7,467,927</b>
<b>Total Liabilities</b>		<b>21,188,542</b>	<b>18,871,890</b>	<b>21,066,432</b>	<b>18,750,716</b>
<b>Total Net Assets and Liabilities</b>		<b>46,712,280</b>	<b>42,609,538</b>	<b>45,984,441</b>	<b>41,917,661</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	10	33,870,555	31,960,298	32,786,820	30,844,618
Intangible assets	11	631,713	635,677	630,625	634,394
Investment properties	12	376,451	383,486	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	283,474	286,277	283,474
Deferred Revenue		5,977	7,515	-	-
		<b>35,170,973</b>	<b>33,270,450</b>	<b>34,688,200</b>	<b>32,775,747</b>
<b>Current Assets</b>					
Inventories	18	240,744	216,592	235,411	211,406
Investments	14	3,500,000	2,450,000	3,500,000	2,450,000
Consumer debtors	19	2,754,804	2,594,830	2,753,087	2,590,485
Debtors	20	2,847,456	2,669,216	2,834,316	2,645,000
VAT	22	27,211	36,098	26,622	39,019
Current portion of Long-term Receivables	17	13,207	5,962	13,207	5,962
Call investment deposits	21	1,374,465	681,771	1,230,000	590,000
Bank balances and cash	9	783,420	684,619	703,598	610,042
		<b>11,541,307</b>	<b>9,339,088</b>	<b>11,296,241</b>	<b>9,141,914</b>
<b>Total Assets</b>		<b>46,712,280</b>	<b>42,609,538</b>	<b>45,984,441</b>	<b>41,917,661</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group		Municipality	
		2012	2011	2012	2011
<b>Revenue</b>		<b>19,950,549</b>	<b>17,262,277</b>	<b>19,911,060</b>	<b>17,223,418</b>
Property rates	23	4,353,757	4,070,801	4,372,115	4,088,337
Property rates - penalties imposed and collection		111,867	81,854	111,867	81,854
Service charges	24	11,394,609	9,891,173	11,428,037	9,917,898
Rental of facilities and equipment		494,954	433,768	406,218	353,483
Fines		129,165	129,284	129,165	129,284
Licences and permits		40,087	29,640	40,087	29,640
Grants and subsidies	25	3,409,741	2,613,046	3,409,741	2,613,046
Public contributions and donations		16,369	12,711	13,830	9,876
<b>Other income</b>		<b>2,549,923</b>	<b>2,027,788</b>	<b>2,320,277</b>	<b>1,833,431</b>
Other income	26	2,158,418	1,740,668	1,939,394	1,553,680
Interest earned - external investments		231,692	134,414	221,079	125,809
Interest earned - outstanding debtors		92,526	85,955	92,526	85,955
Gains on disposal of property, plant and equipment		65,265	48,319	65,256	48,123
Reversal of Impairment - PPE		-	3,576	-	3,576
Donations - PPE		1,759	1,166	1,759	1,166
Reversal of Loss on Impairment of Loans		-	-	-	1,561
Fair value adjustments	27	263	13,690	263	13,561
<b>Total Revenue</b>		<b>22,500,472</b>	<b>19,290,065</b>	<b>22,231,337</b>	<b>19,056,849</b>
<b>Expenditure</b>					
Employee related costs	28	6,576,031	4,914,202	6,475,740	4,812,870
Remuneration of councillors	29	84,751	77,919	84,751	77,919
Bad debts		394,630	628,768	393,592	628,148
Depreciation - Property, Plant and Equipment	10	1,523,993	1,423,212	1,461,236	1,355,848
Amortisation of intangible assets	11	62,820	43,427	62,112	42,288
Repairs and maintenance		1,821,525	1,229,694	1,804,896	1,214,407
Finance costs	30	860,878	692,817	855,068	687,219
Bulk purchases	31	6,666,970	5,495,517	6,666,970	5,495,517
Contracted Services		1,051,833	877,956	1,037,648	863,553
Grants and subsidies paid	32	126,094	132,121	141,694	142,621
Housing: Development Expenditure		65,668	-	65,668	-
General expenses	33	1,449,749	1,803,053	1,378,988	1,699,139
Loss on disposal of property, plant and equipment		7,075	877	6,256	329
Depreciation - Investment Properties	12	4,322	4,325	1,809	1,805
Loss on Impairment of Investment in Municipal Entity		-	-	35,557	56,929
Impairment Loss - Property, Plant and Equipment		12,037	2,975	12,037	2,975
Fair value adjustment	27	6,006	-	6,006	-
<b>Total Expenditure</b>		<b>20,714,382</b>	<b>17,326,863</b>	<b>20,490,028</b>	<b>17,081,567</b>
<b>Operating surplus</b>		<b>1,786,090</b>	<b>1,963,202</b>	<b>1,741,309</b>	<b>1,975,282</b>
Share of Income from Joint Venture		-	-	9,755	3,521
<b>Surplus for the year</b>		<b>1,786,090</b>	<b>1,963,202</b>	<b>1,751,064</b>	<b>1,978,803</b>

Refer to Note 51 for comparison with the approved budget

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated Surplus	Net Assets
<b>Group</b>			
Opening balance as previously reported	341,225	20,955,042	21,296,267
Adjustments:			
Prior year adjustments (prior to 2010/11)		478,178	478,178
<b>Balance at 01 July 2010 as restated</b>	<b>341,225</b>	<b>21,433,220</b>	<b>21,774,445</b>
Transfer to Housing Development Fund	(62,418)	62,418	-
Surplus for the year as previously reported		2,174,349	2,174,349
Opening balance as previously reported	278,807	23,669,987	23,948,794
Prior year adjustments (2010/11)		(211,146)	(211,146)
<b>Balance at 01 July 2011 as restated</b>	<b>278,807</b>	<b>23,458,841</b>	<b>23,737,648</b>
Transfer to Housing Development Fund	(18,353)	18,353	-
Surplus for the year		1,786,090	1,786,090
<b>Balance at 30 June 2012</b>	<b>260,454</b>	<b>25,263,284</b>	<b>25,523,738</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated Surplus	Net Assets
<b>Municipality</b>			
Opening balance as previously reported	341,225	20,376,172	20,717,397
Adjustments:			
Prior year adjustments (prior to 2010/11)		470,744	470,744
<b>Balance at 01 July 2010 as restated</b>	<b>341,225</b>	<b>20,846,916</b>	<b>21,188,141</b>
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	23,100,638	23,379,445
Adjustments:			
Prior year adjustments (2010/11)		(212,500)	(212,500)
<b>Balance at 01 July 2011 as restated</b>	<b>278,807</b>	<b>22,888,138</b>	<b>23,166,945</b>
Transfer to Housing Development Fund	(18,353)	18,353	-
Surplus for the year		1,751,064	1,751,064
<b>Balance at 30 June 2012</b>	<b>260,454</b>	<b>24,657,555</b>	<b>24,918,009</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

Figures in Rand thousand	Note(s)	Group		Municipality	
		2012	2011	2012	2011
<b>Cash flows from operating activities</b>					
Cash receipts from ratepayers, government and other		21,345,552	18,670,721	21,065,456	18,115,320
Cash paid to suppliers and employees		(16,180,576)	(14,579,546)	(15,976,686)	(14,116,651)
Cash generated from operations	34	5,164,976	4,091,175	5,088,770	3,998,669
Interest income		324,218	220,369	313,605	211,764
Finance Costs		(860,878)	(692,817)	(855,068)	(687,219)
<b>Net cash from operating activities</b>		<b>4,628,316</b>	<b>3,618,727</b>	<b>4,547,307</b>	<b>3,523,214</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10	(3,457,591)	(3,679,069)	(3,425,896)	(3,666,038)
Proceeds on disposal of property, plant and equipment, Investment properties and Intangible assets	10,11&12	72,685	81,732	71,071	81,406
Purchase of other intangible assets	11	(57,575)	(120,553)	(57,062)	(119,839)
(Increase) / decrease in non-current receivables		(10,452)	25,698	(10,452)	25,698
Increase in Investment in Municipal Entities		-	-	-	(10,440)
Decrease in Joint Venture loan account		-	-	-	70,000
<b>Net cash from investing activities</b>		<b>(3,452,933)</b>	<b>(3,692,192)</b>	<b>(3,422,339)</b>	<b>(3,619,213)</b>
<b>Cash flows from financing activities</b>					
Loans repaid		(431,450)	(564,198)	(431,450)	(564,230)
New loans raised		1,007,524	2,006,824	1,000,000	2,000,000
<b>Net cash from financing activities</b>		<b>576,074</b>	<b>1,442,626</b>	<b>568,550</b>	<b>1,435,770</b>
<b>Total cash movement for the year</b>		<b>1,751,457</b>	<b>1,369,161</b>	<b>1,693,518</b>	<b>1,339,771</b>
Cash at the beginning of the year		3,274,026	1,904,865	3,107,678	1,767,907
<b>Total cash at end of the year</b>	9	<b>5,025,483</b>	<b>3,274,026</b>	<b>4,801,196</b>	<b>3,107,678</b>



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 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
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.

# eThekwi Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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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

IIAS 12 (AC 102) Income Taxes

ISIC - 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

GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-generating Assets

GRAP 104 Financial Instruments

Standard 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 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality, Joint Venture and the Transport Authority.

On acquisition, the assets and liabilities of a entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of the entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

### 1.2 Presentation of currency

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

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.3 Going concern assumption

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

### 1.4 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 20: Related Party Disclosures-issued June 2011:**

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

#### **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.

#### **GRAP 105: Transfer of functions between entities under common control - issued November 2010:**

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities under common control exists in the current year.

#### **GRAP 106: Transfer of functions between entities not under common control - issued November 2010:**

Compliance with this standard will not have an impact on the current financial information as no transactions relating to the transfer of functions between entities not under common control exists in the current year.

#### **GRAP 107: Mergers - issued November 2010:**

Compliance with this standard will not have an impact on the current financial information as no transactions relating to mergers exists in the current year.

### 1.5 Housing Development Fund

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

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

---

### 1.6 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 and Impairment

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.

The Municipality tests for impairment where there is an indication that a property 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 investment property 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.

#### Subsequent Measurement

Investment properties is carried at cost less depreciation less any accumulated impairment losses.

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 - 80 years

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

---

### 1.7 Property, plant and equipment

#### Initial Recognition

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives.

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

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

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

#### Subsequent Measurement

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

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

#### Depreciation and Impairment:

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated 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	2 - 10 years
• Vehicles	5 - 7 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

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.7 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
• Biological assets	50 - 85 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 1.16 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.

### 1.8 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.



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## ACCOUNTING POLICIES

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### 1.8 Intangible assets (continued) Amortisation and Impairment

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

Computer Software 2 - 15 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.

### 1.9 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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

### 1.10 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.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.10 Financial instruments (continued)

#### Debtors

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

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

#### Creditors

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

#### Cash and cash equivalents

These are initially and subsequently recorded at fair value.

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

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

#### Borrowings and other financial liabilities

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

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

Other financial liabilities are carried at amortised cost.

#### Loans and receivables

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

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

### 1.11 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.



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.11.1 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.

### 1.12 Investments in municipal entities

#### Group annual financial statements

The group annual financial statements include those of the municipality and its municipal entities. The results of the municipal entities are included from the effective date of acquisition.

On acquisition the group recognises the municipal entities's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

#### Municipal annual financial statements

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment.

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

The recoverable amount of an investment in municipal entities is the higher of its fair value less costs to sell and its carrying value.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in profit or loss.

Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments.

### 1.13 Investment in joint venture

#### Group annual financial statements

An investment in a joint venture is accounted for using the proportionate consolidation method, except when the asset is classified as held-for-sale. Under the proportionate consolidation method the group's share of each of the assets, liabilities, income and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

#### Municipal annual financial statements

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.

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

The recoverable amount of an investment in a joint venture is the higher of its fair value less costs to sell and its carrying value.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.13 Investment in joint venture (continued)

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in profit or loss.

### 1.14 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

Net realisable value is the estimated selling price in the ordinary course of operations.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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.

### 1.15 Borrowing costs

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

### 1.16 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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.17 Retirement Benefits

#### 1.17.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### 1.17.2 Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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.

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

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

#### 1.17.3 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 following are defined benefit funds:

- Durban Pension Fund
- Government Employee's Pension Fund
- SALA
- Natal Joint Municipal Pension Fund - Superannuation
- Natal Joint Municipal Pension Fund - Retirement

The following are defined contribution funds:

- KZN Pension Fund
- Multi Linked

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

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

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.17 Retirement Benefits (continued)

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.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Durban Marine Theme Park (Proprietary) Limited reimburses uShaka Management (Pty) Ltd for the cost of the Provident Fund maintained by it for staff who work at uShaka Marine World. All such staff are obliged to be members of the Provident Fund which is governed by the Pension Funds Act of 1956. Contributions are based on a percentage of the payroll and charged to the Statement of Financial Performance in the year to which they relate.

All staff of the I.C.C. Durban (Proprietary) Limited are members of the I.C.C. Pension Fund which is a defined contribution fund.

#### 1.17.4 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.

### 1.18 Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in note 5.

### 1.19 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.

# eThekwini Municipality and its Municipal Entities

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## ACCOUNTING POLICIES

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### 1.19 Revenue (continued)

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.

Durban Marine Theme Park (Proprietary) Limited recognises revenue from entrance parking fees and sales immediately upon receipt. All other revenue is recognised as it accrues.

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 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.

### 1.20 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.

### 1.21 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



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.21 Leases (continued)

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.

### 1.22 Tax

#### Deferred income tax

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

Deferred income tax, with respect to Municipal entities, is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

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

### 1.23 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.

### 1.24 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.

### 1.25 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.

# eThekweni Municipality and its Municipal Entities

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## ACCOUNTING POLICIES

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### 1.26 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.

### 1.27 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.

### 1.28 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Post Retirement Benefits and Multi-Employer Retirement Benefit Plans

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in note 5.

#### Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition.

#### Impairment testing

Management used the fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note - Impairment of assets

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 4 - Provisions.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- the municipality has a present obligation (legal or constructive) 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 amount of the obligation.

# eThekwini Municipality and its Municipal Entities

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## ACCOUNTING POLICIES

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### 1.29 Budget Information

The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury. Refer to note 51 - Statement of comparative and actual information.

### 1.30 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality / entity. Refer note 35 - Related Parties.

### 1.31 Comparatives Information

#### Current year comparatives

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

#### 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.

### 1.32 Capital Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability. Refer to note 33 - Capital Commitments.



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>2. HOUSING DEVELOPMENT FUND</b>				
<b>Housing Development Fund</b>				
Accumulated Surplus	(6,525)	11,828	(6,525)	11,828
Loans extinguished by Government on 1 April 1998	266,979	266,979	266,979	266,979
<b>Total</b>	<b>260,454</b>	<b>278,807</b>	<b>260,454</b>	<b>278,807</b>
<b>The Housing Development Fund is represented by the following assets and liabilities:</b>				
Property, plant and equipment	10 71,608	74,503	71,608	74,503
Housing selling scheme loans	127,242	130,761	127,242	130,761
Housing rental Debtors	35,187	34,053	35,187	34,053
Housing other Debtors	272	6,121	272	6,121
Housing inventory	94	137	94	137
Investments	92,398	12,398	92,398	12,398
Investment properties	17,177	17,544	17,177	17,544
Bank and cash	4	92,130	4	92,130
Intangible Assets	-	9	-	9
<b>Sub-total</b>	<b>343,982</b>	<b>367,656</b>	<b>343,982</b>	<b>367,656</b>
Long-term liabilities	(354)	(391)	(354)	(391)
Unspent Conditional Grants	(45,751)	(58,754)	(45,751)	(58,754)
Creditors	(7,012)	(9,885)	(7,012)	(9,885)
Bank Overdraft	(10,592)	-	(10,592)	-
Government Grant Reserve	(19,819)	(19,819)	(19,819)	(19,819)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>260,454</b>	<b>278,807</b>	<b>260,454</b>	<b>278,807</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>3. LONG-TERM LIABILITIES</b>				
Annuity Loans	10,682,462	10,114,553	10,678,806	10,110,256
Debentures and Local Registered Stock Loans	103,563	95,398	200	200
<b>Sub-total</b>	<b>10,786,025</b>	<b>10,209,951</b>	<b>10,679,006</b>	<b>10,110,456</b>
<b>Current portion of long term liabilities</b>				
Annuity Loans	772,825	693,058	772,127	692,416
Debentures and Local Registered Stock Loans	200	-	200	-
<b>Sub-total</b>	<b>773,025</b>	<b>693,058</b>	<b>772,327</b>	<b>692,416</b>
<b>Non-current liabilities</b>				
Long term Portion	<b>10,013,000</b>	<b>9,516,893</b>	<b>9,906,679</b>	<b>9,418,040</b>

The fair value of all long term loans 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.

Ushaka:Debentures:

The unsecured convertible debenture bears interest at a non-compounding rate of 13% per annum. The accrued interest is payable at the end of the twelfth year of the issued debenture. The debenture is convertible at the option of the holder into ordinary shares of the company at anytime during 12 years from date of issue. Should the holder not exercise the option to convert, the debenture is redeemable at the option of either the issuer or the bearer after the 12 years from date of issue. On redemption the debenture capital is repayable in three equal annual tranches during 2017, 2018 and 2019.

All other loans are unsecured.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 4. PROVISIONS

#### Reconciliation of provisions - Group - 2012

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
<b>Current</b>					
Long service awards	8,577	458	(558)	-	8,477
Performance bonus, leave pay and overtime	17,862	10,894	(10,078)	-	18,678
Clearance of Alien Vegetation	9,233	10,037	(7,624)	-	11,646
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	58,744	2,275	-	5,287	66,306
Clearance of Alien Vegetation	20,048	1,852	-	-	21,900
Long service awards	175,151	24,903	-	-	200,054
	<b>289,615</b>	<b>50,419</b>	<b>(18,260)</b>	<b>5,287</b>	<b>327,061</b>

#### Reconciliation of provisions - Group - 2011

	Opening Balance	Additions/(Prior year overprovision)	Utilised during the year	Interest charged	Total
<b>Current</b>					
Clearance of Alien Vegetation	6,830	7,893	(5,490)	-	9,233
Performance bonus, leave pay and overtime	19,573	4,448	(6,159)	-	17,862
Long service awards	7,792	1,591	(806)	-	8,577
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	47,239	7,253	-	4,252	58,744
Clearance of Alien Vegetation	17,878	2,170	-	-	20,048
Long service awards	196,858	(21,707)	-	-	175,151
	<b>296,170</b>	<b>1,648</b>	<b>(12,455)</b>	<b>4,252</b>	<b>289,615</b>

#### Reconciliation of provisions - Municipality - 2012

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
<b>Current</b>					
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
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	58,744	2,275	-	5,287	66,306
Clearance of Alien Vegetation	20,048	1,852	-	-	21,900
Long service awards	175,151	24,903	-	-	200,054
	<b>286,961</b>	<b>46,537</b>	<b>(15,606)</b>	<b>5,287</b>	<b>323,179</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 4. Provisions (continued)

#### Reconciliation of provisions - Municipality - 2011

	Opening Balance	Additions/(Prior year overprovision)	Utilised during the year	Interest charged	Total
<b>Current</b>					
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
<b>Non-current</b>					
Environmental rehabilitation: Landfill sites	47,239	7,253	-	4,252	58,744
Clearance of Alien Vegetation	17,878	2,170	-	-	20,048
Long service awards	196,858	(21,707)	-	-	175,151
	<b>293,503</b>	<b>1,648</b>	<b>(12,442)</b>	<b>4,252</b>	<b>286,961</b>

	Group Y-2012	Group Y-2011	Municipality Y-2012	Municipality Y-2011
Non-current liabilities	288,260	253,943	288,260	253,943
Current liabilities	38,801	35,672	34,919	33,018
	<b>327,061</b>	<b>289,615</b>	<b>323,179</b>	<b>286,961</b>

#### 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.

The following assumptions were used to calculate the provision:

- Discount rate of 9% (2011: 9%);
- Inflation rate of 5.5% (2011: 5%);
- Total area expected to be rehabilitated: 738 000 square metres;
- Rate per square metre: R123 (2011:R117) escalating every year by inflation rate;
- 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.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 4. Provisions (continued)

The total rehabilitation can be reconciled as follows:

Name	O/ Balance	Interest	Additions	C/ Balance
Bisasa	38 453	3 461	602	42 516
Maranhill	10 847	976	634	12 457
Wyebank	4 175	377	199	4 751
Shallcross	3 595	323	250	4 168
Buffelsdraai	1 674	150	590	2 414
<b>TOTALS:</b>	<b>58 744</b>	<b>5 287</b>	<b>2 275</b>	<b>66 306</b>

#### 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.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 4. Provisions (continued)

#### 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: R5200.00 / Ha).

#### Performance Bonus

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

### 5. RETIREMENT BENEFIT OBLIGATIONS

#### 5.1. Retirement Benefit Obligations

##### Statement of Financial Position obligation for:

Post-employment medical benefits	2,752,683	2,067,082	2,752,683	2,067,082
Pension benefits	170,984	(318,920)	170,984	(318,920)
<b>Balance at end of year</b>	<b>2,923,667</b>	<b>1,748,162</b>	<b>2,923,667</b>	<b>1,748,162</b>
Non-current Liabilities	2,664,486	1,610,806	2,664,486	1,610,806
Current Liabilities	259,181	137,356	259,181	137,356
	<b>2,923,667</b>	<b>1,748,162</b>	<b>2,923,667</b>	<b>1,748,162</b>

