

ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

INDEX

The reports and statements set out below comprise the annual financial statements presented to the Councillors:

INDEX	PAGE
Statement of Financial Position	3
Statement of Changes in Net Assets	5
Statement of Financial Performance	4
Cash Flow Statement	6
Appropriation Statement	7 - 9
Accounting Policies	10 - 26
Notes to the Annual Financial Statements	27 - 77
Appendixes:	
Appendix A: Segmental Statement of Financial Performance	78
Appendix B: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA	79
Appendix C: Moses Mabhida Stadium - Statement of Financial Performance	80

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Taxation
DBSA	Development Bank of South Africa
GAAP	Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
PPE	Property Plant and Equipment
HDF	Housing Development Fund
INK	Inanda, Ntuzuma, Kwa Mashu
IMFO	Institute of Municipal Finance Officers
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPP	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DOHS	Department of Human Settlement
SALA	South African Local Authority Pension Fund

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 81, 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

29 August 2013



eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

Figures in Rand thousand	Note(s)	2013	2012
ASSETS			
Current Assets			
Inventories	2	233,332	235,411
Investments	3	4,350,000	3,500,000
Receivables from exchange transactions	4	2,897,298	2,684,954
VAT receivable	5	32,570	26,953
Consumer debtors	6	2,714,970	2,562,414
Current portion of Long-term Receivables	7	73,183	13,207
Call investment deposits	8	375,000	1,230,000
Cash and cash equivalents	9	979,463	703,598
		11,655,816	10,956,537
Non-Current Assets			
Investment property	10	258,039	260,100
Property, plant and equipment	11	34,579,750	32,747,817
Intangible assets	12	688,861	660,363
Heritage assets	13	9,658	9,501
Investments in Municipal entities	14	526,324	644,013
Investment in joint venture	16	81,596	80,365
Investments	3	500,000	-
Long-term Receivables	7	255,925	288,004
		36,900,153	34,690,163
Total Assets		48,555,969	45,646,700
LIABILITIES			
Current Liabilities			
External Borrowings	17	957,240	772,327
Payables from exchange transactions	18	4,722,330	4,691,459
Consumer deposits	19	1,191,422	1,064,895
Retirement benefit obligation	20	259,944	259,181
Unspent conditional grants and receipts	21	1,039,838	587,654
Provisions	22	43,410	34,919
Bank overdraft	9	904,710	632,402
		9,118,894	8,042,837
Non-Current Liabilities			
External Borrowings	17	8,929,548	9,906,679
Retirement benefit obligation	20	2,628,325	2,664,486
Provisions	22	366,371	288,260
		11,924,244	12,859,425
Total Liabilities		21,043,138	20,902,262
Net Assets		27,512,831	24,744,438
Housing development fund	23	260,454	260,454
Accumulated surplus		27,252,377	24,483,984
Total Net Assets		27,512,831	24,744,438

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	24	12,499,079	11,428,037
Rental of facilities and equipment		417,582	406,218
Licences and permits		42,836	40,087
Donations - PPE		2,641	1,759
Reversal of Impairment - PPE	11	2,364	-
Other income	25	2,046,880	1,939,397
Interest received - investment		441,814	313,605
Gains on disposal of assets		23,501	65,236
Fair value adjustments	33	12,367	667
Total revenue from exchange transactions		15,489,064	14,195,006
Revenue from non-exchange transactions			
Taxation revenue			
Fines		110,926	129,165
Property rates	26	4,967,942	4,350,799
Property rates - penalties imposed		69,002	111,867
Transfer revenue			
Government grants & subsidies	27	3,657,750	3,409,741
Public contributions and donations		45,329	13,830
Total revenue from non-exchange transactions		8,850,949	8,015,402
Total revenue		24,340,013	22,210,408
Expenditure			
Employee related costs	28	(5,883,084)	(6,475,740)
Remuneration of councillors	29	(88,538)	(84,751)
Amortisation of Intangible assets	12	(42,031)	(41,830)
Loss on Impairment of Investment in Municipal Entity		(117,689)	(35,557)
Depreciation - Property, Plant and Equipment	11	(1,526,206)	(1,474,965)
Impairment Loss - Property, Plant and Equipment	11	(20,593)	(12,040)
Finance costs	30	(931,766)	(866,281)
Debt impairment		(757,059)	(393,592)
Depreciation - Investment Property	10	(1,756)	(1,809)
Repairs and maintenance		(1,768,000)	(1,804,936)
Bulk purchases	31	(7,557,474)	(6,666,970)
Contracted services		(1,103,823)	(1,037,648)
Grants and subsidies paid	32	(173,991)	(141,694)
Housing - Development Expenditure		(391)	(65,668)
Loss on disposal of assets		(1,685)	(6,495)
Fair value adjustments	33	(1,098)	(6,410)
General Expenses	34	(1,597,667)	(1,378,987)
Total expenditure		(21,572,851)	(20,495,373)
Operating surplus		2,767,162	1,715,035
Share of Income from Joint Venture	16	1,231	9,755
Surplus for the year		2,768,393	1,724,790

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	278,807	22,888,297	23,167,104
Adjustments			
Prior year adjustments (prior to 2011/12)	-	(147,456)	(147,456)
Balance at 01 July 2011 as