#### Actuarial Valuations:

The actuarial valuations were done by Price Waterhouse Coopers Actuarial Management Solutions (2011: Old Mutual Actuaries and Consultants and Alexander Forbes), an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Certain assumptions applied in the current period were revised by Price Waterhouse Coopers Actuarial Management Solutions and are summarised in the reconciliation of the actuarial losses.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 5. Retirement benefit obligations (continued)

#### Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Change in calculation model	(226,290)	-	(226,290)	-
Change in gross discount rate	264,185	-	264,185	-
Change in health care cost inflation assumption	(227,185)	-	(227,185)	-
Change in mortality assumption	(216,016)	-	(216,016)	-
Introduction of ill-health assumption	(258,926)	-	(258,926)	-
Change in active's percentage married assumption	91,874	-	91,874	-
Actual vs expected change in subsidies	707,190	-	707,190	-
Increase in proportion of pensioners married	(212,493)	-	(212,493)	-
Experience variance and data changes	(431,246)	-	(431,246)	-
	<b>(508,907)</b>	<b>-</b>	<b>(508,907)</b>	<b>-</b>

#### Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Change in calculation model	(114,079)	-	(114,079)	-
Change in economic assumptions	(1,409,883)	-	(1,409,883)	-
Change in demographic assumptions	(283,975)	-	(283,975)	-
Experience variance and data changes	(77,828)	-	(77,828)	-
	<b>(1,885,765)</b>	<b>-</b>	<b>(1,885,765)</b>	<b>-</b>

#### Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	685,601	175,026	685,601	175,026
Pension Benefits: Contribution to Funds	489,904	641,589	489,904	641,589
<b>Total, included in employee benefits expense</b>	<b>1,175,505</b>	<b>816,615</b>	<b>1,175,505</b>	<b>816,615</b>

#### 5.1.1. Post-Retirement Medical Aid Plan

The municipality operates on 5 accredited medical aid schemes, namely Key Health, Hosmed, 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	2,067,082	1,892,056
Current service cost	88,412	85,949	88,412	85,949
Interest cost	170,195	171,672	170,195	171,672
Actuarial (gains) losses	508,907	(13,736)	508,907	(13,736)
Benefit payments	(81,913)	(68,859)	(81,913)	(68,859)
<b>Balance at end of year</b>	<b>2,752,683</b>	<b>2,067,082</b>	<b>2,752,683</b>	<b>2,067,082</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>5. Retirement benefit obligations (continued)</b>				
<b>Net expense recognised in the Statement of financial performance</b>				
Current service cost	88,412	85,949	88,412	85,949
Interest cost	170,195	171,672	170,195	171,672
Actuarial (gains) losses	508,907	(13,736)	508,907	(13,736)
Benefit payments	(81,913)	(68,859)	(81,913)	(68,859)
<b>Total, included in employee benefits expense</b>	<b>685,601</b>	<b>175,026</b>	<b>685,601</b>	<b>175,026</b>

### 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	-	-	-	-	-
<b>Present Value of Obligations in excess of Plan Assets</b>	<b>1,395,452</b>	<b>1,589,173</b>	<b>1,892,056</b>	<b>2,067,082</b>	<b>2,752,683</b>

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

	Health Care cost Inflation		
	Central Assumption 7.5%	-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 %
<b>Sensitivity Results from Previous Valuation</b>	<b>Central Assumption 6.9%</b>	<b>-1%</b>	<b>+1%</b>
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 %

**Disclosure Requirement Paragraph 120A(q) of IAS 19 (AC116):** The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R139.1million.



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 5. Retirement benefit obligations (continued)

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	9.10 %	8.40 %	9.10 %	8.40 %
General increases to medical aid contributions	7.50 %	6.90 %	7.50 %	6.90 %
Salary Inflation	6.00 %	6.00 %	6.00 %	6.00 %
Expected retirement age	63	63	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %	100.00 %	100.00 %
Proportion of retiring members who are married	90.00 %	100.00 %	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 %	7.85 %	7.85 %
Age 25	5.67 %	5.67 %	5.67 %	5.67 %
Age 30	4.20 %	4.20 %	4.20 %	4.20 %
Age 35	3.31 %	3.31 %	3.31 %	3.31 %
Age 40	2.23 %	2.23 %	2.23 %	2.23 %
Age 45	1.21 %	1.21 %	1.21 %	1.21 %
Age 50	0.55 %	0.55 %	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %	0.00 %	0.00 %

#### 5.1.2. Pension benefits

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

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

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 5. Retirement benefit obligations (continued)

<b>Net expense recognised in the Statement of financial performance</b>				
Service cost	(122,656)	(110,780)	(122,656)	(110,780)
Interest cost	(641,239)	(649,868)	(641,239)	(649,868)
Expected return on assets	803,239	789,436	803,239	789,436
Net actuarial gains / (losses) recognised in the year	(1,734,471)	196,277	(1,734,471)	196,277
Change in unrecognised due to net asset limit	1,136,123	(93,220)	1,136,123	(93,220)
	<b>(559,004)</b>	<b>131,845</b>	<b>(559,004)</b>	<b>131,845</b>

#### Movement in the defined benefit obligation is as follows:

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

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

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

#### Disclosure in terms of par.120A(p) of IAS 19

Defined benefit obligation	(9,486,188)	(9,486,188)
Plan assets	9,315,204	9,315,204
Funded status (before applying the net asset limit)	(170,894)	(170,894)
Experience adjustments on plan liabilities	(77,828)	(77,828)
Experience adjustments on plan assets	151,294	151,294
<b>Only the current year is shown as the previous year's information is unavailable.</b>	<b>-</b>	<b>-</b>

# eThekwini Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
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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 %	8.30 %	8.75 %
Expected return on plan assets	10.00 %	9.25 %	10.00 %	9.25 %
Future salary increases	6.50 %	6.75 %	6.50 %	6.75 %
Future pension increases	5.50 %	4.07 %	5.50 %	4.07 %

#### Examples of mortality rates used were as follows:

##### Active members (All):

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

#### **Financial Position of KZN Municipal Pension Fund and Durban Pension Fund :**

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 2007-06-30 (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 (2011-01-01: R8.56 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.

#### **Multi-Employer Retirement Benefit Plans:**

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMP), SALA, Multi Linked and GEPF. 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.

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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<b>6. DEPOSITS</b>				
I.C.C. : Clients Deposits	14,693	20,036	-	-
Electricity	780,028	686,376	780,028	686,868
Water	225,328	194,976	225,328	194,976
Interest	59,539	54,889	59,539	54,889
Ushaka:Rental Deposits	1,416	1,486	-	-
<b>Total Deposits</b>	<b>1,081,004</b>	<b>957,763</b>	<b>1,064,895</b>	<b>936,733</b>

Included in eThekweni Municipality's 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	1,996,364	1,982,039	1,974,949	1,956,125
Payments received in advance	79,517	78,368	79,517	78,368
Income received in advance - D.O.H.S.	1,051,294	873,520	1,051,294	873,520
Retentions	119,709	119,191	119,709	119,191
Bank Deposits not yet receipted	181,668	135,545	181,668	135,545
Staff leave	302,269	280,742	302,269	280,742
Other payables	1,087,024	878,359	1,113,339	906,278
Deferred expenditure	30,212	23,634	30,212	23,634
Adjustment for fair value at amortised cost	(9,095)	(15,101)	(9,095)	(15,101)
<b>Total Creditors</b>	<b>4,838,962</b>	<b>4,356,297</b>	<b>4,843,862</b>	<b>4,358,302</b>

### 8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

#### Conditional Grants from other spheres of Government:

Electricity Demand Side Management Grant	35,051	3,279	35,051	3,279
Department of Provincial and Local Government	2,000	2,000	2,000	2,000
Department of Local Government and Traditional Affairs	8,867	7,311	8,867	7,311
Department of Transport and Public Transport Infrastructure	168,697	317,859	168,697	317,859
Department of Economic Activity and various Industries	4,195	1,557	4,195	1,557
Expanded Public Works Incentive Grant	-	22,860	-	22,860
Neighbourhood Development Partnership Grant	-	2,091	-	2,091
2010 KZN Government Grant	-	14,789	-	14,789
Vuna Awards	2,098	2,898	2,098	2,898
Urban Settlement Development Grant	28,369	-	28,369	-
Grant Accreditaion	59	299	59	299
Metropolitan Transport Authority - Taxi Ranks	32	32	32	32
Department of Human Settlements	143,291	198,132	143,291	198,132
Lamontville and R293 Trf Deeds / Administration	1,556	1,556	1,556	1,556

# eThekweni Municipality and its Municipal Entities

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	2012	2011	2012	2011

### 8. Unspent conditional grants and receipts (continued)

#### Other Conditional Receipts

European Union	8,405	9,923	8,405	9,923
Donations and Public Contributions	125,448	129,866	125,448	129,866
DANIDA	295	-	295	936
D Moss Interest and Land Sales	8,362	8,362	8,362	8,362
Other Grants and Subsidies	62,696	44,924	62,696	43,988
<b>Total Conditional Grants and Receipts</b>	<b>599,421</b>	<b>767,738</b>	<b>599,421</b>	<b>767,738</b>

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.

### 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	7,185	8,058	5,714	7,165
Bank balances	776,235	676,561	697,884	602,877
Bank balances and cash	783,420	684,619	703,598	610,042
Bank overdraft	(632,402)	(542,364)	(632,402)	(542,364)
Call Investment Deposits	151,018	142,255	71,196	67,678
Investments	1,374,465	681,771	1,230,000	590,000
	3,500,000	2,450,000	3,500,000	2,450,000
<b>Cash and cash equivalents</b>	<b>5,025,483</b>	<b>3,274,026</b>	<b>4,801,196</b>	<b>3,107,678</b>

### 10. PROPERTY, PLANT AND EQUIPMENT

Group	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	4,935,293	(881,790)	4,053,503	4,666,470	(768,470)	3,898,000
Infrastructure	28,674,824	(5,385,061)	23,289,763	24,722,540	(4,379,221)	20,343,319
Community	4,667,834	(577,657)	4,090,177	4,899,512	(569,481)	4,330,031
Other	4,965,604	(2,609,601)	2,356,003	5,593,555	(2,289,102)	3,304,453
Heritage	9,501	-	9,501	9,992	-	9,992
Housing Development Fund	134,193	(62,585)	71,608	135,843	(61,340)	74,503
<b>Total</b>	<b>43,387,249</b>	<b>(9,516,694)</b>	<b>33,870,555</b>	<b>40,027,912</b>	<b>(8,067,614)</b>	<b>31,960,298</b>

Municipality	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	3,609,767	(584,103)	3,025,664	3,357,033	(512,539)	2,844,494
Infrastructure	28,674,824	(5,385,061)	23,289,763	24,722,540	(4,379,221)	20,343,319
Community	4,667,834	(577,657)	4,090,177	4,899,512	(569,481)	4,330,031
Other	4,774,190	(2,474,083)	2,300,107	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
<b>Total</b>	<b>41,870,309</b>	<b>(9,083,489)</b>	<b>32,786,820</b>	<b>38,534,854</b>	<b>(7,690,236)</b>	<b>30,844,618</b>

# eThekwini Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 10. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - Group - 2012

	Opening Balance	Additions	Disposals	Transfers	Work-in-Progress	Depreciation	Impairment deficit	Total
Land and Buildings	3,898,000	149,036	(16)	31,512	107,257	(132,183)	(103)	4,053,503
Infrastructure	20,343,319	2,309,973	-	1,174,913	202,669	(740,349)	(762)	23,289,763
Community	4,330,031	49,694	(18)	(176,525)	23,886	(130,603)	(6,288)	4,090,177
Other	3,304,453	626,476	(11,363)	(1,030,666)	(9,682)	(518,331)	(4,884)	2,356,003
Heritage	9,992	2,065	-	(491)	(2,065)	-	-	9,501
Housing Development Fund	74,503	41	(385)	(24)	-	(2,527)	-	71,608
	<b>31,960,298</b>	<b>3,137,285</b>	<b>(11,782)</b>	<b>(1,281)</b>	<b>322,065</b>	<b>(1,523,993)</b>	<b>(12,037)</b>	<b>33,870,555</b>

### Reconciliation of property, plant and equipment - Group - 2011

	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment deficit	Total
Land and Buildings	3,782,299	81,077	(19)	130,909	28,915	(125,181)	-	3,898,000
Infrastructure	18,368,705	2,731,117	(23,206)	(624,185)	308,634	(419,249)	1,503	20,343,319
Community	3,960,399	113,494	(84)	449,533	(48,954)	(141,831)	(2,526)	4,330,031
Other	3,534,322	466,107	(8,004)	36,976	7,685	(734,257)	1,624	3,304,453
Heritage	17,881	1,123	-	(10)	(9,002)	-	-	9,992
Housing Development Fund	77,859	44	(699)	(7)	-	(2,694)	-	74,503
	<b>29,741,465</b>	<b>3,392,962</b>	<b>(32,012)</b>	<b>(6,784)</b>	<b>287,278</b>	<b>(1,423,212)</b>	<b>601</b>	<b>31,960,298</b>

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Municipality - 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	(90,416)	(103)	3,025,664
Infrastructure	20,343,319	2,309,973	-	1,174,913	202,669	(740,349)	(762)	23,289,763
Community	4,330,031	49,694	(18)	(176,525)	23,886	(130,603)	(6,288)	4,090,177
Other	3,242,279	610,894	(10,493)	(1,030,666)	(9,682)	(497,341)	(4,884)	2,300,107
Heritage	9,992	2,065	-	(491)	(2,065)	-	-	9,501
Housing Development Fund	74,503	41	(385)	(24)	-	(2,527)	-	71,608
	<b>30,844,618</b>	<b>3,105,721</b>	<b>(10,899)</b>	<b>(1,281)</b>	<b>321,934</b>	<b>(1,461,236)</b>	<b>(12,037)</b>	<b>32,786,820</b>

##### Reconciliation of property, plant and equipment - Municipality - 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	2,731,117	(23,206)	(624,185)	308,634	(419,249)	1,503	20,343,319
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
	<b>28,570,778</b>	<b>3,379,926</b>	<b>(31,339)</b>	<b>(6,778)</b>	<b>287,278</b>	<b>(1,355,848)</b>	<b>601</b>	<b>30,844,618</b>

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R279.8m (2011: R197.5m) but are fully depreciated. This amount is made up as follows:

Landfill (Disposal sites) - R227.6million; PPE fully impaired - R42.7million; PPE - miscellaneous - R9.5million.

Durban Marine Theme Park (Proprietary) Limited : At year-end 2012 there were 895 (2011: 615) assets with an original cost of R7.3m (2011: R8.8m) which were recorded at nil net book value and are still in use.

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



# eThekweni Municipality and its Municipal Entities

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### 11. INTANGIBLE ASSETS

Group	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	48,189	-	48,189	47,882	-	47,882
Computer software	784,310	(200,786)	583,524	728,317	(140,522)	587,795
<b>Total</b>	<b>832,499</b>	<b>(200,786)</b>	<b>631,713</b>	<b>776,199</b>	<b>(140,522)</b>	<b>635,677</b>

Municipality	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	48,189	-	48,189	47,882	-	47,882
Computer software	779,332	(196,896)	582,436	721,312	(134,800)	586,512
<b>Total</b>	<b>827,521</b>	<b>(196,896)</b>	<b>630,625</b>	<b>769,194</b>	<b>(134,800)</b>	<b>634,394</b>

#### Reconciliation of intangible assets - Group - 2012

	Opening Balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	47,882	307	-	-	-	48,189
Computer software	587,795	110,819	1,281	(53,551)	(62,820)	583,524
	<b>635,677</b>	<b>111,126</b>	<b>1,281</b>	<b>(53,551)</b>	<b>(62,820)</b>	<b>631,713</b>

#### Reconciliation of intangible assets - Group - 2011

	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Total
Servitudes	47,634	248	-	-	-	-	47,882
Computer software	504,158	128,729	(20)	6,779	(8,424)	(43,427)	587,795
	<b>551,792</b>	<b>128,977</b>	<b>(20)</b>	<b>6,779</b>	<b>(8,424)</b>	<b>(43,427)</b>	<b>635,677</b>

#### Reconciliation of intangible assets - Municipality - 2012

	Opening Balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	47,882	307	-	-	-	48,189
Computer software	586,512	110,306	1,281	(53,551)	(62,112)	582,436
	<b>634,394</b>	<b>110,613</b>	<b>1,281</b>	<b>(53,551)</b>	<b>(62,112)</b>	<b>630,625</b>

#### Reconciliation of intangible assets - Municipality - 2011

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Amortisation	Total
Servitudes	47,634	248	-	-	-	-	47,882
Computer software	502,450	128,015	(20)	6,779	(8,424)	(42,288)	586,512
	<b>550,084</b>	<b>128,263</b>	<b>(20)</b>	<b>6,779</b>	<b>(8,424)</b>	<b>(42,288)</b>	<b>634,394</b>

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



# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

### 12. INVESTMENT PROPERTIES

Group	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Revenue Generating	144,371	(42,709)	101,662	162,756	(54,059)	108,697
Non-revenue Generating	274,789	-	274,789	274,789	-	274,789
<b>Total</b>	<b>419,160</b>	<b>(42,709)</b>	<b>376,451</b>	<b>437,545</b>	<b>(54,059)</b>	<b>383,486</b>

Municipality	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
<b>Total</b>	<b>298,287</b>	<b>(38,187)</b>	<b>260,100</b>	<b>300,176</b>	<b>(37,095)</b>	<b>263,081</b>

#### Reconciliation of investment properties - Group - 2012

	Opening Balance	Disposals	Depreciation	Total
Revenue Generating	108,697	(2,713)	(4,322)	101,662
Non-revenue Generating	274,789	-	-	274,789
	<b>383,486</b>	<b>(2,713)</b>	<b>(4,322)</b>	<b>376,451</b>

#### Reconciliation of investment properties - Group - 2011

	Opening Balance	Disposals	Depreciation	Total
Revenue Generating	113,024	(2)	(4,325)	108,697
Non-revenue Generating	277,044	(2,255)	-	274,789
	<b>390,068</b>	<b>(2,257)</b>	<b>(4,325)</b>	<b>383,486</b>

#### Reconciliation of investment properties - Municipality - 2012

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

#### Reconciliation of investment properties - Municipality - 2011

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

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### 12. Investment properties (continued)

#### Municipality

The fair value of the above properties is R2.8 billion (2011: R1.3 billion). Investment properties have been valued in accordance with current market conditions.

#### Group

Durban Marine Theme Park (Pty) Ltd: Investment property comprises the Village Walk retail shopping mall from which rental income is derived. The original cost of this property including land was approximately R69 million. The directors fair value thereof is R126 million based on a valuation method of net rental return, capitalised at a fair market rate of return of 12%.

### 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
			<hr/>	<hr/>
			872,997	872,997
Impairment of investment in municipal entity			(228,984)	(193,427)
			<hr/>	<hr/>
			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, on 26 May 2011, 124 additional shares were acquired in Durban Marine Theme Park (Pty) Ltd.

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### 13. Investments in municipal entities (continued)

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	-
Loss on Impairment of Loans			(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
Advance Fire Training (R'000)	-	-	-	33
<b>As at 30th June 2011</b>			<b>ICC Durban (Proprietary) Limited</b>	<b>Durban Marine Theme Park (Proprietary) Limited</b>
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	-

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 14. INVESTMENTS

<b>Financial Instruments - Held to Maturity</b>				
Fixed and Negotiable Deposits	3,500,000	2,450,000	3,500,000	2,450,000
<b>Total Cash Investments</b>	<b>3,500,000</b>	<b>2,450,000</b>	<b>3,500,000</b>	<b>2,450,000</b>
<b>Current assets</b>				
Held to Maturity	3,500,000	2,450,000	3,500,000	2,450,000

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	d	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

<b>Assets</b>			
Township Property		42,573	44,096
Current assets - Debtors		11,446	21,971
Current assets - Bank Balances and Cash on hand		46,467	28,024
<b>TOTAL ASSETS</b>		<b>100,486</b>	<b>94,091</b>
<b>Equity and Liabilities</b>			
Members Loan Accounts		80,365	70,610
Current liabilities - Creditors		20,121	23,481
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>100,486</b>	<b>94,091</b>
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)
<b>BALANCE AT END OF YEAR</b>		<b>80,365</b>	<b>70,610</b>

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>16. LOANS TO MUNICIPAL ENTITIES</b>				
ICC Durban (Proprietary) Limited			226,590	226,590
Subtotal			226,590	226,590
Impairment of loans to municipal entities			(226,590)	(226,590)
			-	-

Loans to Municipal Entities are fully impaired as they are considered to be irrecoverable in the short-term.

In the prior year, on 26 May 2011, 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

<b>Long-term receivables</b>				
Loan:DIDT	145,299	140,402	145,299	140,402
Fair Value Adjustment	(11,997)	(11,593)	(11,997)	(11,593)
Housing Selling scheme loans	127,242	130,761	127,242	130,761
First Metro Housing Loans	15,975	17,007	15,975	17,007
Land sales	8,836	999	8,836	999
Education Loans	13,324	10,787	13,324	10,787
Sporting bodies	805	1,073	805	1,073
	<b>299,484</b>	<b>289,436</b>	<b>299,484</b>	<b>289,436</b>
<b>Less: Current portion transferred to current receivables</b>				
Housing Selling scheme loans	2,714	3,786	2,714	3,786
First Metro Housing Loans	921	848	921	848
Land sales	8,836	999	8,836	999
Education Loans	294	115	294	115
Sporting bodies	442	214	442	214
	<b>13,207</b>	<b>5,962</b>	<b>13,207</b>	<b>5,962</b>
<b>Non-current assets</b>				
Long-term receivables	286,277	283,474	286,277	283,474
<b>Current assets</b>				
Long-term receivables	13,207	5,962	13,207	5,962

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### Education Loans

These loans relate to students who are studying full-time at Universities in the Engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These loans (bursaries) are interest free.

### 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	6	6
Food and Beverage	2,365	2,378	-	-
Consumable stores	227,078	203,620	226,058	202,670
Maintenance materials	94	137	94	137
Water	9,253	8,593	9,253	8,593
Merchandise	1,948	1,858	-	-
	<b>240,744</b>	<b>216,592</b>	<b>235,411</b>	<b>211,406</b>

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

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>19. CONSUMER DEBTORS</b>				
<b>Gross Balances</b>				
Rates	2,018,384	1,968,777	2,018,384	1,968,777
Electricity	1,084,636	937,728	1,084,636	937,728
Water	1,284,492	1,203,894	1,288,075	1,206,749
Refuse	76,684	61,558	76,684	61,558
Regional services levies	3,938	4,659	3,938	4,659
Housing rental	74,612	66,624	74,612	66,624
Waste water	144,584	100,730	144,584	100,730
I.C.C. Debtors	8,725	10,245	-	-
<b>Total</b>	<b>4,696,055</b>	<b>4,354,215</b>	<b>4,690,913</b>	<b>4,346,825</b>
<b>Less Provision for bad debts</b>				
Rates	(953,041)	(826,861)	(953,041)	(826,861)
Electricity	(172,010)	(204,567)	(172,010)	(204,567)
Water	(676,548)	(657,395)	(676,548)	(657,395)
Refuse	(39,624)	(5,403)	(39,624)	(5,403)
Regional services levies	(3,938)	(4,659)	(3,938)	(4,659)
Housing rental	(39,425)	(32,571)	(39,425)	(32,571)
Waste water	(53,240)	(24,884)	(53,240)	(24,884)
I.C.C. Debtors	(3,425)	(3,045)	-	-
<b>Total</b>	<b>(1,941,251)</b>	<b>(1,759,385)</b>	<b>(1,937,826)</b>	<b>(1,756,340)</b>
<b>Net Balance</b>				
Rates	1,065,343	1,141,916	1,065,343	1,141,916
Electricity	912,626	733,161	912,626	733,161
Water	607,944	546,499	611,527	549,354
Refuse	37,060	56,155	37,060	56,155
Housing rental	35,187	34,053	35,187	34,053
Waste water	91,344	75,846	91,344	75,846
I.C.C. Debtors	5,300	7,200	-	-
<b>Total</b>	<b>2,754,804</b>	<b>2,594,830</b>	<b>2,753,087</b>	<b>2,590,485</b>
<b>Rates</b>				
Current (0 -30 days)	296,744	440,142	296,744	440,142
31 - 60 days	58,228	62,361	58,228	62,361
61 - 90 days	47,217	49,076	47,217	49,076
91 - 120 days	18,736	17,525	18,736	17,525
> 120 days	1,590,357	1,056,850	1,590,357	1,056,850
> 365 days	7,102	342,823	7,102	342,823
<b>Total</b>	<b>2,018,384</b>	<b>1,968,777</b>	<b>2,018,384</b>	<b>1,968,777</b>
<b>Electricity, Water, Solid Waste and Waste Water</b>				
Current (0 -30 days)	989,851	945,150	993,434	945,150
31 - 60 days	189,152	67,524	189,152	67,524
61 - 90 days	86,037	62,925	86,037	62,925
91 - 120 days	86,567	199,531	86,567	199,531
> 120 days	1,238,789	1,027,558	1,238,789	1,027,558
<b>Total</b>	<b>2,590,396</b>	<b>2,302,688</b>	<b>2,593,979</b>	<b>2,302,688</b>



# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>Regional services levies</b>				
> 365 days	3,938	4,659	3,938	4,659
<b>Housing rental</b>				
Current (0 -30 days)	2,193	1,928	2,193	1,928
31 - 60 days	1,537	1,108	1,537	1,108
61 - 90 days	31,457	-	31,457	-
91 - 120 days	39,425	31,018	39,425	31,018
> 120 days	-	32,570	-	32,570
<b>Total</b>	<b>74,612</b>	<b>66,624</b>	<b>74,612</b>	<b>66,624</b>
<b>I.C.C. Debtors</b>				
Current (0 -30 days)	19	2,188	-	-
31 - 60 days	-	686	-	-
61 - 90 days	182	1,144	-	-
91 - 120 days	-	392	-	-
>120 days	8,524	5,835	-	-
<b>Total</b>	<b>8,725</b>	<b>10,245</b>	<b>-</b>	<b>-</b>
<b>20. DEBTORS</b>				
Other Debtors (mainly in respect of Sundry Services)	1,471,307	959,677	1,459,139	936,592
Fair Value Adjustment	(146)	(813)	(146)	(813)
Provision for bad debts	(397,148)	(383,150)	(397,190)	(383,258)
Insurance debtor	146,400	160,598	146,400	160,598
Accruals	366,267	659,293	366,267	659,293
Prepayments made in advance	18,248	14,319	17,318	13,296
Debtor - D.O.H.S.	1,242,528	1,259,292	1,242,528	1,259,292
	<b>2,847,456</b>	<b>2,669,216</b>	<b>2,834,316</b>	<b>2,645,000</b>
<b>21. CALL INVESTMENT DEPOSITS</b>				
30 Day deposits	1,374,465	681,771	1,230,000	590,000
<b>22. VAT</b>				
<b>VAT reconciliation</b>				
VAT receivable	27,976	39,019	26,622	39,019
VAT payable	(765)	(2,921)	-	-
<b>Net Vat</b>	<b>27,211</b>	<b>36,098</b>	<b>26,622</b>	<b>39,019</b>

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

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>23. PROPERTY RATES</b>				
<b>Rates received</b>				
Residential	1,670,201	1,578,952	1,670,201	1,578,952
Agricultural	1,466	3,288	1,466	3,288
Vacant Land	414,839	465,344	414,839	465,344
Industrial	885,842	801,572	885,842	801,572
Business & Commercial	1,360,863	1,207,289	1,379,221	1,224,825
Public Service Infrastructure	9,351	14,072	9,351	14,072
Unauthorised / Illegal Development	11,195	284	11,195	284
<b>Total Assessment Rates</b>	<b>4,353,757</b>	<b>4,070,801</b>	<b>4,372,115</b>	<b>4,088,337</b>
<b>Valuations</b>				
Residential	262,901,930	247,376,234	262,901,930	247,376,234
Agricultural	2,397,649	1,536,156	2,397,649	1,536,156
Vacant Land	10,771,038	17,976,729	10,771,038	17,976,729
Industrial	51,003,590	33,859,744	51,003,590	33,859,744
Business & Commercial	86,687,690	81,444,791	86,687,690	81,444,791
Public Service Infrastructure	12,093,564	10,106,936	12,093,564	10,106,936
Unauthorised / Illegal Development	180,890	202,816	180,890	202,816
<b>Total Property Valuations</b>	<b>426,036,351</b>	<b>392,503,406</b>	<b>426,036,351</b>	<b>392,503,406</b>

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R 0.00907 (2011:R 0.00852); Agriculture - R 0.00227 (2011: R0.00213); Vacant Land - R 0.04345 (2011: R0.0408); Industrial - R 0.02655 (2011:R 0.02493); Business and Commercial - R 0.02057 (2011:R 0.01932); Public Service Infrastructure - R 0.00227 (2011:R0.00213). All residential property owners are exempt from paying rates on the first R120 000 (2011: 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 (2011:R400 000) of their property value (inclusive of the R120 000 referred to earlier). No rates are levied on the first R30 000 (2011: R30 000) value of vacant land.

### 24. SERVICE CHARGES

Sale of electricity	8,327,264	7,001,171	8,352,757	7,022,871
Sale of water	1,887,459	1,828,898	1,893,865	1,833,505
Solid waste	403,205	373,981	404,734	374,399
Sewerage and sanitation charges	635,915	559,237	635,915	559,237
Other service charges	140,766	127,886	140,766	127,886
<b>Total service charges</b>	<b>11,394,609</b>	<b>9,891,173</b>	<b>11,428,037</b>	<b>9,917,898</b>

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>25. GRANTS AND SUBSIDIES</b>				
Equitable share	1,581,802	1,417,624	1,581,802	1,417,624
Municipal infrastructure grant	-	610,242	-	610,242
Urban Settlement Development Grant	22,860	38,042	22,860	38,042
European Union	1,600	4,605	1,600	4,605
Provincial health subsidies	56,111	51,388	56,111	51,388
Department of Transport and Public Transport Infrastructure	354,161	147,414	354,161	147,414
Department of Economic Activities and various Industries	6,912	2,925	6,912	2,925
Vuna Awards	800	47	800	47
2010 KZN Provincial grant	14,789	76,497	14,789	76,497
Demand Side Management	13,228	29,721	13,228	29,721
Urban Settlement Development Grant	1,063,205	-	1,063,205	-
Other grants	162,190	63,295	162,190	63,295
Public Contributions	6,131	3,104	6,131	3,104
Neighbourhood Development Partnership	2,091	32,693	2,091	32,693
Department of Human Settlements	116,383	104,622	116,383	104,622
Danida	641	12,268	641	12,268
Grant Accreditation	240	16	240	16
Department of Co-operative Government and Traditional Affairs	5,369	17,702	5,369	17,702
Metropolitan Transport Authority - Taxi ranks	1,228	591	1,228	591
Department of Provincial and Local Government	-	250	-	250
<b>Total grants and subsidies</b>	<b>3,409,741</b>	<b>2,613,046</b>	<b>3,409,741</b>	<b>2,613,046</b>

### Equitable share

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

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	-	14,330
Current-year receipts	-	595,912	-	595,912
Conditions met - transferred to revenue	-	(610,242)	-	(610,242)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### D Moss Land Sales

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

### Department of Economic Activities and various Industries

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

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

The funds received and utilised relate to funding for subsidy for traffic and pedestrian planning as well as the Tansnat 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	2,091	9,003
Current-year receipts	-	25,781	-	25,781
Conditions met - transferred to revenue	(2,091)	(32,693)	(2,091)	(32,693)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>2,091</b>	<b>-</b>	<b>2,091</b>

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

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Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>European Union</b>				
Balance unspent at beginning of year	9,923	13,819	9,923	13,819
Current-year receipts	82	709	82	709
Conditions met - transferred to revenue	(1,600)	(4,605)	(1,600)	(4,605)
<b>Conditions still to be met - transferred to liabilities</b>	<b>8,405</b>	<b>9,923</b>	<b>8,405</b>	<b>9,923</b>

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.

### Other grants

Balance unspent at beginning of year	43,988	34,720	43,988	34,720
Current-year receipts	180,898	72,563	180,898	72,563
Conditions met - transferred to revenue	(162,190)	(63,295)	(162,190)	(63,295)
<b>Conditions still to be met - transferred to liabilities</b>	<b>62,696</b>	<b>43,988</b>	<b>62,696</b>	<b>43,988</b>

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	198,132	63,353
Current-year receipts	61,542	239,401	61,542	239,401
Conditions met - transferred to revenue	(116,383)	(104,622)	(116,383)	(104,622)
<b>Conditions still to be met - transferred to liabilities</b>	<b>143,291</b>	<b>198,132</b>	<b>143,291</b>	<b>198,132</b>

Funding for the administration of Hostels in KwaZulu Natal.

### Lamontville and R293 transfer Deeds

Balance unspent at beginning of year	1,556	1,556	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.

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>Danida</b>				
Balance unspent at beginning of year	936	831	936	831
Current-year receipts	-	12,373	-	12,373
Conditions met - transferred to revenue	(641)	(12,268)	(641)	(12,268)
<b>Conditions still to be met - transferred to liabilities</b>	<b>295</b>	<b>936</b>	<b>295</b>	<b>936</b>

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	299	315
Conditions met - transferred to revenue	(240)	(16)	(240)	(16)
<b>Conditions still to be met - transferred to liabilities</b>	<b>59</b>	<b>299</b>	<b>59</b>	<b>299</b>

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

### Department of Co-operative Government and Traditional Affairs

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

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

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.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>2010 KZN Provincial grant</b>				
Balance unspent at beginning of year	14,789	-	14,789	-
Current-year receipts	-	91,286	-	91,286
Conditions met - transferred to revenue	(14,789)	(76,497)	(14,789)	(76,497)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>14,789</b>	<b>-</b>	<b>14,789</b>

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	32	32
Current-year receipts	1,228	591	1,228	591
Conditions met - transferred to revenue	(1,228)	(591)	(1,228)	(591)
<b>Conditions still to be met - transferred to liabilities</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>

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

### Demand Side Management

Balance unspent at beginning of year	3,279	8,000	3,279	8,000
Current-year receipts	45,000	25,000	45,000	25,000
Conditions met - transferred to revenue	(13,228)	(29,721)	(13,228)	(29,721)
<b>Conditions still to be met - transferred to liabilities</b>	<b>35,051</b>	<b>3,279</b>	<b>35,051</b>	<b>3,279</b>

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



# eThekwi Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>Department of Provincial and Local Government</b>				
Balance unspent at beginning of year	2,000	2,250	2,000	2,250
Conditions met - transferred to revenue	-	(250)	-	(250)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>

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

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.

### Urban Settlement Development Grant

Current-year receipts	1,091,574	-	1,091,574	-
Conditions met - transferred to revenue	(1,063,205)	-	(1,063,205)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>28,369</b>	<b>-</b>	<b>28,369</b>	<b>-</b>

This grant was utilised 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.

### Expanded Public Works Programme Incentive

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

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

### Vuna Awards

Balance unspent at beginning of year	2,898	2,945	2,898	2,945
Conditions met - transferred to revenue	(800)	(47)	(800)	(47)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2,098</b>	<b>2,898</b>	<b>2,098</b>	<b>2,898</b>

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.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>26. OTHER INCOME</b>				
Sundry Income	726,291	566,437	507,267	379,449
Fuel Levy	1,424,593	1,147,254	1,424,593	1,147,254
Moses Mabhida Stadium - Other Income	7,534	26,977	7,534	26,977
	<b>2,158,418</b>	<b>1,740,668</b>	<b>1,939,394</b>	<b>1,553,680</b>

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

### 27. FAIR VALUE ADJUSTMENTS

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

### 28. EMPLOYEE RELATED COSTS

Employee related costs-Salaries and Wages	3,593,697	3,406,414	3,506,256	3,316,079
Medical aid and Pension Benefits	2,100,775	816,615	2,100,775	816,615
UIF	35,344	32,552	27,963	26,460
Leave pay provision contribution	129,515	59,713	127,710	59,713
Travel, motor car, accommodation, subsistence and other allowances	167,610	134,493	167,610	134,493
Overtime payments	346,258	339,948	342,807	337,280
Housing benefits and allowances	19,196	19,298	19,196	19,298
Holiday Bonus	247,763	220,808	247,763	220,808
Other	28,684	32,481	28,471	30,244
Less: Employee costs relating to capitalisation and maintenance of PPE	(92,811)	(148,120)	(92,811)	(148,120)
	<b>6,576,031</b>	<b>4,914,202</b>	<b>6,475,740</b>	<b>4,812,870</b>

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	-	960	-
Car Allowance	90	-	90	-
Contributions to UIF, Medical Aid and Pension Funds	11	-	11	-
<b>Total</b>	<b>1,061</b>	<b>-</b>	<b>1,061</b>	<b>-</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>Remuneration of the Chief Finance Officer</b>				
Annual Remuneration	1,163	1,096	1,163	1,096
Car Allowance	372	351	372	351
Market Allowance	242	242	242	242
Contributions to UIF, Medical Aid and Pension Funds	254	238	254	238
<b>Total</b>	<b>2,031</b>	<b>1,927</b>	<b>2,031</b>	<b>1,927</b>
<b>Safety and Security</b>				
Annual Remuneration	1,552	1,463	1,552	1,463
Contributions to UIF, Medical and Pension Funds	20	17	20	17
<b>Total</b>	<b>1,572</b>	<b>1,480</b>	<b>1,572</b>	<b>1,480</b>
<b>Health and Social Services</b>				
Annual Remuneration	1,368	1,283	1,368	1,283
Contributions to UIF, Medical and Pension Funds	36	42	36	42
Car Allowance	120	120	120	120
<b>Total</b>	<b>1,524</b>	<b>1,445</b>	<b>1,524</b>	<b>1,445</b>
<b>Governance</b>				
Annual Remuneration	1,163	1,096	1,163	1,096
Car Allowance	372	351	372	351
Market Allowance	121	121	121	121
Contributions to UIF, Medical Aid and Pension Funds	251	235	251	235
<b>Total</b>	<b>1,907</b>	<b>1,803</b>	<b>1,907</b>	<b>1,803</b>
<b>Remuneration of the Municipal Manager - Dr. M. Sutcliffe (01/07/2011 - 31/12/2011)</b>				
Annual Remuneration	823	1,545	823	1,545
Car Allowance	51	102	51	102
Market Allowance	191	382	191	382
Contributions to UIF, Medical Aid and Pension Funds	20	21	20	21
<b>Total</b>	<b>1,085</b>	<b>2,050</b>	<b>1,085</b>	<b>2,050</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>Procurements and Infrastructure</b>				
Annual Remuneration	1,590	1,492	1,590	1,492
Car Allowance	120	120	120	120
Market Allowance	210	210	210	210
Contributions to UIF, Medical Aid and Pension Funds	59	51	59	51
<b>Total</b>	<b>1,979</b>	<b>1,873</b>	<b>1,979</b>	<b>1,873</b>
<b>Sustainable Development and City Enterprises</b>				
Annual Remuneration	-	1,014	-	1,014
Car Allowance	-	150	-	150
Contributions to UIF, Medical and Pension Funds	-	48	-	48
<b>Total</b>	<b>-</b>	<b>1,212</b>	<b>-</b>	<b>1,212</b>
<b>I.C.C.: Remuneration of the Chief Executive Officer</b>				
Annual Remuneration	1,097	-	-	-
<b>I.C.C.: Remuneration of Executive Managers</b>				
Annual Remuneration	3,790	4,686	-	-
Car Allowance	-	28	-	-
Performance Bonuses	258	-	-	-
Contributions to UIF, Medical and Pension Funds	334	442	-	-
<b>Total</b>	<b>4,382</b>	<b>5,156</b>	<b>-</b>	<b>-</b>
<b>Durban Marine Theme Park</b>				
Chairman Fees	96	43	-	-
Directors Fees	156	90	-	-
Accounting Officers Fees	210	191	-	-
<b>Total</b>	<b>462</b>	<b>324</b>	<b>-</b>	<b>-</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 29. REMUNERATION OF COUNCILLORS

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

#### *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.

### 30. FINANCE COSTS

Non-current borrowings	840,771	682,807	832,265	674,922
Consumer Deposits	11,281	10,352	11,281	10,352
Other interest paid	8,826	(342)	11,522	1,945
<b>Total Finance costs</b>	<b>860,878</b>	<b>692,817</b>	<b>855,068</b>	<b>687,219</b>

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.

### 31. BULK PURCHASES

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

### 32. GRANTS AND SUBSIDIES PAID

Grant paid :Durban Arts Association	-	2,805	-	2,805
Grant paid: Enhanced Extended Discount Benefit	8,926	15,052	8,926	15,052
Grant paid: Sporting Organisations	41,829	35,969	41,829	35,969
Grant paid: Playhouse Company	3,087	2,913	3,087	2,913
Grant paid: Natal Philharmonic Orchestra	7,022	6,752	7,022	6,752
Grant paid: Tourism Indaba	13,685	9,574	13,685	9,574
Grant paid: Trade Point Durban	1,206	965	1,206	965
Grant paid: Food Aid Program	9,876	6,985	9,876	6,985
Grant paid: Other	40,463	51,106	56,063	61,606
<b>Total Grants and Subsidies Paid</b>	<b>126,094</b>	<b>132,121</b>	<b>141,694</b>	<b>142,621</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>33. GENERAL EXPENSES</b>				
General Expenses	1,370,736	1,694,101	1,299,975	1,590,187
Stadium: Operator costs	77,207	63,309	77,207	63,309
2010 World Cup costs	1,806	34,864	1,806	34,864
Stadium: Hire of temporary seating	-	10,779	-	10,779
	<b>1,449,749</b>	<b>1,803,053</b>	<b>1,378,988</b>	<b>1,699,139</b>

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

### 34. CASH GENERATED FROM OPERATIONS

Surplus for the year	1,786,090	1,963,202	1,751,064	1,978,803
<b>Adjustments for:</b>				
Depreciation - property, plant and equipment	1,523,993	1,423,212	1,461,236	1,355,848
Amortisation of intangibles	62,820	43,427	62,112	42,288
Depreciation of investment properties	4,322	4,325	1,809	1,805
Surplus on sale of assets	(65,265)	(48,319)	(65,256)	(48,123)
Deficit on sale of assets	7,075	877	6,256	329
Contribution to bad debt provision	394,630	628,768	393,592	628,148
Reversal of loss on Impairment: Loans to Municipal Entities	-	-	-	(1,561)
Share of income from joint venture	-	-	(9,755)	(3,521)
Loss on Impairment of Investment in Municipal Entity	-	-	35,557	56,930
Interest earned - other	(324,218)	(220,369)	(313,605)	(211,764)
Finance Costs	860,878	692,817	855,068	687,219
Fair value adjustments	5,743	(13,690)	5,743	(13,561)
Movements in retirement benefit assets and liabilities	1,175,505	(27,180)	1,175,505	(27,180)
Contributions to provisions - non current	34,317	(9,433)	34,317	(9,433)
Contributions to provisions - current	3,129	1,477	1,901	1,490
Reversal of loss on impairment: PPE	-	(3,576)	-	(3,576)
Impairment Loss: PPE	12,037	2,975	12,037	2,975
Donations received: PPE	(1,759)	(1,166)	(1,759)	(1,166)
<b>Changes in working capital:</b>				
Inventories	(24,152)	12,572	(24,005)	12,739
Decrease/(increase) in other debtors	(177,573)	661,953	(188,649)	98,079
Decrease/(increase) in consumer debtors	(554,604)	(1,253,874)	(556,194)	(999,510)
Increase in Creditors	476,659	(325,376)	479,554	(127,903)
Increase in deposits	123,241	150,330	128,162	147,470
(Decrease)/Increase in VAT	8,887	315,521	12,397	336,831
Increase in Unspent conditional grants and receipts	(168,317)	95,013	(168,317)	95,013
Increase in Deferred Income	1,538	(2,311)	-	-
	<b>5,164,976</b>	<b>4,091,175</b>	<b>5,088,770</b>	<b>3,998,669</b>

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 35. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities	10,786,025	10,209,951	10,679,006	10,110,456
Used to finance property, plant and equipment – at cost	(10,786,025)	(10,209,951)	(10,679,006)	(10,110,456)
	-	-	-	-

### 36. COMMITMENTS

#### 36.1 Commitments in respect of capital expenditure

<b>Approved and contracted for</b>				
• Infrastructure	1,338,553	539,455	1,338,553	539,455
• Community	82,641	41,857	82,641	41,857
• Land and buildings	3,765	28	3,765	28
• Other assets	33,897	20,452	33,897	20,452
<b>Approved but not yet contracted for</b>				
• Infrastructure	439,583	752,385	439,583	752,385
• Community	38,289	48,250	38,289	48,250
• Other	2,631	4,388	2,631	4,388
Land and Buildings	-	110	-	110
<b>Total</b>	<b>1,939,359</b>	<b>1,406,925</b>	<b>1,939,359</b>	<b>1,406,925</b>

#### Operating leases – as lessee (expenditure)

<b>Minimum lease payments due</b>				
- within one year	35,373	30,881	35,373	30,881
- in second to fifth year inclusive	127,505	111,398	127,505	111,398
- later than five years	38,409	102,714	38,409	102,714
	<b>201,287</b>	<b>244,993</b>	<b>201,287</b>	<b>244,993</b>

#### 36.2 Operating leases – as lessor (income)

<b>The future minimum lease payments receivable under operating leases are as follows:</b>				
- within one year	17,759	17,756	-	-
- in second to fifth year inclusive	36,117	36,383	-	-
	<b>53,876</b>	<b>54,139</b>	-	-

Durban Marine Theme Park Pty (Ltd) : The operating leases relate to rental contracts derived from Ushaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 31 March 2017. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 10%.



# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 37. CONTINGENCIES

Contractual Disputes	1,203	1,123	1,203	1,123
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Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	71,183	25,759	71,183	25,759
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	330,872	60,009	330,872	60,009
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response may lodge an appeal in terms of the MPRA. The appeals process will commence in the near future, once an appeals board has been established by Provincial Treasury to resolve appeals. The valuers from eValuations will be required to attend the appeals hearing in terms of Section 75(3) of the MPRA and their contract. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	65,584	15,509	65,584	15,509
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These guarantee's are issued in favour of the following:

- The Member(s), Jeena's Warehouse Close Corporation: R3.6m (Standard Bank) dated 19 May 1999;
- S.A. Post Office: R76 000 (Standard Bank) dated 14 October 1997;
- S.A. Post Office: R1.9m (Standard Bank) dated 6 August 1997;
- ESKOM Holdings: R7 800 (First National Bank) dated 1 November 2011;
- Department of Labour: R50m (Standard Bank) dated 5 March 2012;
- Durban Marine Theme Park: R10m (First National Bank) dated 29 January 2009.

Legal Claims	130,874	151,379	130,874	151,379
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Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed.

Legal disputes relate to:

- Cancellation of contract: R80.6m;
- Rates dispute: R5.3m;
- Value of compensation in respect of expropriation of various properties R41.4m
- Cession of Contracts R2.3m
- Various and other minor legal disputes R1.2m

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 38. 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
	<b>145,299</b>	<b>140,402</b>

##### 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
	<b>3,583</b>	<b>5,277</b>

##### 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
	<b>52,903</b>	<b>55,178</b>

##### Amounts included in Consumer Deposits regarding related parties

Durban Marine Theme Park (Proprietary) Limited	-	492
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# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 38. 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
Advance Fire Training	33	-
Riverhorse Valley Joint Venture		
Electricity and Water	102	42
Income from Joint Venture	9,755	3,521
	<b>52,317</b>	<b>39,136</b>

##### Purchases from related parties

I.C.C. Durban (Proprietary) Limited		
General Expenses	87,068	12,582
(included in the above is an amount of R70.4m which is related to COP 17)	-	-
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	1,782	1,774
eThekweni Transport Authority		
General Expenses	2,696	2,500
Grant-in-Aid	5,100	-
	<b>96,646</b>	<b>16,856</b>

### 39. PRIOR YEAR ADJUSTMENTS/CHANGE IN ACCOUNTING POLICY

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

#### 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).

Provision for doubtful debts relating to D.O.H.S. debtors was recognised based on the detailed analysis of the debtors balances at year-end (R303.8million).

#### 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).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 39. PRIOR YEAR ADJUSTMENTS/CHANGE IN ACCOUNTING POLICY (continued)

#### 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, Intangible Assets and Investment Properties:

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 Revenue Management System (RMS) has been partially re-classified from available-for-use intangibles to work-in-progress in accordance with an independent review of the system. Amortisation costs incorrectly raised have been reversed.

#### Housing Development: Income and Expenditure:

Change of accounting treatment of revenue and expenditure relating to Housing Development, for the prior-year, in respect of amounts in terms of agency contract with Department of Human Settlements for housing projects.

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:

<b>Property, Plant and Equipment</b>				
Balance previously reported	-	31,896,019	-	30,788,906
Fair Value of moveable assets - prior to 2010/11	-	81,113	-	81,113
Other Property, Plant and Equipment adjustments - prior to 2010/11	-	30	-	30
Creditors: Adjustment - 2010/11	-	200	-	200
Other Debtors: Adjustment - 2010/11	-	(2)	-	(2)
Reclassification of Repairs and Maintenance - 2010/11	-	600	-	600
Reduction in Gain on Disposal - 2010/11	-	(532)	-	(532)
Depreciation Adjustments - 2010/11	-	(25,198)	-	(25,198)
Landfill Rehabilitation adjustment - prior to 2010/11	-	(92)	-	(92)
Landfill Rehabilitation adjustment - 2010/11	-	(407)	-	(407)
Durban Marine Theme Park adjustment - prior to 2010/11	-	7,377	-	-
Durban Marine Theme Park adjustment - 2010/11	-	1,190	-	-
	-	<b>31,960,298</b>	-	<b>30,844,618</b>
<b>Intangible Assets</b>				
Balance previously reported	-	348,065	-	347,001
Accumulated RMS Amortisation reversal - Prior to 2010/11	-	221,436	-	221,436
RMS Amortisation reversal - 2010/11	-	54,755	-	54,755
Capitalisation of RMS costs previously expensed - 2010/11	-	11,202	-	11,202
Durban Marine Theme Park adjustment - prior to 2010/11	-	56	-	-
Durban Marine Theme Park adjustment - 2010/11	-	163	-	-
	-	<b>635,677</b>	-	<b>634,394</b>

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>39. PRIOR YEAR ADJUSTMENTS/CHANGE IN ACCOUNTING POLICY (continued)</b>				
<b>Unspent Conditional Grants</b>				
Balance previously reported	-	793,932	-	793,932
Transfer of Municipal Infrastructure Grant previously incorrectly reflected as unspent - 2010/11	-	(26,194)	-	(26,194)
	-	<b>767,738</b>	-	<b>767,738</b>
<b>Creditors</b>				
Balance previously reported	-	4,312,101	-	4,314,104
Bus Shelter Advertising Income adjustment - 2010/11	-	71	-	71
Accrual of exited members compensation payable - prior to 2010/11	-	26,870	-	26,870
Reclassification of Trust Fund Creditors	-	17,057	-	17,057
Property, Plant and Equipment: Adjustment - 2010/11	-	200	-	200
	-	<b>4,356,299</b>	-	<b>4,358,302</b>
<b>Accumulated Surplus</b>				
Balance previously reported	-	23,191,809	-	22,629,894
Fair Value of moveable assets - prior to 2010/11	-	81,113	-	81,113
Other Property, Plant and Equipment adjustments - prior to 2010/11	-	30	-	30
Creditors: Accrual of exited members compensation payable - prior to 2010/11	-	(26,870)	-	(26,870)
Other Debtors: Accrual of Traffic Fines Income - prior to 2010/11	-	204,531	-	204,531
Other Debtors: Accrual of Traffic Fines Income - 2010/11	-	19,075	-	19,075
Other Debtors: Reversal of Department of Water Affairs Grant incorrectly accrued for - 2010/11	-	(4,077)	-	(4,077)
Consumer Debtors: Write-off of Ingonyama Rates - prior to 2010/11	-	(232,445)	-	(232,445)
Consumer Debtors: Write-back of Ingonyama Rates Bad Debt Provision - prior to 2010/11	-	232,445	-	232,445
Unspent Conditional Grants: Transfer of Municipal Infrastructure Grant previously incorrectly reflected as unspent - 2010/11	-	26,194	-	26,194
Other Debtors: Housing fees accrual adjustment - 2010/11	-	(2,062)	-	(2,062)
Other Debtors: Recovery of Salary overpayments - prior to 2010/11	-	254	-	254
Consumer Debtors: Rates Income adjustment - prior to 2010/11	-	5,998	-	5,998
Consumer Debtors: Rates Income adjustment - 2010/11	-	14,699	-	14,699
Re-classification of Trust Fund Creditors - 2010/11	-	(17,056)	-	(17,056)
Moses Mabhida Stadium: VAT portion of Stadium Income adjustment - 2010/11	-	(3,461)	-	(3,461)

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>39. PRIOR YEAR ADJUSTMENTS/CHANGE IN ACCOUNTING POLICY (continued)</b>				
Bus Shelter Advertising Income adjustment - 2010/11	-	(61)	-	(61)
Reclassification between Repairs and Maintenance and Property, Plant and Equipment - 2010/11	-	600	-	600
Reduction in Gain on Disposal relating to Property, Plant and Equipment - 2010/11	-	(532)	-	(532)
Property, Plant and Equipment: Depreciation adjustment - 2010/11	-	(25,198)	-	(25,198)
Accumulated RMS Intangibles Amortisation reversal - Prior to 2010/11	-	221,436	-	221,436
RMS Intangibles Amortisation reversal - 2010/11	-	54,755	-	54,755
Capitalisation of RMS Intangibles costs previously expensed - 2010/11	-	11,202	-	11,202
Provisions: Landfill Rehabilitation adjustment - prior to 2010/11	-	1,308	-	1,308
Provisions: Landfill Rehabilitation adjustment - 2010/11	-	199	-	199
Housing Development Income reversal - 2010/11	-	(840,666)	-	(840,666)
Housing Development Expenditure reversal - 2010/11	-	840,666	-	840,666
Provision for Doubtful Debts - DOHS - 2010/11	-	(303,833)	-	(303,833)
Durban Marine Theme Park PPE adjustment - prior to 2010/11	-	7,378	-	-
Durban Marine Theme Park PPE adjustment - 2010/11	-	1,191	-	-
Durban Marine Theme Park Intangibles adjustment - prior to 2010/11	-	56	-	-
Durban Marine Theme Park Intangibles adjustment - 2010/11	-	163	-	-
	-	<b>23,458,841</b>	-	<b>22,888,138</b>
<b>Consumer Debtors</b>				
Balance previously reported	-	2,574,133	-	2,569,788
Rates adjustments - prior to 2010/11	-	5,998	-	5,998
Rates adjustments - 2010/11	-	14,699	-	14,699
Write-off of Ingonyama Rates - prior to 2010/11	-	(232,445)	-	(232,445)
Write-back of Ingonyama Rates Bad Debt Provision	-	232,445	-	232,445
	-	<b>2,594,830</b>	-	<b>2,590,485</b>
<b>Provisions: Non-current portion</b>				
Balance previously reported	-	255,950	-	255,950
Landfill Rehabilitation adjustment - prior to 2010/11	-	(1,399)	-	(1,399)
Landfill Rehabilitation adjustment - 2010/11	-	(608)	-	(608)
	-	<b>253,943</b>	-	<b>253,943</b>

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>39. PRIOR YEAR ADJUSTMENTS/CHANGE IN ACCOUNTING POLICY (continued)</b>				
<b>Other Debtors</b>				
Balance previously reported	-	2,756,646	-	2,732,430
Housing fees accrual adjustment - 2010/11	-	(2,350)	-	(2,350)
Accrual of Traffic Fines Income - prior to 2010/11	-	204,531	-	204,531
Accrual of Traffic Fines Income - 2010/11	-	19,075	-	19,075
Recovery of Salary overpayments - prior to 2010/11	-	254	-	254
Property, Plant and Equipment: Adjustment - 2010/11	-	2	-	2
Reversal of Department of Water Affairs Grant incorrectly accrued for - 2010/11	-	(4,077)	-	(4,077)
Re-classification: Transferred to Long-term Receivables	-	(1,032)	-	(1,032)
Provision for Doubtful Debts - D.O.H.S. - 2010/11	-	(303,833)	-	(303,833)
	-	<b>2,669,216</b>	-	<b>2,645,000</b>
<b>VAT</b>				
Balance previously reported	-	39,261	-	42,182
Moses Mabhida Stadium: VAT portion of Stadium Income adjustment - 2010/11	-	(3,461)	-	(3,461)
Housing fees accrual adjustment - 2010/11	-	288	-	288
Bus Shelter Advertising Income adjustment - 2010/11	-	10	-	10
	-	<b>36,098</b>	-	<b>39,019</b>
<b>Long-term Receivables</b>				
Balance previously reported	-	282,442	-	282,442
Re-classification: Transferred from Other Debtors	-	1,032	-	1,032
	-	<b>283,474</b>	-	<b>283,474</b>
<b>40. TRAFFIC FINES</b>				
Traffic fines issued but not yet recovered at year end.	1,376,589	1,118,032	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 have been accrued.

### 41. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's C(1) and C(2).



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011

### 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.	184,748	576,905	184,748	576,905
Parks, Recreation & Culture: Non-compliance with S.C.M.	29,162	2,247	29,162	2,247
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, preference points not being applied, variation orders not being approved by the relevant committee's, tax clearance certificates not being received, 3 quotations not being obtained and adverts not being adequately advertised.	510,506	612,014	510,506	612,014
87 awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekweni municipality	9,003	35,888	9,003	35,888
245 awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	48,926	84,650	48,926	84,650
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekweni municipality as Councillors	-	1,658	-	1,658
Misappropriation and Embezzlement of Council Funds	184	-	184	-
Wasteful Expenditure: Misuse of Council Funds	17	-	17	-
Fraudulent undercharge by Council employee for Electricity connection	1	-	1	-
Durban Marine Theme Park (Pty) Ltd. - Non-compliance with Supply Chain Management policy	-	2,949	-	-
Durban Marine Theme Park (Pty) Ltd. - awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	2,455	-	-	-
I.C.C. Durban (Pty) Ltd. - Non-compliance with Supply Chain Management policy	-	10,830	-	-

# eThekweni Municipality and its Municipal Entities

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
Investigations are still in progress regarding 32 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;				
• 22 cases (2011: 2) relating to other financial matters.				
In addition a forensic investigation initiated by the KwaZulu Natal Department of Co-operative Governance and Traditional Affairs relating to alleged tender irregularities at the Municipality was finalised and the report issued to the City Manager for further action.				
<b>Irregular expenditure</b>				
<b>Reconciliation of irregular expenditure</b>				
Opening balance	186,713	915,680	164,676	874,315
Irregular expenditure current year	785,002	1,327,141	782,547	1,313,362
Recoveries / Condonements	-	(2,056,108)	-	(2,023,001)
<b>Irregular expenditure awaiting condonement</b>	<b>971,715</b>	<b>186,713</b>	<b>947,223</b>	<b>164,676</b>

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.

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.

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. An amount of R648.8million of irregular expenditure was condoned subsequent to financial year-end.

### 43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

<b>Contributions to organized local government</b>				
Council subscriptions	5,710	9,100	5,710	9,100
Amount paid - current year	(5,710)	(9,100)	(5,710)	(9,100)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Audit fees</b>				
Current year audit fee	13,634	3,916	12,357	2,858
Previous years audit fee	13,213	11,755	13,213	11,675
Amount paid - current year	(13,530)	(3,916)	(12,357)	(2,858)
Amount paid - previous years	(13,213)	(11,755)	(13,213)	(11,675)
<b>Balance unpaid (included in creditors)</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2012	2011	2012	2011
<b>VAT</b>				
VAT received(paid) for the year	591,016	642,456	568,630	619,177
<b>PAYE and UIF</b>				
Opening balance	321	-	-	-
Current year payroll deductions	708,014	678,318	698,029	668,821
Amount paid - current year	(707,967)	(677,997)	(698,029)	(668,821)
<b>Balance unpaid (included in creditors)</b>	<b>368</b>	<b>321</b>	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>				
Opening balance	597	-	-	-
Current year payroll deductions	1,339,804	1,144,787	1,326,493	1,131,640
Amount paid - current year	(1,339,701)	(1,144,190)	(1,326,493)	(1,131,640)
<b>Balance unpaid (included in creditors)</b>	<b>700</b>	<b>597</b>	<b>-</b>	<b>-</b>

Councillors arrears

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

<b>30 June 2012</b>	<b><u>Amount Outstanding Rands</u></b>
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 Ndzoziya 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
	<b><u>264,405</u></b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand thousand

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<b>30 June 2011</b>	<b><u>Amount Outstanding Rands</u></b>
Councillor Bayeni M	2,472
Councillor Moyo F	7,293
	<hr/>
	<b>9,765</b>
	<hr/>

#### 44. COMPARATIVE FIGURES

Certain comparative figures have been restated (refer note 39 for details).

#### 45. TAXATION

No provision has been made for the taxation of municipal entities as they have an assessed loss of R356 417 155 (2011: R391 053 751), which is available for set-off against future taxable income. No deferred tax asset has been raised.

#### 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 R9million (2011: R35.9 million).

Contract awards made in terms of Section 36 (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1.165 billion (2011: R469million).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 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.

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.

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

#### Categories of Financial Instruments - Group:

	2012	2011
<b>Financial Assets:</b>		
<b>Investments and Receivables</b>		
Cash and cash equivalents	5,025,483	3,274,026
Long-term receivables	299,484	289,436
Consumer Debtors	2,754,804	2,594,830
Debtors	2,847,456	2,669,216
	<hr/>	<hr/>
<b>Financial Liabilities:</b>		
<b>Liabilities and Creditors</b>		
Long-term liabilities	10,786,025	10,209,951
Creditors	4,838,962	4,356,297
	<hr/>	<hr/>

#### Fair values versus carrying amounts:

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

	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Investments	3,500,000	3,500,000	2,450,000	2,450,000
Long-term receivables	311,481	299,484	301,029	289,436
Consumer Debtors	2,754,804	2,754,804	2,594,830	2,594,830
Debtors	2,847,602	2,847,456	3,052,366	2,669,216
Long-term Liabilities	10,786,025	10,786,025	10,209,951	10,209,951
Creditors	4,848,057	4,838,962	4,371,398	4,356,297
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# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 47. FINANCIAL INSTRUMENTS (continued)

#### Categories of Financial Instruments - Municipality:

	2012	2011
<b>Financial Assets:</b>		
<b>Investments and Receivables</b>		
Cash and cash equivalents	4,801,196	3,107,678
Long-term receivables	299,484	289,436
Consumer Debtors	2,753,087	2,590,485
Debtors	2,834,316	2,645,000
	<hr/>	<hr/>
<b>Financial Liabilities:</b>		
<b>Liabilities and Creditors</b>		
Long-term liabilities	10,679,006	10,110,456
Creditors	4,843,862	4,358,302
	<hr/>	<hr/>

#### Fair values versus carrying amounts:

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

	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Investments	3,500,000	3,500,000	2,450,000	2,450,000
Long-term receivables	311,481	299,484	301,029	289,436
Consumer Debtors	2,753,087	2,753,087	2,590,485	2,590,485
Debtors	2,834,462	2,834,316	2,645,813	2,645,000
Long-term Liabilities	10,679,006	10,679,006	10,110,456	10,110,456
Creditors	4,852,957	4,843,862	4,373,403	4,358,302
	<hr/>	<hr/>	<hr/>	<hr/>

#### 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.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 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 details of the contractual maturities of financial liabilities:

#### Standard Bank:

EtheKwini Municipality - Derivative Trading: R70 000 000;  
 EtheKwini Municipality - Letter of Credit: R1 500 000;  
 EtheKwini Municipality - Performance guarantee: R6 000 000;  
 EtheKwini Municipality - Overdraft: R209 995 000;  
 EtheKwini Municipality - Fleet Management Card: R15 000;  
 I.C.C. Durban - Credit card: R228 000;  
 I.C.C. Durban - Performance guarantee: R550 000.

The total of these facilities amount to R288 288 000.

GROUP:	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
<b>30 June 2012</b>				
Long-term Liabilities	10,786,025	10,786,025	773,025	10,013,000
Creditors	4,838,962	4,838,962	4,838,962	-
<b>30 June 2011</b>				
Long-term Liabilities	10,209,951	10,209,951	693,058	9,516,893
Creditors	4,356,297	4,356,297	4,356,297	-
<b>MUNICIPALITY:</b>				
<b>30 June 2012</b>				
Long-term Liabilities	10,679,006	10,679,006	772,327	9,906,679
Creditors	4,843,862	4,843,862	4,843,862	-
<b>30 June 2011</b>				
Long-term Liabilities	10,110,456	10,110,456	692,416	9,418,040
Creditors	4,358,302	4,358,302	4,358,302	-

#### 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 (deficit). 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.

The Municipality entered into a fixed interest rate swap agreement with Standard Corporate & Merchant Bank in order to mitigate the floating interest rate exposure of the DBSA phase 2 loan. During the year R12.4million (2011: R11.7million) was recognised in surplus as ineffectiveness arising from fair value hedges.

On the basis of the assumptions in the table below, a 1% change in the interest rate will result in a 21% change in the value of the swap. There is a positive relationship between the swap value and interest rates.

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### 47. FINANCIAL INSTRUMENTS (continued)

#### Swap Cash flow Sensitivity

Settlement dates	Current interest rate	Interest rate movement: -1	Interest rate movement: -0.5	Interest rate movement: 0	Interest rate movement: 0.5	Interest rate movement: 1
Interest rate swap: 31 March and 30 September	7.06 %	13,311	12,180	11,049	9,918	8,787

#### 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.
- 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.

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

Financial instrument	Group - 2012	Group - 2011	Municipality - 2012	Municipality - 2011
Consumer Debtors	2,754,804	2,594,830	2,753,087	2,590,485
Other Debtors	2,847,456	2,669,216	2,834,316	2,645,000
Cash and Cash Equivalents	5,025,483	3,274,026	4,801,196	3,107,678

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

Consumer Debtors:				
Gross				
0 - 30 days	1,288,806	1,386,553	1,292,370	1,387,220
31 - 120 days	523,052	497,949	522,870	495,727
More than 120 days	2,884,197	2,469,713	2,875,673	2,463,878
Less: Provision for Bad Debts	(1,941,251)	(1,759,385)	(1,937,826)	(1,756,340)
<b>Net Consumer Debtors</b>	<b>2,754,804</b>	<b>2,594,830</b>	<b>2,753,087</b>	<b>2,590,485</b>

Movement in the provision for Bad Debts: Consumers				
Balance at beginning of year	1,759,385	1,665,053	1,756,340	1,661,795
Contribution	379,408	295,427	379,028	295,640
Bad debts written off	(197,542)	(201,095)	(197,542)	(201,095)
<b>Balance at year end</b>	<b>1,941,251</b>	<b>1,759,385</b>	<b>1,937,826</b>	<b>1,756,340</b>



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### 47. FINANCIAL INSTRUMENTS (continued)

Movement in the provision for Bad Debts: Other				
Balance at beginning of year	383,150	127,210	383,258	127,270
Contribution	14,630	332,460	14,564	332,508
Bad debts written off	(632)	(76,520)	(632)	(76,520)
<b>Balance at year end</b>	<b>397,148</b>	<b>383,150</b>	<b>397,190</b>	<b>383,258</b>

### 48. MATERIAL LOSSES

#### Water:

The

Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekweni 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 15,5Ml/day (-2,7%). There are now a total of 466 945 registered connections in eThekweni.
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, eThekweni Municipality maintains its losses at a lower end of the norm.

# eThekweni Municipality and its Municipal Entities

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### 48. MATERIAL LOSSES (continued)

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.

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

### 49. BANK BALANCES

Account number - Bank - Account Description	Cash Book Balance 30June 2012	Bank Statement balance 30June 2012	Cash Book Balance 30June 2011	Bank Statement balance 30June 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
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 Acc.	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
050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	436	(455)	457	(1,208)

# eThekwini Municipality and its Municipal Entities

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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)
050041827 - Standard Bank - E-Ticketing Account	-	10	-	-
050134434 - Standard Bank - Bank Charges Account	-	(408)	(28)	271
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
<b>Totals: ETHEKWINI MUNICIPALITY</b>				
Bank balances	697,884	2,606,945	602,877	3,089,640
Bank overdraft	(632,402)	(2,541,463)	(542,364)	(3,009,336)
<b>Durban Marine Theme Park (Proprietary) Limited:</b>				
50003801489 - Investec Bank - Business Account	-	-	21,224	21,224
50005636079 - Investec Bank - Smartrate Account	28,625	28,625	-	-
100027X021905914 - RMB - Account	38	38	2,338	2,338
050139452 - Standard Bank - Retail Bank Account	167	167	202	202
050139495 - Standard Bank - Schools Account	9	9	9	9
050139509 - Standard Bank - Main Deposit Account	1,610	1,610	2,537	2,537
443362 - Investec Bank - Account	-	-	10,275	10,275
<b>I.C.C. Durban (Proprietary) Limited:</b>				
50226959 - Standard Bank	(5)	(5)	194	194
50881201632 - FNB	717	717	1,920	1,920
50018949 - Standard Bank	1	1	1	1
62205575387 - FNB	-	-	336	336
50138162 - Standard Bank	543	543	6,232	6,232
50138197 - Standard Bank	179	179	392	392
<b>Effingham Development Joint Venture:</b>				
Bank Balances	46,467	-	28,024	-
<b>Totals: MUNICIPAL ENTITIES</b>				
Bank balances	78,351	31,884	73,684	45,660
<b>Totals: GROUP</b>				
Bank balances	776,235	2,638,829	676,561	3,135,300
Bank overdraft	(632,402)	(2,541,463)	(542,364)	(3,009,336)

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**50a: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2012**

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

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**50b: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)**

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/11	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/12
		%		R'000	R'000	R'000	R'000
<b>DURBAN MARINE THEME PARK:</b>							
<b>LONG TERM LOANS</b>							
Debenture Stock		13		95,197	0	8,166	103,363
<b>Total Stock Loans</b>				<b>95,197</b>	<b>0</b>	<b>8,166</b>	<b>103,363</b>
DBSA - Village Walk		8.5		4,298	0	-641	3,657
<b>Total Annuity Loans</b>				<b>4,298</b>	<b>0</b>	<b>-641</b>	<b>3,657</b>
<b>TOTAL EXTERNAL LOANS (DURBAN MARINE THEME PARK)</b>				<b>99,495</b>	<b>0</b>	<b>7,525</b>	<b>107,020</b>
<b>TOTAL EXTERNAL LOANS: ETHEKWINI MUNICIPALITY</b>				<b>10,110,456</b>	<b>1,000,000</b>	<b>-431,451</b>	<b>10,679,005</b>
<b>GROUP TOTAL:</b>				<b>10,209,951</b>	<b>1,000,000</b>	<b>-423,926</b>	<b>10,786,025</b>

**eThekweni Municipality and its Municipal Entities**  
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**Note: 51 A Reconciliation of Table A1 Group Budget Summary**

Description	2011/2012						2010/2011								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates	4,470,000	-	4,470,000			4,470,000	4,353,757		(116,243)	97%	97%				4,070,801
Service charges	12,248,267	(288,895)	11,979,372			11,979,372	11,394,609		(584,763)	95%	93%				9,891,173
Investment revenue	320,061	5,537	325,598			325,598	331,692		(83,906)	71%	72%				134,414
Transfers recognised - operational	1,899,750	155,992	2,055,742			2,055,742	1,952,987		(102,755)	95%	103%				1,708,920
Other own revenue	2,445,282	1,159,073	3,604,355			3,604,355	3,110,673		(493,682)	86%	127%				2,580,631
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>21,383,359</b>	<b>1,051,707</b>	<b>22,435,066</b>			<b>22,435,066</b>	<b>21,043,716</b>		<b>(1,391,349)</b>	<b>94%</b>	<b>98%</b>				<b>16,385,939</b>
Employee costs	5,337,350	126,893	5,464,243			5,464,243	6,576,031		1,111,788	120%	123%				4,914,202
Remuneration of councillors	79,705	6,047	85,752			85,752	84,751		(1,001)	99%	106%				77,919
Debt impairment	428,429	750	429,179			429,179	394,630		(34,549)	92%	92%				628,768
Depreciation & asset impairment	1,639,561	71,044	1,710,605			1,710,605	1,603,172		(107,433)	94%	98%				1,473,939
Finance charges	1,201,768	(63,034)	1,138,734			1,138,734	860,878		(277,856)	76%	72%				692,817
Materials and bulk purchases	6,919,128	(11,550)	6,907,578			6,907,578	6,666,970		(240,608)	97%	96%				5,495,517
Transfers and grants	166,319	(16,240)	150,079			150,079	126,094		(23,985)	84%	76%				132,121
Other expenditure	5,694,341	815,819	6,510,160			6,510,160	4,401,856		(2,108,304)	68%	77%				3,911,590
<b>Total Expenditure</b>	<b>21,466,600</b>	<b>929,729</b>	<b>22,396,329</b>			<b>22,396,329</b>	<b>20,714,382</b>		<b>(1,681,947)</b>	<b>92%</b>	<b>96%</b>				<b>17,326,863</b>
<b>Surplus/(Deficit)</b>	<b>(83,241)</b>	<b>121,978</b>	<b>38,737</b>			<b>38,737</b>	<b>329,336</b>		<b>290,599</b>	<b>98%</b>	<b>66%</b>				<b>1,059,076</b>
Transfers recognised - capital	2,200,491	(721,550)	1,478,941			1,478,941	1,456,754		(22,187)	98%	66%				904,126
Contributions recognised - capital & contributed assets															
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,117,250</b>	<b>(599,572)</b>	<b>1,517,678</b>			<b>1,517,678</b>	<b>1,786,090</b>		<b>268,412</b>	<b>118%</b>	<b>84%</b>				<b>1,963,202</b>
Share of surplus/ (deficit) of associate															
<b>Surplus/(Deficit) for the year</b>	<b>2,117,250</b>	<b>(599,572)</b>	<b>1,517,678</b>			<b>1,517,678</b>	<b>1,786,090</b>		<b>268,412</b>	<b>118%</b>	<b>84%</b>				<b>1,963,202</b>
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>	<b>5,097,529</b>	<b>(1,204,216)</b>	<b>3,893,311</b>			<b>3,893,311</b>	<b>3,515,471</b>		<b>(22,187)</b>	<b>98%</b>	<b>66%</b>				<b>904,126</b>
Transfers recognised - capital	2,200,491	(721,550)	1,478,941			1,478,941	1,456,754		(22,187)	98%	66%				904,126
Public contributions & donations										0%	0%				
Borrowing	2,000,000	(1,000,000)	1,000,000			1,000,000	1,000,000			100%	50%				2,000,000
Internally generated funds	897,038	517,332	1,414,370			1,414,370	1,058,717		(355,653)	75%	118%				902,202
<b>Total sources of capital funds</b>	<b>5,097,529</b>	<b>(1,204,216)</b>	<b>3,893,311</b>			<b>3,893,311</b>	<b>3,515,471</b>		<b>(377,840)</b>	<b>90%</b>	<b>69%</b>				<b>3,806,328</b>
<b>Cash flows</b>															
Net cash from (used) operating	4,440,998	1,208,295	3,693,855			3,693,855	4,628,316		734,461	119%	104%				3,616,727
Net cash from (used) investing	(5,057,962)	105,270	(4,006,340)			(4,006,340)	(3,542,933)		463,407	88%	70%				(6,632,192)
Net cash from (used) financing	1,401,173	(1,000,000)	401,173			401,173	576,074		174,901	144%	41%				1,442,626
<b>Cash/cash equivalents at the year end</b>	<b>4,113,757</b>	<b>313,565</b>	<b>3,616,237</b>			<b>3,616,237</b>	<b>5,025,483</b>		<b>1,372,768</b>	<b>139%</b>	<b>122%</b>				<b>3,274,026</b>

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Note: 51 B Reconciliation of Table A1 eThekweni Budget Summary

Description	2011/2012							2010/2011							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates	4,470,000	–	4,470,000			4,470,000	4,372,115		(97,885)	98%	98%				4,088,337
Service charges	12,248,267	(288,895)	11,979,372			11,979,372	11,228,037		(751,335)	95%	93%				9,917,898
Investment revenue	315,221	5,701	320,922			320,922	221,079		(98,843)	69%	69%				125,809
Transfers recognised - operational	1,899,750	155,993	2,055,743			2,055,743	1,951,227		(104,516)	95%	103%				1,620,160
Other own revenue	2,352,666	1,081,980	3,293,939			3,293,939	2,800,365		(493,574)	85%	119%				2,311,759
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>21,285,904</b>	<b>984,779</b>	<b>22,119,976</b>			<b>22,119,976</b>	<b>20,772,823</b>		<b>(1,347,153)</b>	<b>94%</b>	<b>94%</b>				<b>18,063,963</b>
Employee costs	5,337,350	14,328	5,351,678			5,351,678	6,475,740		1,124,062	121%	121%				4,812,870
Remuneration of councillors	79,705	6,047	85,752			85,752	84,751		(1,001)	99%	106%				77,919
Debt impairment	428,429	750	429,179			429,179	393,592		(35,587)	92%	92%				628,148
Depreciation & asset impairment	1,639,561	495	1,640,056			1,640,056	1,537,194		(102,862)	94%	94%				1,403,779
Finance charges	1,194,934	(64,700)	1,130,234			1,130,234	855,068		(275,166)	76%	72%				687,219
Materials and bulk purchases	6,919,128	(11,550)	6,907,578			6,907,578	6,668,970		(240,608)	97%	96%				5,495,517
Materials and grants	166,319	(16,240)	150,079			150,079	141,694		(8,385)	94%	85%				142,621
Transfers and grants	5,453,987	863,960	6,317,947			6,317,947	4,335,019		(1,982,928)	69%	79%				3,833,494
Other expenditure	2,200,491	132,089	2,332,580			2,332,580	2,292,795		(39,785)	98%	97%				17,081,567
<b>Total Expenditure</b>	<b>21,219,412</b>	<b>792,690</b>	<b>22,012,102</b>			<b>22,012,102</b>	<b>20,490,028</b>		<b>(1,522,074)</b>	<b>93%</b>	<b>97%</b>				<b>17,081,567</b>
Transfers recognised - capital	66,491	192,089	258,580			258,580	282,795		124,215	262%	425%				982,396
Contributions recognised - capital & contributed assets	2,200,491	721,550	2,921,041			2,921,041	1,468,514		(1,452,527)	50%	66%				982,886
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,266,992</b>	<b>913,639</b>	<b>3,180,631</b>			<b>3,180,631</b>	<b>1,282,795</b>		<b>(1,897,836)</b>	<b>56%</b>	<b>56%</b>				<b>1,975,282</b>
Share of surplus/ (deficit) of associate							9,755		9,755	110%	70%				3,521
<b>Surplus/(Deficit) for the year</b>	<b>2,266,992</b>	<b>913,639</b>	<b>3,180,631</b>			<b>3,180,631</b>	<b>1,292,550</b>		<b>(1,888,081)</b>	<b>56%</b>	<b>77%</b>				<b>1,978,803</b>
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>	<b>5,082,596</b>	<b>(1,209,219)</b>	<b>3,873,377</b>			<b>3,873,377</b>	<b>3,484,739</b>		<b>(388,638)</b>	<b>90%</b>	<b>90%</b>				<b>982,886</b>
Transfers recognised - capital	2,200,491	(721,550)	1,478,941			1,478,941	1,468,514		(1,421,527)	99%	66%				9,876
Public contributions & donations	–	–	–			–	–		–	–	–				2,000,000
Borrowing	2,000,000	(1,000,000)	1,000,000			1,000,000	1,000,000		–	100%	50%				781,256
Internally generated funds	882,105	512,332	1,394,437			1,394,437	1,026,225		(368,212)	74%	116%				3,784,018
<b>Total sources of capital funds</b>	<b>5,082,596</b>	<b>(1,209,219)</b>	<b>3,873,377</b>			<b>3,873,377</b>	<b>3,484,739</b>		<b>(388,638)</b>	<b>90%</b>	<b>69%</b>				<b>3,784,018</b>
<b>Cash flows</b>															
Net cash from (used) operating	4,451,923	(461,615)	3,990,308			3,990,308	4,547,307		556,999	114%	102%				3,523,214
Net cash from (used) investing	(5,064,662)	1,078,255	(3,986,407)			(3,986,407)	(3,422,339)		564,068	86%	68%				(6,619,213)
Net cash from (used) financing	1,402,209	(1,000,000)	402,209			402,209	588,550		186,341	141%	41%				1,435,770
<b>Cash/cash equivalents at the year end</b>	<b>4,013,788</b>	<b>(500,000)</b>	<b>3,513,788</b>			<b>3,513,788</b>	<b>4,801,196</b>		<b>1,287,408</b>	<b>137%</b>	<b>120%</b>				<b>3,107,678</b>



**eThekweni Municipality and its Municipal Entities**  
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**Note 51 C Reconciliation of Table A2 Group Budgeted Financial Performance (revenue and expenditure by standard classification)**

Description	2011/2012						2010/2011								
	Original Budget	Budget Adjustments (i.l.o. s38 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue - Standard</b>															
<i>Governance and administration</i>	7,357,358	(360,279)	7,177,079			7,177,079	6,605,657		(571,422)	92%	88%				5,644,865
Executive and council	2,221	2,669	4,890			4,890	5,785		895	118%	260%				3,021
Budget and treasury office	7,294,946	(362,948)	6,932,000			6,932,000	6,599,872		(332,128)	95%	90%				5,641,844
Corporate services	240,189	-	240,189			240,189			(240,189)	0%	0%				
<i>Community and public safety</i>	1,194,854	138,690	1,333,545			1,333,545	1,172,769		(160,776)	88%	96%				1,341,423
Community and social services	34,434	3,744	38,178			30,063	30,063		(8,115)	79%	87%				29,686
Sport and recreation	32,729	20,116	52,845			52,845	97,851		45,006	185%	296%				85,401
Public safety	106,152	-	106,152			106,152	136,419		30,267	129%	129%				113,851
Housing	976,913	114,830	1,091,743			1,091,743	851,754		(239,989)	78%	87%				1,061,088
Health	44,627	-	44,627			44,627	56,692		12,065	127%	127%				51,397
<i>Economic and environmental services</i>	949,302	446,895	1,396,197			1,396,197	994,527		(401,670)	71%	105%				634,777
Planning and development	334,894	257,543	592,437			592,437	213,254		(379,183)	36%	64%				211,420
Road transport	610,871	187,559	798,430			798,430	779,451		(18,979)	98%	128%				415,281
Environmental protection	3,538	1,593	5,131			5,131	1,822		(3,309)	36%	52%				8,076
<i>Trading services</i>	13,823,053	105,051	13,928,104			13,928,104	13,380,630		(547,474)	96%	97%				11,364,458
Electricity	9,128,429	(223,767)	8,904,662			8,904,662	8,756,696		(147,976)	98%	96%				7,311,135
Water	2,970,928	142,811	3,113,739			3,113,739	2,697,078		(416,661)	87%	91%				2,472,903
Waste water management	1,052,608	159,024	1,211,632			1,211,632				0%	0%				1,580,420
Waste management	671,068	26,983	698,071			698,071	1,926,866		1,228,795	276%	287%				1,228,795
<i>Other</i>	79,282	-	79,282			79,282	346,889		267,607	438%	438%				304,542
<b>Total Revenue - Standard</b>	<b>23,983,851</b>	<b>330,157</b>	<b>23,914,007</b>	<b>-</b>	<b>-</b>	<b>23,914,007</b>	<b>22,500,472</b>	<b>-</b>	<b>(1,413,535)</b>	<b>94%</b>	<b>95%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,290,065</b>
<b>Expenditure - Standard</b>															
<i>Governance and administration</i>	2,859,716	24,350	2,884,066			2,884,066	2,439,794		(444,272)	85%	85%				1,222,005
Executive and council	215,711	19,405	235,116			235,116	265,081		29,965	113%	123%				194,444
Budget and treasury office	1,363,321	8,468	1,371,779			1,371,779	2,031,129		659,350	148%	149%				1,027,561
Corporate services	1,280,685	(3,513)	1,277,172			1,277,172	143,584		(1,133,588)	11%	11%				
<i>Community and public safety</i>	3,169,390	1,094,466	4,263,856			4,263,856	4,032,790		(231,066)	95%	127%				3,942,302
Community and social services	571,133	(13,477)	557,656			557,656	944,273		(386,617)	169%	95%				486,962
Sport and recreation	841,329	128,599	970,928			970,928	1,027,911		57,983	105%	121%				862,424
Public safety	1,107,144	43,988	1,151,132			1,151,132	1,030,468		(120,664)	90%	93%				939,474
Housing	193,425	(890)	192,535			1,386,535	1,117,846		(268,689)	81%	248%				1,342,051
Health	193,425	(890)	192,535			192,545	312,272		119,727	162%	161%				299,391
<i>Economic and environmental services</i>	2,797,662	155,709	2,953,371			2,953,371	2,158,066		(795,305)	73%	77%				1,976,668
Planning and development	1,158,740	116,334	1,275,074			1,275,074	699,561		(575,513)	55%	60%				614,906
Road transport	1,517,847	33,592	1,551,439			1,551,439	1,332,485		(218,954)	86%	86%				1,250,499
Environmental protection	121,075	5,763	126,838			126,858	126,020		(838)	99%	104%				111,261
<i>Trading services</i>	12,616,101	(354,417)	12,161,684			12,161,684	11,739,059		(422,625)	97%	94%				9,831,272
Electricity	7,965,361	(361,753)	7,603,608			7,603,608	7,492,218		(111,390)	99%	94%				6,090,985
Water	2,846,826	8,233	2,855,059			2,855,059	2,412,202		(442,857)	84%	85%				2,118,739
Waste water management	904,212	(1,223)	902,989			902,989	929,929		(33,000)	99%	59%				
Waste management	123,731	9,421	133,152			133,152	344,673		211,521	259%	279%				1,621,548
<b>Total Expenditure - Standard</b>	<b>21,466,600</b>	<b>929,729</b>	<b>22,396,329</b>	<b>-</b>	<b>-</b>	<b>22,396,329</b>	<b>20,714,382</b>	<b>-</b>	<b>(1,681,947)</b>	<b>92%</b>	<b>96%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,326,863</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,117,250</b>	<b>(599,572)</b>	<b>1,517,678</b>	<b>-</b>	<b>-</b>	<b>1,517,678</b>	<b>1,786,090</b>	<b>-</b>	<b>268,412</b>	<b>118%</b>	<b>84%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,963,202</b>

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**Note 51 D Reconciliation of Table A2 Municipality Budgeted Financial Performance (revenue and expenditure by standard classification)**

Description	2011/2012										2010/2011				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue - Standard</b>	<b>7,537,358</b>	<b>(360,279)</b>	<b>7,177,079</b>			<b>7,177,079</b>	<b>6,612,235</b>		<b>(564,844)</b>		88%				<b>5,644,866</b>
<b>Governance and administration</b>															
Executive and council	2,221	2,669	4,890			4,890	5,795		895	118%	92%				3,021
Budget and treasury office	7,294,948	(362,948)	6,932,000			6,932,000	6,606,451		(325,549)	95%	118%				5,641,844
Corporate services	240,189	-	240,189			240,189			(240,189)	0%	0%				
<b>Community and public safety</b>	<b>1,194,854</b>	<b>138,690</b>	<b>1,333,545</b>			<b>1,333,545</b>	<b>1,172,769</b>		<b>(160,776)</b>	88%	98%				<b>1,341,422</b>
Community and social services	34,434	3,744	38,178			38,178	30,063		(8,114)	79%	87%				28,686
Sport and recreation	32,729	20,116	52,845			52,845	97,851		45,006	185%	299%				85,401
Public safety	106,152	-	106,152			106,152	136,419		30,267	129%	129%				113,851
Housing	975,913	114,530	1,091,743			1,091,743	851,754		(239,989)	78%	87%				1,061,088
Health	44,627	-	44,627			44,627	56,662		12,035	127%	127%				51,397
<b>Economic and environmental services</b>	<b>851,846</b>	<b>229,063</b>	<b>1,080,909</b>			<b>1,080,909</b>	<b>994,528</b>		<b>(86,382)</b>	92%	117%				<b>634,777</b>
Planning and development	237,438	39,911	277,349			277,349	213,254		(64,095)	77%	90%				211,420
Road transport	610,871	187,559	798,430			798,430	779,451		(18,979)	98%	128%				415,281
Environmental protection	3,538	1,593	5,131			5,131	1,822		(3,309)	36%	52%				8,076
<b>Trading services</b>	<b>13,823,053</b>	<b>105,051</b>	<b>13,928,104</b>			<b>13,928,104</b>	<b>13,380,630</b>		<b>(547,474)</b>	96%	97%				<b>11,364,458</b>
Electricity	9,126,429	(223,767)	8,902,662			8,904,662	8,756,686		(147,977)	98%	96%				7,311,135
Water	2,970,928	142,811	3,113,740			3,113,740	2,697,078		(416,662)	87%	91%				2,472,903
Waste water management	1,052,608	159,024	1,211,631			1,211,631			(1,211,631)	0%	0%				
Waste management	671,088	26,983	698,071			698,071	1,926,866		1,228,795	276%	287%				1,580,420
<b>Other</b>	<b>79,282</b>	<b>(2)</b>	<b>79,280</b>			<b>79,280</b>	<b>80,931</b>		<b>1,651</b>	102%	102%				<b>71,326</b>
<b>Total Revenue - Standard</b>	<b>23,486,395</b>	<b>112,523</b>	<b>23,598,918</b>			<b>23,598,918</b>	<b>22,241,093</b>		<b>(1,357,825)</b>	94%	95%				<b>19,060,370</b>
<b>Expenditure - Standard</b>	<b>2,859,716</b>	<b>24,351</b>	<b>2,884,067</b>			<b>2,884,067</b>	<b>2,431,445</b>		<b>(452,622)</b>	84%	85%				<b>1,222,006</b>
<b>Governance and administration</b>															
Executive and council	215,711	19,405	235,115			235,115	265,081		29,966	113%	123%				194,444
Budget and treasury office	1,363,321	8,458	1,371,779			1,371,779	1,922,790		551,001	140%	141%				1,027,561
Corporate services	1,280,685	(3,512)	1,277,173			1,277,173	245,594		(1,033,589)	19%	19%				
<b>Community and public safety</b>	<b>3,169,390</b>	<b>1,094,468</b>	<b>4,263,858</b>			<b>4,263,858</b>	<b>4,032,790</b>		<b>(231,068)</b>	95%	127%				<b>3,942,301</b>
Community and social services	571,133	(13,417)	557,716			557,716	544,273		(13,443)	98%	95%				498,962
Sport and recreation	847,329	128,599	975,928			975,928	1,027,911		51,983	105%	121%				862,424
Public safety	1,107,144	43,988	1,151,133			1,151,133	1,030,488		(120,645)	90%	93%				939,474
Housing	450,359	938,176	1,388,536			1,388,536	1,117,846		(268,690)	81%	248%				1,342,051
Health	193,425	(800)	192,545			192,545	312,272		119,727	162%	161%				299,391
<b>Economic and environmental services</b>	<b>2,550,474</b>	<b>18,666</b>	<b>2,569,140</b>			<b>2,569,140</b>	<b>2,153,067</b>		<b>(416,073)</b>	84%	85%				<b>1,976,668</b>
Planning and development	911,552	(20,709)	890,842			890,842	699,561		(191,281)	79%	77%				614,908
Road transport	1,517,847	33,592	1,551,439			1,551,439	1,332,485		(218,954)	86%	88%				1,250,499
Environmental protection	121,075	5,793	126,868			126,868	126,020		(838)	99%	104%				111,261
<b>Trading services</b>	<b>12,516,101</b>	<b>(354,214)</b>	<b>12,161,887</b>			<b>12,161,887</b>	<b>11,739,059</b>		<b>(422,828)</b>	97%	94%				<b>9,831,272</b>
Electricity	7,965,361	(381,750)	7,603,611			7,603,611	7,492,218		(111,394)	99%	94%				6,090,985
Water	2,846,826	8,233	2,855,059			2,855,059	2,412,292		(442,857)	84%	85%				2,118,739
Waste water management	904,212	(1,224)	902,989			902,989	529,929		(373,060)	59%	59%				
Waste management	796,702	526	800,228			800,228	1,304,710		504,482	163%	163%				1,621,548
<b>Other</b>	<b>123,731</b>	<b>9,421</b>	<b>133,152</b>			<b>133,152</b>	<b>128,668</b>		<b>(4,484)</b>	97%	104%				<b>109,320</b>
<b>Total Expenditure - Standard</b>	<b>21,219,412</b>	<b>792,691</b>	<b>22,012,103</b>			<b>22,012,103</b>	<b>20,490,028</b>		<b>(1,522,075)</b>	93%	97%				<b>17,081,567</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,266,982</b>	<b>(680,169)</b>	<b>1,586,814</b>			<b>1,586,814</b>	<b>1,751,064</b>		<b>(1,664,250)</b>						<b>1,978,803</b>

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**Note 51 E Reconciliation of Table A3 Group Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	2011/2012						2010/2011								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue by Vote</b>															
Vote 1 - Office of the City Manager	45,667	107,277	152,944	152,944		152,944	110,113		(42,831)	72%	241%				92,409
Vote 2 - Treasury	7,631,208	(158,831)	7,472,377	7,472,377		7,472,377	6,186,376		(1,286,001)	83%	81%				4,494,763
Vote 3 - Governance	4,310	-	4,310	4,310		4,310	3,365		(945)	78%	78%				2,068
Vote 4 - Corporate and Human Resources	18,065	-	18,065	18,065		18,065	21,404		3,339	118%	118%				20,109
Vote 5 - Sustainable Development	131,754	(45,871)	85,883	85,883		85,883	32,498		(53,385)	38%	25%				739,085
Vote 6 - Safety and Security Services	133,869	-	133,869	133,869		133,869	175,229		41,360	131%	131%				162,217
Vote 7 - Health and Social Services	94,538	3,860	98,398	98,398		98,398	97,183		(1,215)	99%	103%				93,684
Vote 8 - Procurement Infrastructure	3,250,537	262,951	3,513,488	3,513,488		3,513,488	3,168,328		(345,160)	90%	97%				2,845,988
Vote 9 - Electricity	9,085,708	(223,769)	8,871,939	8,871,939		8,871,939	8,949,656		77,717	101%	98%				7,486,745
Vote 10 - Water	2,970,928	142,811	3,113,739	3,113,739		3,113,739	3,190,097		76,358	102%	107%				2,938,748
Vote 11 - Formal Housing	42,505	24,097	66,602	66,602		66,602	66,561		(41)	100%	157%				57,295
Vote 12 - Markets	61,669	(2)	61,667	61,667		61,667	64,848		3,181	105%	105%				57,895
Vote 13 - Airport	5,637	-	5,637	5,637		5,637	6,216		579	110%	110%				5,391
Vote 14 - ICC	53,568	103,365	156,933	156,933		156,933	243,376		86,443	155%	454%				134,875
Vote 15 - USHAKA MARINE WORLD	43,688	114,289	158,157	158,157		158,157	152,885		(5,272)	97%	346%				150,094
<b>Total Revenue by Vote</b>	<b>23,583,850</b>	<b>330,157</b>	<b>23,914,008</b>	<b>23,914,008</b>		<b>23,914,008</b>	<b>22,500,472</b>		<b>(1,413,536)</b>	<b>94%</b>	<b>95%</b>				<b>19,290,065</b>
<b>Expenditure by Vote to be appropriated</b>															
Vote 1 - Office of the City Manager	827,930	104,758	932,688	932,688		932,688	808,096		(124,592)	87%	98%				456,000
Vote 2 - Treasury	1,899,368	24,940	1,924,308	1,924,308		1,924,308	2,620,991		896,683	147%	149%				1,022,519
Vote 3 - Governance	349,310	7,371	356,681	356,681		356,681	345,064		(11,617)	97%	99%				262,024
Vote 4 - Corporate and Human Resources	314,928	(166)	314,762	314,762		314,762	260,354		(54,408)	83%	83%				200,488
Vote 5 - Sustainable Development	456,405	3,220	459,625	459,625		459,625	470,006		10,381	102%	102%				566,533
Vote 6 - Safety and Security Services	971,990	41,969	1,013,959	1,013,959		1,013,959	969,844		(44,115)	96%	103%				894,558
Vote 7 - Health and Social Services	1,447,651	3,035	1,450,686	1,450,686		1,450,686	1,495,028		44,342	103%	103%				1,404,821
Vote 8 - Procurement Infrastructure	3,863,178	922,248	4,785,426	4,785,426		4,785,426	4,388,740		(396,686)	92%	114%				3,154,906
Vote 9 - Electricity	8,101,983	(361,754)	7,740,229	7,740,229		7,740,229	7,685,188		(55,041)	99%	95%				6,296,595
Vote 10 - Water	2,846,826	12,400	2,859,226	2,859,226		2,859,226	2,905,221		45,995	102%	102%				2,584,584
Vote 11 - Formal Housing	86,788	34,710	121,498	121,498		121,498	89,284		(32,214)	73%	103%				105,164
Vote 12 - Markets	47,510	(41)	47,469	47,469		47,469	40,296		(7,173)	85%	85%				37,522
Vote 13 - Airport	5,546	-	5,546	5,546		5,546	5,860		314	106%	106%				5,591
Vote 14 - ICC	130,894	56,790	187,684	187,684		187,684	204,107		16,423	108%	156%				164,627
Vote 15 - USHAKA MARINE WORLD	116,294	80,249	196,543	196,543		196,543	191,806		(4,737)	96%	165%				184,175
<b>Total Expenditure by Vote</b>	<b>21,466,600</b>	<b>929,729</b>	<b>22,396,329</b>	<b>22,396,329</b>		<b>22,396,329</b>	<b>20,714,382</b>		<b>3,156,947</b>	<b>92%</b>	<b>96%</b>				<b>17,326,863</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,117,250</b>	<b>(599,572)</b>	<b>1,517,678</b>	<b>1,517,678</b>		<b>1,517,678</b>	<b>1,786,090</b>		<b>(1,759,428)</b>	<b>118%</b>	<b>84%</b>				<b>1,963,202</b>

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**Note 51 Reconciliation of Table A3 Municipality Budgeted Financial Performance (revenue and expenditure by municipal vote**

Vote Description	2011/2012										2010/2011				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue by Vote</b>															
Vote 1 - Office of the City Manager	45 667	107 276	152 943			152 943	110 113		(42 830)	72%	241%				92 409
Vote 2 - Treasury	7 631 208	(158 831)	7 472 377			7 472 377	6 166 376		(1 286 001)	83%	81%				4 494 763
Vote 3 - Governance	4 310	-	4 310			4 310	3 365		(945)	78%	78%				2 088
Vote 4 - Corporate and Human Resources	18 065	-	18 065			18 065	21 404		3 339	118%	118%				20 109
Vote 5 - Sustainable Development	131 754	(45 871)	85 883			85 883	191 961		106 077	224%	146%				803 057
Vote 6 - Safety and Security Services	133 869	-	133 869			133 869	175 229		41 360	131%	131%				162 217
Vote 7 - Health and Social Services	94 538	3 860	98 398			98 398	97 125		(1 273)	99%	103%				93 684
Vote 8 - Procurement Infrastructure	3 250 537	262 950	3 513 487			3 513 487	3 166 328		(345 159)	90%	97%				2 845 988
Vote 9 - Electricity	9 095 708	(223 769)	8 871 939			8 871 939	8 949 656		77 717	101%	98%				7 486 745
Vote 10 - Water	2 970 928	142 811	3 113 740			3 113 740	3 190 097		76 357	102%	107%				2 936 748
Vote 11 - Formal Housing	42 505	24 097	66 602			66 602	66 561		(41)	100%	157%				57 295
Vote 12 - Markets	61 669	(2)	61 667			61 667	64 848		3 181	105%	105%				57 895
Vote 13 - Airport	5 637	-	5 637			5 637	6 216		579	110%	110%				5 391
<b>Total Revenue by Vote</b>	<b>23 486 395</b>	<b>112 523</b>	<b>23 598 917</b>			<b>23 598 917</b>	<b>22 241 092</b>		<b>(1 357 825)</b>	<b>94%</b>	<b>95%</b>				<b>19 060 370</b>
<b>Expenditure by Vote to be appropriated</b>															
Vote 1 - Office of the City Manager	827 930	104 759	932 689			932 689	808 096		(124 593)	87%	98%				456 000
Vote 2 - Treasury	1 899 368	24 940	1 924 308			1 924 308	3 016 345		1 092 037	157%	159%				1 142 782
Vote 3 - Governance	349 310	7 370	356 680			356 680	345 064		(11 615)	97%	99%				262 024
Vote 4 - Corporate and Human Resources	314 928	(166)	314 763			314 763	260 354		(64 408)	83%	83%				200 488
Vote 5 - Sustainable Development	456 405	3 220	459 625			459 625	458 108		(1 517)	100%	100%				566 533
Vote 6 - Safety and Security Services	971 990	41 969	1 013 959			1 013 959	999 844		(14 114)	99%	103%				894 558
Vote 7 - Health and Social Services	1 447 651	3 034	1 450 685			1 450 685	1 495 028		44 343	103%	103%				1 404 821
Vote 8 - Procurement Infrastructure	3 863 178	922 247	4 785 425			4 785 425	4 388 740		(396 684)	92%	114%				3 154 906
Vote 9 - Electricity	8 101 983	(361 751)	7 740 232			7 740 232	7 685 188		(55 044)	99%	95%				6 266 595
Vote 10 - Water	2 846 826	12 400	2 859 226			2 859 226	2 905 221		45 995	102%	102%				2 584 584
Vote 11 - Formal Housing	86 788	34 770	121 498			121 498	89 284		(32 214)	73%	103%				105 164
Vote 12 - Markets	47 510	(41)	47 469			47 469	40 296		(7 173)	85%	85%				37 522
Vote 13 - Airport	5 546	-	5 546			5 546	5 860		314	106%	106%				5 591
<b>Total Expenditure by Vote</b>	<b>21 219 412</b>	<b>792 691</b>	<b>22 012 103</b>			<b>22 012 103</b>	<b>20 490 028</b>		<b>485 326</b>	<b>93%</b>	<b>97%</b>				<b>17 081 567</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 266 982</b>	<b>(680 168)</b>	<b>1 586 814</b>			<b>1 586 814</b>	<b>1 751 064</b>								<b>1 978 803</b>

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**Note 51 G Reconciliation of Table A4 Group Budgeted Financial Performance (revenue and expenditure)**

Description	2011/2012							2010/2011							
	Original Budget (i.L.O. s28 and s31 of the MFMA)	Budget Adjustments (i.L.O. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.L.O. s31 of the MFMA)	Virement (i.L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue By Source</b>															
Property rates	4,470,000	-	4,470,000			4,470,000	4,353,757		(116,243)	97%	97%				4,070,801
Property rates - penalties & collection charges	150,707	-	150,707			150,707	111,867		(38,840)	74%	74%				81,854
Service charges - electricity revenue	8,741,177	(274,134)	8,467,043			8,467,043	8,327,264		(139,779)	98%	95%				7,001,171
Service charges - water revenue	2,296,939	-	2,296,939			2,296,939	1,887,459		(409,480)	82%	82%				1,828,898
Service charges - sanitation revenue	651,013	5,239	656,252			656,252	403,205		(253,047)	61%	62%				373,981
Service charges - refuse revenue	390,273	-	390,273			390,273	635,915		245,642	163%	163%				559,237
Service charges - other	168,865	-	168,865			168,865	140,766		(28,099)	83%	83%				127,886
Rental of facilities and equipment	332,574	3,662	336,236			336,236	494,954		158,718	147%	149%				433,768
Interest earned - external investments	227,445	5,701	233,146			233,146	231,692		(1,454)	99%	100%				134,414
Interest earned - outstanding debtors	92,452	(164)	92,452			92,452	92,526		74	100%	100%				86,955
Dividends received	-	-	-			-	-		-	0%	0%				-
Fines	99,534	-	99,534			99,534	129,165		29,631	130%	130%				129,284
Licences and permits	28,578	-	28,578			28,578	40,087		11,509	140%	140%				29,640
Agency services	-	-	-			-	-		-	0%	0%				-
Transfers recognised - operational	1,899,750	155,992	2,055,742			2,055,742	1,952,987		(102,755)	95%	103%				1,708,920
Other revenue	1,789,878	1,153,301	2,943,179			2,943,179	2,176,809		(766,370)	74%	122%				1,771,811
Gains on disposal of PPE	44,010	2,110	46,120			46,120	65,265		19,145	142%	145%				48,319
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>21,383,359</b>	<b>1,051,707</b>	<b>22,435,066</b>			<b>22,435,066</b>	<b>21,043,718</b>		<b>(1,391,348)</b>	<b>94%</b>	<b>98%</b>				<b>18,395,939</b>
<b>Expenditure By Type</b>															
Employee related costs	5,337,350	126,893	5,464,243			5,464,243	6,576,031		1,111,788	120%	123%				4,914,202
Remuneration of councillors	79,705	6,047	85,752			85,752	84,751		(1,001)	99%	106%				77,919
Debt impairment	428,429	750	429,179			429,179	394,630		(34,549)	92%	92%				628,768
Depreciation & asset impairment	1,639,561	71,044	1,710,605			1,710,605	1,603,172		(107,433)	94%	98%				1,473,939
Finance charges	1,207,768	(63,034)	1,138,734			1,138,734	860,878		(277,856)	76%	72%				692,817
Bulk purchases	6,919,128	(11,550)	6,907,578			6,907,578	6,666,970		(240,608)	97%	96%				5,465,517
Other materials	23,278	-	23,278			23,278	23,278			0%	0%				-
Contracted services	2,775,631	31,979	2,807,611			2,807,611	1,051,833		(1,755,778)	37%	38%				877,956
Transfers and grants	166,319	(16,240)	150,079			150,079	126,094		(23,985)	84%	76%				132,121
Other expenditure	2,894,032	782,363	3,676,395			3,676,395	3,342,948		(333,447)	91%	116%				3,032,747
Less on disposal of PPE	1,200	1,477	2,677			2,677	7,075		4,398	264%	590%				877
<b>Total Expenditure</b>	<b>21,466,600</b>	<b>929,729</b>	<b>22,396,330</b>			<b>22,396,330</b>	<b>20,714,342</b>		<b>(1,681,988)</b>	<b>92%</b>	<b>96%</b>				<b>17,326,863</b>
<b>Surplus/(Deficit)</b>	<b>(83,241)</b>	<b>121,978</b>	<b>38,737</b>			<b>38,737</b>	<b>328,336</b>		<b>290,599</b>	<b>98%</b>	<b>69%</b>				<b>1,059,076</b>
Transfers recognised - capital	2,200,491	(721,550)	1,478,941			1,478,941	1,456,754		(22,187)						904,126
Contributions recognised - capita	-	-	-			-	-		-						-
Contributed assets	-	-	-			-	-		-						-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,200,491</b>	<b>(721,550)</b>	<b>1,478,941</b>			<b>1,478,941</b>	<b>1,786,090</b>		<b>288,412</b>						<b>1,963,202</b>
Taxation	-	-	-			-	-		-						-
<b>Surplus/(Deficit) after taxation</b>	<b>2,200,491</b>	<b>(721,550)</b>	<b>1,478,941</b>			<b>1,478,941</b>	<b>1,786,090</b>		<b>288,412</b>	<b>118%</b>	<b>81%</b>				<b>1,963,202</b>
Attributable to minorities	-	-	-			-	-		-						-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2,200,491</b>	<b>(721,550)</b>	<b>1,478,941</b>			<b>1,478,941</b>	<b>1,786,090</b>		<b>288,412</b>	<b>118%</b>	<b>81%</b>				<b>1,963,202</b>
Share of surplus/(deficit) of associate	-	-	-			-	-		-						-
<b>Surplus/(Deficit) for the year</b>	<b>2,200,491</b>	<b>(721,550)</b>	<b>1,478,941</b>			<b>1,478,941</b>	<b>1,786,090</b>		<b>288,412</b>	<b>118%</b>	<b>81%</b>				<b>1,963,202</b>

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**Note 51: H Reconciliation of Table A4 Municipality Budgeted Financial Performance (revenue and expenditure)**

Description	2011/2012							2010/2011							
	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue By Source</b>															
Property rates	4,470,000	-	4,470,000			4,470,000	4,372,115		(97,885)	98%	98%				4,088,337
Property rates - penalties & collection charges	150,707	-	150,707			150,707	111,987		(38,840)	74%	74%				81,854
Service charges - electricity revenue	8,741,177	(274,134)	8,467,044			8,467,044	8,352,757		(114,287)	99%	96%				7,022,871
Service charges - water revenue	2,296,939	-	2,296,939			2,296,939	1,893,865		(403,074)	82%	82%				1,833,505
Service charges - sanitation revenue	665,013	5,239	669,252			669,252	404,734		(264,518)	62%	62%				374,399
Service charges - refuse revenue	390,273	-	390,273			390,273	635,915		245,642	163%	163%				599,237
Service charges - other	168,865	-	168,865			168,865	140,766		(28,099)	83%	83%				127,886
Rental of facilities and equipment	332,574	3,662	336,236			336,236	406,218		69,982	121%	122%				353,483
Interest earned - external investments	222,605	5,701	228,306			228,306	221,079		(7,227)	97%	99%				125,809
Interest earned - outstanding debtors	92,616	(164)	92,451			92,451	75		(92,376)	100%	100%				86,955
Dividends received		-								-	-				-
Fines	99,534	-	99,534			99,534	129,165		29,631	130%	130%				129,284
Licences and permits	28,578	-	28,578			28,578	40,087		11,509	140%	140%				29,640
Agency services		-								-	-				-
Transfers recognised - operational	1,899,750	155,903	2,055,743			2,055,743	1,951,227		(104,516)	95%	103%				1,620,160
Other revenue	1,697,282	935,867	2,633,149			2,633,149	1,955,246		(677,903)	74%	115%				1,563,420
Gains on disposal of PPE		2,110	46,120			46,120	65,256		19,136	141%	148%				48,123
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>21,285,904</b>	<b>834,073</b>	<b>22,119,976</b>			<b>22,119,976</b>	<b>20,772,823</b>		<b>(1,347,153)</b>						<b>18,063,963</b>
<b>Expenditure By Type</b>															
Employee related costs	5,337,350	14,328	5,351,678			5,351,678	6,475,740		1,124,062	121%	121%				4,812,870
Remuneration of councillors	79,705	6,047	85,752			85,752	84,751		(1,001)	99%	106%				77,919
Debt impairment	429,429	750	430,179			430,179	393,592		(36,587)	92%	92%				628,148
Depreciation & asset impairment	1,659,561	465	1,660,026			1,660,026	1,537,194		(122,832)	94%	94%				1,403,779
Finance charges	1,794,934	(64,700)	1,730,234			1,730,234	855,068		(275,166)	76%	72%				887,219
Bulk purchases	6,915,128	(11,550)	6,903,578			6,903,578	6,666,970		(236,608)	97%	96%				5,495,517
Other materials	23,278	-	23,278			23,278	-		(23,278)	0%	0%				-
Contracted services	2,775,831	20,635	2,796,466			2,796,466	1,037,648		(1,758,818)	37%	37%				863,553
Transfers and grants	166,319	(16,240)	150,079			150,079	141,694		(8,385)	94%	85%				142,621
Other expenditure	2,653,678	841,449	3,495,126			3,495,126	3,291,115		(204,011)	94%	124%				2,899,612
Loss on disposal of PPE		1,477	2,677			2,677	3,579		902	234%	521%				329
<b>Total Expenditure</b>	<b>21,219,412</b>	<b>792,691</b>	<b>22,012,103</b>			<b>22,012,103</b>	<b>20,490,028</b>		<b>(1,522,075)</b>						<b>17,081,567</b>
<b>Surplus/(Deficit)</b>	<b>66,491</b>	<b>41,382</b>	<b>1,107,873</b>			<b>1,107,873</b>	<b>1,282,895</b>		<b>175,022</b>						<b>982,396</b>
Transfers recognised - capital	2,200,491	(721,550)	1,478,941			1,478,941	1,458,514		(20,427)	99%	68%				892,886
Contributions recognised - capital		-													
Contributed assets		-													
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,266,982</b>	<b>(680,168)</b>	<b>1,586,814</b>			<b>1,586,814</b>	<b>1,741,309</b>		<b>154,495</b>						<b>1,975,282</b>
Taxation		-													
<b>Surplus/(Deficit) after taxation</b>	<b>2,266,982</b>	<b>(680,168)</b>	<b>1,586,814</b>			<b>1,586,814</b>	<b>1,741,309</b>		<b>154,495</b>	110%	77%				<b>1,975,282</b>
Attributable to minorities		-													
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2,266,982</b>	<b>(680,168)</b>	<b>1,586,814</b>			<b>1,586,814</b>	<b>1,741,309</b>		<b>154,495</b>	110%	77%				<b>1,975,282</b>
Share of surplus/(deficit) of associate		-													3,521
<b>Surplus/(Deficit) for the year</b>	<b>2,266,982</b>	<b>(680,168)</b>	<b>1,586,814</b>			<b>1,586,814</b>	<b>1,751,064</b>		<b>164,250</b>	110%	77%				<b>1,978,803</b>

**eThekweni Municipality and its Municipal Entities**  
Annual Financial Statements for the year ended 30 June 2012  
**Notes to the Annual Financial Statements**  
Figures in Rand thousand

**Note 51 | Reconciliation of Table A5 Group Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	2011/2012							2010/2011							
	Original Budget (i.l.o. S29 and S31 of the MFMA)	Budget Adjustments (i.l.o. S29 and S31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. S31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 1 - Office of the City Manager	133,250	58,653	191,903	191,903	191,903	142,860	142,860	(49,043)	74%	107%	107%				188,875
Vote 2 - Treasury	107,510	263,162	370,672	370,672	370,672	325,376	325,376	(45,296)	88%	303%	88%				171,770
Vote 3 - Governance	31,000	-	31,000	31,000	31,000	17,349	17,349	(13,651)	56%	96%	56%				21,274
Vote 4 - Corporate and Human Resources	9,096	(5,207)	3,889	3,889	3,889	3,958	3,958	69	102%	44%	102%				4,307
Vote 5 - Sustainable Development	189,200	(49,945)	139,255	139,255	139,255	56,541	56,541	(82,714)	41%	30%	41%				143,169
Vote 6 - Safety and Security Services	46,776	10,749	57,525	57,525	57,525	25,968	25,968	(31,557)	45%	56%	45%				32,678
Vote 7 - Health and Social Services	56,820	37,615	94,435	94,435	94,435	45,841	45,841	(48,594)	49%	81%	49%				52,014
Vote 8 - Procurement Infrastructure	3,026,054	(1,084,664)	1,941,390	1,941,390	1,941,390	1,598,248	1,598,248	(342,942)	82%	53%	82%				1,498,491
Vote 9 - Electricity	896,051	(316,137)	569,914	569,914	569,914	567,392	567,392	(2,522)	100%	64%	100%				585,308
Vote 10 - Water	588,935	(117,244)	471,691	471,691	471,691	483,294	483,294	11,603	102%	82%	102%				1,089,208
Vote 11 - Formal Housing	7,904	-	7,904	7,904	7,904	2,514	2,514	(4,390)	36%	32%	36%				3,133
Vote 12 - Markets	10,000	(1,000)	9,000	9,000	9,000	52	52	(8,948)	238%	238%	238%				102
Vote 13 - Airport	10,000	-	10,000	10,000	10,000	23,894	23,894	13,894	238%	238%	238%				6,089
Vote 14 - ICC	4,933	-	4,933	4,933	4,933	6,494	6,494	1,561	170%	170%	170%				6,089
Vote 15 - USHAKA MARINE WORLD															
<b>Capital multi-year expenditure sub-total</b>	<b>5,097,529</b>	<b>(1,204,218)</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,515,471</b>	<b>3,515,471</b>	<b>(377,840)</b>							<b>3,896,328</b>
<b>Total Capital Expenditure - Vote</b>	<b>5,097,529</b>	<b>(1,204,218)</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,515,471</b>	<b>3,515,471</b>	<b>(377,840)</b>							<b>3,896,328</b>
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>															
Executive and council	25,756	350,709	602,465	602,465	602,465	489,543	489,543	(112,922)	81%	194%	81%				262,304
Budget and treasury office	31,000	1,480	32,480	32,480	32,480	85,352	85,352	52,872	265%	275%	265%				20,739
Corporate services	21,660	162,543	374,203	374,203	374,203	325,254	325,254	(48,949)	87%	154%	87%				241,955
<b>Community and public safety</b>	<b>9,096</b>	<b>186,686</b>	<b>195,782</b>	<b>195,782</b>	<b>195,782</b>	<b>78,937</b>	<b>78,937</b>	<b>(116,845)</b>	<b>40%</b>	<b>888%</b>	<b>40%</b>				<b>-</b>
Community and social services	1,631,609	(1,265,901)	366,108	366,108	366,108	285,689	285,689	(80,419)	78%	18%	78%				179,148
Sport and recreation	26,220	37,425	63,645	63,645	63,645	63,645	63,645	0	0%	0%	0%				54,425
Public safety	11,100	-	11,100	11,100	11,100	30,388	30,388	19,288	274%	274%	274%				45,894
Housing	39,776	17,749	57,525	57,525	57,525	25,968	25,968	(31,557)	45%	65%	45%				33,144
Health	1,535,013	(1,320,865)	214,148	214,148	214,148	213,850	213,850	(298)	100%	14%	100%				41,932
<b>Economic and environmental services</b>	<b>19,500</b>	<b>190</b>	<b>19,690</b>	<b>19,690</b>	<b>19,690</b>	<b>15,453</b>	<b>15,453</b>	<b>(4,237)</b>	<b>78%</b>	<b>79%</b>	<b>78%</b>				<b>4,063</b>
Planning and development	1,061,074	121,142	1,182,216	1,182,216	1,182,216	1,071,912	1,071,912	(110,304)	91%	101%	91%				1,220,200
Road transport	293,663	(144,475)	149,188	149,188	149,188	59,107	59,107	(90,081)	40%	20%	40%				174,196
Environmental protection	785,411	265,617	1,051,028	1,051,028	1,051,028	1,012,895	1,012,895	(38,133)	96%	132%	96%				1,046,004
<b>Trading services</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>(2,000)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>				<b>-</b>
Electricity	2,146,186	(410,569)	1,735,618	1,735,618	1,735,618	1,636,119	1,636,119	(99,499)	94%	76%	94%				2,127,075
Water	896,051	(316,138)	569,913	569,913	569,913	567,392	567,392	(2,521)	100%	64%	100%				585,308
Waste water management	588,935	(117,244)	471,691	471,691	471,691	483,294	483,294	11,603	102%	82%	102%				1,089,208
Waste management	508,200	(25,746)	482,454	482,454	482,454	426,008	426,008	(56,446)	88%	84%	88%				350,972
<b>Other</b>	<b>163,000</b>	<b>48,560</b>	<b>211,560</b>	<b>211,560</b>	<b>211,560</b>	<b>159,435</b>	<b>159,435</b>	<b>(52,125)</b>	<b>75%</b>	<b>98%</b>	<b>75%</b>				<b>91,590</b>
<b>Total Capital Expenditure - Standard</b>	<b>6,904</b>	<b>-</b>	<b>6,904</b>	<b>6,904</b>	<b>6,904</b>	<b>32,208</b>	<b>32,208</b>	<b>(3,744)</b>	<b>467%</b>	<b>467%</b>	<b>467%</b>				<b>17,601</b>
<b>Total Capital Expenditure - Standard</b>	<b>5,097,529</b>	<b>(1,204,218)</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,515,471</b>	<b>3,515,471</b>	<b>(377,840)</b>							<b>3,896,328</b>
<b>Funded by:</b>															
National Government	1,335,790	122,108	1,457,898	1,457,898	1,457,898	1,456,754	1,456,754	(1,144)	100%	108%	100%				683,815
Provincial Government	864,701	(844,696)	19,745	19,745	19,745	-	-	(19,745)	0%	0%	0%				212,882
District Municipality	-	-	-	-	-	-	-	-	-	-	-				-
Other transfers and grants	-	1,298	1,298	1,298	1,298	-	-	(1,298)	0%	0%	0%				7,329
<b>Transfers recognised - capital</b>	<b>2,200,491</b>	<b>(721,550)</b>	<b>1,478,941</b>	<b>1,478,941</b>	<b>1,478,941</b>	<b>1,456,754</b>	<b>1,456,754</b>	<b>(22,187)</b>	<b>95%</b>	<b>65%</b>	<b>95%</b>				<b>904,126</b>
<b>Public contributions &amp; donations</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>	<b>100%</b>	<b>50%</b>	<b>100%</b>				<b>2,000,000</b>
<b>Borrowing</b>	<b>897,038</b>	<b>517,332</b>	<b>1,414,370</b>	<b>1,414,370</b>	<b>1,414,370</b>	<b>1,058,717</b>	<b>1,058,717</b>	<b>(355,653)</b>	<b>75%</b>	<b>118%</b>	<b>75%</b>				<b>902,202</b>
<b>Internally generated funds</b>	<b>5,097,529</b>	<b>(1,204,218)</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,893,311</b>	<b>3,515,471</b>	<b>3,515,471</b>	<b>(377,840)</b>	<b>90%</b>	<b>69%</b>	<b>90%</b>				<b>3,896,328</b>

Note 51 - J Reconciliation of Table A5 Municipality Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2011/2012						2010/2011								
	Original Budget (I.L.o. S38 and S31 of the MFMA)	Budget Adjustments (I.L.o. S38 and S31 of the MFMA)	Final adjustments budget	Shifting of funds (I.L.o. S31 of the MFMA)	Virement (I.L.o. Council approved policy)	Final Budget	Actual Outcome as % of Final Budget	Variance	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 1 - Office of the City Manager	133,250	58,653	191,903			191,903	149,890	(48,045)	107%	74%	107%				188,875
Vote 2 - Treasury	1,250,000	283,162	3,033,170			3,033,170	3,033,170	(48,295)	98%	98%	98%				1,059,872
Vote 3 - Police	31,000	31,000	31,000			31,000	32,349	1,349	104%	104%	104%				31,574
Vote 4 - Corporate and Human Resources	9,096	(5,207)	3,889			3,889	3,938	49	102%	102%	102%				4,507
Vote 5 - Sustainable Development	183,200	(54,945)	128,255			128,255	134,255	5,941	104%	104%	104%				124,322
Vote 6 - Safety and Security Services	46,776	10,749	57,525			57,525	25,988	(31,537)	45%	45%	50%				32,578
Vote 7 - Health and Social Services	56,820	37,615	94,435			94,435	45,841	(48,594)	49%	49%	51%				52,614
Vote 8 - Procurement Infrastructure	3,026,054	(1,084,864)	1,941,190			1,941,190	1,569,724	(371,466)	81%	82%	82%				1,491,247
Vote 9 - Electricity	886,051	(316,138)	569,913			569,913	567,392	(2,521)	100%	100%	100%				585,308
Vote 10 - Water	886,051	(17,244)	471,691			471,691	483,294	11,603	102%	102%	82%				1,099,208
Vote 11 - Formal Housing	7,904	(1,000)	6,904			6,904	2,138,500	2,138,500	304%	304%	32%				3,133
Vote 12 - Markets							2,514	2,514	0%	0%	0%				102
Vote 13 - Airport							52	52	0%	0%	0%				102
<b>Capital multi-year expenditure sub-total</b>	<b>5,082,596</b>	<b>(1,209,219)</b>	<b>3,873,377</b>			<b>3,873,377</b>	<b>3,484,739</b>	<b>(388,638)</b>	<b>90%</b>	<b>90%</b>	<b>69%</b>				<b>3,785,340</b>
<b>Capital Expenditure - Standard</b>															
<b>Government and administration</b>	<b>251,756</b>	<b>350,708</b>	<b>602,464</b>			<b>602,464</b>	<b>489,543</b>	<b>(112,921)</b>	<b>81%</b>	<b>81%</b>	<b>194%</b>				<b>273,506</b>
Executive and council	31,000	1,480	32,480			32,480	85,352	52,872	263%	263%	273%				20,739
Budget and treasury office	211,660	162,542	374,202			374,202	325,254	(48,948)	76%	76%	154%				252,767
Corporate services	9,096	188,686	197,782			197,782	78,937	(118,845)	40%	40%	88%				179,148
<b>Community and public safety</b>	<b>1,631,699</b>	<b>(1,855,911)</b>	<b>386,108</b>			<b>386,108</b>	<b>285,689</b>	<b>(100,419)</b>	<b>73%</b>	<b>73%</b>	<b>18%</b>				<b>54,425</b>
Community and social services	26,220	37,425	63,645			63,645	30,388	(33,257)	48%	48%	274%				45,584
Sport and recreation	11,100	17,749	28,849			28,849	11,100	(17,749)	100%	100%	274%				19,281
Public safety	38,776	17,749	56,525			56,525	25,988	(30,537)	44%	44%	65%				33,144
Housing	1,536,013	(1,220,965)	315,048			315,048	213,850	(101,198)	68%	68%	14%				41,532
Health	19,500	19	19,519			19,519	5,453	(14,066)	28%	28%	14%				4,493
<b>Economic and environmental services</b>	<b>1,946,141</b>	<b>(148,745)</b>	<b>1,797,396</b>			<b>1,797,396</b>	<b>1,071,912</b>	<b>(725,484)</b>	<b>55%</b>	<b>55%</b>	<b>102%</b>				<b>1,285,621</b>
Planning and development	765,410	(148,745)	616,665			616,665	1,071,912	455,247	173%	173%	102%				1,285,621
Road and transport	765,410	(148,745)	616,665			616,665	1,071,912	455,247	173%	173%	102%				1,285,621
Environmental protection	2,000	265,617	267,617			267,617	1,012,895	745,278	368%	368%	132%				1,038,760
<b>Trading services</b>	<b>2,146,186</b>	<b>(40,568)</b>	<b>2,105,618</b>			<b>2,105,618</b>	<b>1,637,595</b>	<b>(468,023)</b>	<b>78%</b>	<b>78%</b>	<b>70%</b>				<b>2,127,075</b>
Electricity	886,051	(316,138)	569,913			569,913	567,392	(2,521)	100%	100%	64%				585,308
Water	598,935	(117,244)	471,691			471,691	483,294	11,603	102%	102%	82%				1,099,205
Waste water management	598,200	(25,746)	472,454			472,454	426,008	(46,446)	88%	88%	84%				350,972
Waste management	163,000	48,560	211,560			211,560	169,911	(41,649)	76%	76%	98%				91,990
<b>Other</b>	<b>6,904</b>	<b>(6,904)</b>	<b></b>			<b></b>	<b></b>	<b>(6,904)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>				<b></b>
<b>Total Capital Expenditure - Standard</b>	<b>5,082,596</b>	<b>(1,209,219)</b>	<b>3,873,377</b>			<b>3,873,377</b>	<b>3,484,739</b>	<b>(388,638)</b>	<b>69%</b>	<b>69%</b>	<b>69%</b>				<b>3,785,340</b>
<b>Funded by:</b>															
National Government	1,335,790	122,108	1,457,898			1,457,898	1,458,514	616	100%	100%	100%				683,915
Provincial Government	864,701	(844,956)	19,745			19,745			0%	0%	0%				212,882
District Municipality															7,239
Other transfers and grants															984,126
<b>Transfers recognised - capital</b>	<b>2,200,491</b>	<b>(721,850)</b>	<b>1,478,641</b>			<b>1,478,641</b>	<b>1,458,514</b>	<b>(20,127)</b>	<b>66%</b>	<b>66%</b>	<b>66%</b>				<b>2,000,000</b>
Public contributions & donations	2,000,000	(1,000,000)	1,000,000			1,000,000	1,000,000		100%	100%	59%				2,000,000
Borrowing	882,105	512,332	1,394,437			1,394,437	1,026,225	(368,212)	74%	74%	116%				881,214
Internally generated funds															
<b>Total Capital Funding</b>	<b>5,082,596</b>	<b>(1,209,219)</b>	<b>3,873,377</b>			<b>3,873,377</b>	<b>3,484,739</b>	<b>(388,638)</b>	<b>69%</b>	<b>69%</b>	<b>69%</b>				<b>3,785,340</b>



**eThekweni Municipality and its Municipal Entities**  
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**Note 51: K Reconciliation of Table A7 Group Budgeted Cash Flows**

Description	2011/2012						2010/2011		
	Original Budget	Budget Adjustments (i.l.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	1	2	3	6	7	9	10	11	12
<b>R thousand</b>									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	18,859,067	651,942	19,511,009	19,511,009	17,935,811	(1,575,198)	92%	95%	16,079,792
Government - operating	1,899,750	155,992	2,055,742	2,055,742	1,951,227	(104,515)	95%	103%	1,598,043
Government - capital	2,200,491	(721,550)	1,478,941	1,478,941	1,458,514	(20,427)	99%	66%	992,886
Interest	350,061	(116,915)	233,146	233,146	324,218	91,072	139%	93%	220,369
<b>Payments</b>									
Suppliers and employees	(17,507,119)	(689,051)	(18,096,170)	(18,096,170)	(16,054,482)	2,041,688	89%	92%	(14,711,667)
Finance charges	(1,194,934)	56,200	(1,138,734)	(1,138,734)	(860,876)	277,856	76%	72%	(692,817)
Transfers and Grants	(166,319)	16,240	(150,079)	(150,079)	(126,094)	23,985	84%	76%	132,121
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>4,440,998</b>	<b>(547,142)</b>	<b>3,893,855</b>	<b>3,893,855</b>	<b>4,628,316</b>	<b>(734,461)</b>			<b>3,618,727</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	42,810	633	43,443	43,443	72,665	29,242	167%	170%	81,732
Decrease (Increase) in non-current debtors	(22,712)	20,714	(1,998)	(1,998)	-	1,998	0%	0%	-
Decrease (increase) other non-current receivables	35,146	(75,578)	(40,432)	(40,432)	(10,452)	29,980	26%	-30%	25,698
Decrease (increase) in non-current investments	(35,677)	(78,366)	(114,043)	(114,043)	114,043	0%	0%	0%	-
<b>Payments</b>	<b>(5,077,529)</b>	<b>(5,077,529)</b>	<b>(5,077,529)</b>	<b>(5,077,529)</b>	<b>(5,077,529)</b>	<b>5,077,529</b>	<b>0%</b>	<b>0%</b>	<b>(3,799,622)</b>
Capital assets	(5,077,529)	1,184,219	(3,893,310)	(3,893,310)	(3,515,166)	378,144	90%	69%	(3,799,622)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(5,057,962)</b>	<b>1,051,622</b>	<b>(5,190,559)</b>	<b>(5,190,559)</b>	<b>(3,452,933)</b>	<b>1,737,626</b>	<b>67%</b>	<b>68%</b>	<b>(3,692,192)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans	2,026,319	-	1,026,319	1,026,319	1,007,524	(18,795)	98%	50%	2,006,824
Borrowing long term/refinancing	2,000,000	(1,000,000)	1,000,000	1,000,000	1,007,524	7,524	101%	50%	2,006,824
Increase (decrease) in consumer deposits	26,319	-	26,319	26,319	-	(26,319)	0%	0%	-
<b>Payments</b>	<b>(625,146)</b>	<b>(625,146)</b>	<b>(625,146)</b>	<b>(625,146)</b>	<b>(431,450)</b>	<b>193,696</b>	<b>69%</b>	<b>69%</b>	<b>(564,198)</b>
Repayment of borrowing	(625,146)	-	(625,146)	(625,146)	(431,450)	193,696	69%	69%	(564,198)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>1,401,173</b>	<b>(1,000,000)</b>	<b>401,173</b>	<b>401,173</b>	<b>576,074</b>	<b>174,901</b>	<b>144%</b>	<b>41%</b>	<b>1,442,626</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>784,209</b>	<b>(495,520)</b>	<b>288,689</b>	<b>288,689</b>	<b>1,751,457</b>	<b>1,462,768</b>	<b>607%</b>	<b>223%</b>	<b>1,369,161</b>
Cash/cash equivalents at the year begin:	3,329,549	-	3,329,549	3,329,549	3,274,026	(55,523)	98%	98%	1,904,865
Cash/cash equivalents at the year end:	<b>4,113,757</b>		<b>3,618,237</b>	<b>3,618,237</b>	<b>5,025,483</b>	<b>1,407,246</b>	<b>139%</b>	<b>122%</b>	<b>3,274,026</b>

**eThekwini Municipality Only**

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**Note 51 L Reconciliation of Table A7 Municipality Budgeted Cash Flows**

Description	2011/2012						2010/2011		
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	18,526,880	673,879	19,200,759	19,200,759	17,655,715	(1,545,044)	92%	95%	15,502,274
Government - operating	1,899,750	155,992	2,055,742	2,055,742	1,951,227	(104,515)	95%	103%	1,620,160
Government - capital	2,200,491	(721,550)	1,478,941	1,478,941	1,498,514	(20,427)	99%	66%	992,886
Interest	345,221	(116,915)	228,306	228,306	313,605	85,299	137%	91%	211,764
<b>Payments</b>									
Suppliers and employees	(17,159,166)	(533,961)	(17,693,127)	(17,693,127)	(15,834,992)	1,858,135	89%	92%	(13,974,030)
Finance charges	(1,194,934)	64,700	(1,130,234)	(1,130,234)	(855,068)	275,166	76%	72%	(687,219)
Transfers and Grants	(166,319)	16,240	(150,079)	(150,079)	(141,694)	8,385	94%	85%	(142,621)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>4,451,923</b>	<b>(461,615)</b>	<b>3,990,308</b>	<b>3,990,308</b>	<b>4,547,307</b>	<b>556,999</b>			<b>3,523,214</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	42,810	633	43,443	43,443	71,071	27,628	164%	166%	81,406
Decrease (increase) in non-current debtors	(22,712)	20,714	(1,998)	(1,998)	1,998	1,998	0%	0%	0
Decrease (increase) other non-current receivables	35,146	(75,578)	(40,432)	(40,432)	(10,452)	29,980	26%	-30%	25,698
Decrease (increase) in non-current investments	(37,310)	(76,733)	(114,043)	(114,043)	(114,043)	114,043	0%	0%	59,560
<b>Payments</b>									
Capital assets	(5,082,596)	1,209,219	(3,873,377)	(3,873,377)	(3,462,958)	390,419	90%	69%	(3,785,877)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(5,064,662)</b>	<b>1,076,255</b>	<b>(3,986,407)</b>	<b>(3,986,407)</b>	<b>(3,422,339)</b>	<b>564,068</b>			<b>(3,619,213)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans	2,000,000	(1,000,000)	1,000,000	1,000,000	1,000,000	-	100%	50%	2,000,000
Borrowing long term/refinancing	26,319	-	26,319	26,319	-	-	-	-	-
Increase (decrease) in consumer deposits	(624,110)	-	(624,110)	(624,110)	(431,450)	192,660	69%	69%	(564,230)
<b>Payments</b>									
Repayment of borrowing	1,402,209	(1,000,000)	402,209	402,209	568,550	192,660	69%	69%	1,435,770
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>789,470</b>	<b>(383,360)</b>	<b>406,110</b>	<b>406,110</b>	<b>1,693,518</b>	<b>1,287,408</b>	<b>417%</b>	<b>215%</b>	<b>1,339,771</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3,224,318</b>	<b>(116,640)</b>	<b>3,107,678</b>	<b>3,107,678</b>	<b>3,107,678</b>	<b>(0)</b>	<b>100%</b>	<b>96%</b>	<b>1,767,907</b>
Cash/cash equivalents at the year begin:	4,013,788		3,513,788	3,513,788	4,801,196	1,287,408	137%	120%	3,107,678
Cash/cash equivalents at the year end:									





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**APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (GROUP)**

	Opening Balance Cost		Cost		Opening Balance		Accumulated Depreciation		Closing Balance		Carrying Value
	R'000	R'000	Under Construction	Additions	Disposals	Impairments	Transfers	Closing Balance	Transfers	Closing Balance	
Maintenance	28,164	0	0	0	0	0	0	1,079	0	0	17,145
Legal Services	12	0	0	0	0	0	0	390	0	0	2
Real Estate	83,537	179	8	0	0	0	0	2,665	0	0	7,465
Health	219,722	9,677	4,077	0	-267	-46,081	0	6,812	-165	-5,538	66,639
Development	85,866	4,301	1,145	0	0	0	0	9,205	0	0	63,330
Emergency Central Centre - Admin	21,240	2,112	0	0	-8	0	0	1,105	-3	0	38,999
Grant in Aid	1,065	0	0	0	-92	0	0	1,588	0	0	677
Security	62,608	1,496	0	0	-1,068	0	0	4,348	-88	0	35,167
Metropolitan Police	1,200,467	28,405	10,750	0	-130	120	0	39,957	-100	96	45,771
Metropolitan Fire	1,120,467	28,405	10,750	0	-130	120	0	39,957	-100	96	45,771
Housing	1,120,467	28,405	10,750	0	-130	120	0	39,957	-100	96	45,771
Municipal Information & Policy	0	3,119	0	0	0	0	0	2,167	0	0	2,168
Ombudsman & Hear: Investigation	621	26	0	0	-144	0	0	44	0	0	93
Office Of Internal & Governance	3,162	0	0	0	0	0	0	270	0	0	3,162
Office Of Internal & Governance	3,162	0	0	0	0	0	0	270	0	0	3,162
Office Of Geographic Information	3,905	279	0	0	-1	0	0	333	-1	0	3,329
City Manager's Office	107	0	0	0	0	0	0	5	0	0	2,754
Strategic Projects M. Syst. Development	603,780	31,164	2,272	0	-28	-28	19	26,464	-104	-14	606,296
Office Of The D.C.M. - Stat Procurement	223	80	0	0	-5	0	0	48	0	0	178
Office Of The D.C.M. - Health, Safety	4,234	319	0	0	0	0	0	330	0	0	3,223
Office Of The D.C.M. - Corp & HR	151	151	0	0	0	0	0	28	0	0	1,330
Office Of The D.C.M. - Governance	4,12	2,158	0	0	0	0	0	66	0	0	76
Office Of The D.C.M. - Social	854	42	0	0	-24	0	0	94	0	0	153
Development Planning & Management	6,010	1,735	-9,964	0	-104	-433	0	1,040	-70	0	5,311
Economic Development & Facilitation	338,942	144,978	42,076	0	-114	-114	6	16,077	-101	0	38,040
City Enterprises	142,803	1,009	0	0	-116	0	0	5,388	-42	0	106,827
Engineering	7,980,711	106	236	809	-37	0	538	5,984	-35	0	7,794
Emergency Services	13,329	471,185	621,419	0	-722	-2,033	21	232,889	-622	506	1,643,146
Communication, Centinets & IT	240,084	19,163	-2,316	0	-467	0	404	12,971	-611	0	167,716
Regional Centres	138,171	3,421	18,808	0	-1,165	0	-16,772	5,275	2,560	0	1,51,547
Communications	2,078	323	323	0	-116	0	6	289	-90	0	42,886
Human Resources	103,742	1,302	2,007	0	-1	0	20	2,827	-1	0	31,689
Human Resources & Org Development	12,219	3,261	0	0	-92	0	10	1,933	-83	0	5,867
Finance	17,308	316	0	0	-453	0	0	840	0	0	13,143
Durban Transport	875,667	5,327	25,140	0	-1,171	-756	-357	83,014	-350	0	4,028
Office Of Audit & Performance Management	520,437	187,866	9,386	0	-937	0	0	61,964	-265	0	521,131
Occupational Health & Safety	537,800	6,136	4,138	0	-21,937	1,898	0	92,915	-2	0	200,464
Ethekeini Transport Authority	655,899	97,552	83,294	0	-37	-167,215	47	24,445	-64	-5,781	33,546
Performance Management	2,173	498	0	0	0	0	93	2,632	0	0	174,601
Energy	428	153	0	0	0	0	0	92	0	0	351
Internal Control and Business Systems	28,281	23,020	-13,440	0	0	0	0	1,026	0	0	2,200
Internal Control and Business Systems	183,413	1,267	1,865	0	-101	0	0	5,191	-81	0	3,789
ABMS	9,811	14,708	19,911	0	-97	0	0	741	-88	0	6,710
ABM INK	26,200	0	0	0	0	0	0	1,792	0	0	2,111
Water	5,281,793	831,157	-348,061	0	-37	0	14,028	150,091	-26	0	5,321
Sanitation	2,873,773	197,024	268,957	0	-571	-753	1,272	123,408	-516	0	945,247
Solid Waste	896,333	22,528	109,453	0	-8,889	18	0	111,935	-3,359	0	680,328
Water	896,333	22,528	109,453	0	-8,889	18	0	111,935	-3,359	0	680,328
Moses Mabhida Stadium	3,121,635	0	28,951	0	-34	-167,242	106	115,099	-17	120	293,071
Housing	135,843	0	41	0	-157	-120	0	3,168	-131	0	62,588
Market Service	111,482	262	-262	0	-168	0	14	3,168	-131	0	24,599
Electricity Service	5,860,527	630,110	992,276	0	-3,771	0	5,039	212,944	-8,882	0	2,117,867
Durban Marine Theme Park (PTY) LTD	855,097	2,820	131	0	-7,771	0	-8,562	32,044	0	0	229,889
International Conversion Centre (PTY) LTD	855,097	2,820	131	0	-7,771	0	-8,562	32,044	0	0	229,889
Total	38,319,410	4,708,502	322,065	3,127,277	-96,745	-4,260	45,315	1,523,993	-46,863	12,046	35,870,955



**eThekwini Municipality and its Municipal Entities**

**APPENDIX B: GROUP : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

2011 Actual Income R'000	2011 Actual Expenditure R'000	2011 Surplus/ (Deficit) R'000	2012 Actual Income R'000	2012 Actual Expenditure R'000	2012 Surplus/ (Deficit) R'000	
36,654	228,077	(191,423)	Executive & Council	33,323	244,691	(211,368)
6,269,854	1,595,761	4,674,093	Finance & Admin	7,210,316	2,804,720	4,405,596
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)
150,094	184,175	(34,081)	Durban Marine Theme Park (Pty)Ltd	152,885	191,806	(38,921)
134,875	164,627	(29,752)	ICC Durban (Pty)Ltd	243,376	204,107	39,269
3,674	15,251	(11,577)	Ethekwini Transport Authority	8,190	7,262	928
5,025	1,505	3,520	Efingham/Link Road Joint Venture	14,392	4,636	9,756
<b>21,127,124</b>	<b>19,163,922</b>	<b>1,963,202</b>	<b>Sub Total</b>	<b>24,507,873</b>	<b>22,721,783</b>	<b>1,786,090</b>
(1,837,059)	(1,837,059)	0	Less Inter-Dep charges	(2,007,401)	(2,007,401)	0
<b>19,290,065</b>	<b>17,326,863</b>	<b>1,963,202</b>	<b>Total</b>	<b>22,500,472</b>	<b>20,714,382</b>	<b>1,786,090</b>

**eThekwini Municipality and its Municipal Entities**

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

2011 Actual Income R'000	2011 Actual Expenditure R'000	2011 Surplus/ (Deficit) R'000	2012 Actual Income R'000	2012 Actual Expenditure R'000	2012 Surplus/ (Deficit) R'000
36,654	228,077	(191,423)	33,323	244,691	(211,368)
6,365,321	1,751,038	4,614,283	7,360,024	2,988,177	4,371,847
226,888	630,376	(403,488)	230,268	716,575	(486,307)
52,178	300,172	(247,994)	57,610	313,200	(255,590)
48,988	518,264	(469,276)	49,481	563,691	(514,210)
1,061,088	1,342,051	(280,963)	863,931	1,130,023	(266,092)
136,383	962,006	(825,623)	145,592	1,039,661	(894,069)
85,401	862,424	(777,023)	97,851	1,027,911	(930,060)
8,109	111,294	(103,185)	1,822	126,020	(124,198)
1,790,823	1,831,951	(41,128)	2,183,176	2,080,393	102,783
620,021	1,455,239	(835,218)	994,763	1,547,797	(553,034)
2,938,748	2,584,584	354,164	3,190,097	2,905,221	284,876
7,466,745	6,266,595	1,220,150	8,949,656	7,685,188	1,264,468
71,576	109,570	(37,994)	81,144	128,881	(47,737)
<b>20,928,923</b>	<b>18,953,641</b>	<b>1,975,282</b>	<b>24,238,738</b>	<b>22,497,429</b>	<b>1,741,309</b>
3,521					
(1,872,074)	(1,872,074)	0	(2,007,401)	(2,007,401)	0
<b>19,060,370</b>	<b>17,081,567</b>	<b>1,978,803</b>	<b>22,241,092</b>	<b>20,490,028</b>	<b>1,751,064</b>



eThekweni Municipality and its Municipal Entities  
 APPENDIX C: GRANTS AND SUBSIDIES RECEIVED - 30 JUNE 2012

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 12J, MEMORANDUM OF 2002.

NAME OF GRANTS	NAME OF ORGAN OF STATE OR MUNICIPAL ENTITY				QUARTELY RECEIPTS				Total	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 R'000	Mar R'000	Jun R'000		Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000			
Financial Management Grant	1 226	363 888	14 600		15 726	716	686		11 673								0/N/A	Yes	N/A	
MSDG	363 888	363 888	363 888		1 091 574	47 145	161 523	723 523	1 083 203								0	Yes	N/A	
Establish Shans/Sabody	864 875	531 991	394 846		1 591 802	664 875	394 846		1 591 802									Yes	N/A	
Viva Awards	0	0	0		0	0	789	3	801									Yes	N/A	
DEAT		8 912		2 426	9 550	6 912			6 912						0		0	Yes	N/A	
NIPDS																		Yes	N/A	
COSIDA	500	4 425	2 000		8 925	205	896	4 689	5 399									Yes	N/A	
Grant - Accreditation																		Yes	N/A	
Govt Subs- Medicals			8 899		8 899				8 899											
Capital Grants - Dwell			2 000	2 000	4 000				4 000								0/N/A	Yes	N/A	
NDOT	30 000	175 000			205 000	6 484	107 996	215 162	354 161								0	Yes	N/A	
KZN Provincial Grant		3 002			3 002	527	364	1 191	2 115								0	Yes	N/A	
2011 FIFA World Cup Stadium Development																		Yes	N/A	
Department of Human Settlements		67 542			67 542				67 542									Yes	N/A	
Dept of Arts and Culture		998			998				998									Yes	N/A	
Museum Subsidy			4 300		4 300				4 300									Yes	N/A	
Dept of Arts and Culture		6 409			6 409	87			87											
Municipal Transport Authority				1 226	1 226	307	307	307	1 226											
Durban Bay Estuary Management Plan																				
Grand Total	1 075 597	1 196 883	811 544	66 477	3 159 461	764 485	716 404	3 088 124	3 316 048	0							0			

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

	2012 R'000	2011 R'000
<b>REVENUE</b>		
<b>Rental of facilities and equipment</b>	<b>63,963</b>	<b>31,045</b>
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
<b>Interest earned – external investments</b>	<b>30</b>	<b>0</b>
Interest Received	30	0
<b>Government grants and subsidies (Capital)</b>	<b>14,789</b>	<b>10,779</b>
Fifa World Cup Stadium	14,789	10,779
<b>Other income</b>	<b>7,534</b>	<b>26,977</b>
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
<b>Total operating revenue</b>	<b>86,315</b>	<b>68,801</b>
<b>EXPENDITURE</b>		
<b>Bad Debts</b>	<b>1,499</b>	<b>734</b>
Bad Debts Provision	1,499	734
<b>Depreciation – Property, Plant and Equipment</b>	<b>115,380</b>	<b>-2,604</b>
Depreciation	115,380	-2,604
<b>Contracted Services</b>	<b>4,200</b>	<b>4,200</b>
Management Fees	4,200	4,200
<b>Impairments</b>	<b>120</b>	<b>0</b>
Impairments – Property Plant & Equipment	120	0
<b>General expenses</b>	<b>91,119</b>	<b>87,519</b>
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
<b>Loss on disposal of property, plant and equipment</b>	<b>17</b>	<b>0</b>
Loss on Disposal of Assets	17	0
<b>Total operating expenditure</b>	<b>212,335</b>	<b>89,848</b>
<b>DEFICIT FOR THE YEAR</b>	<b>-126,020</b>	<b>-21,047</b>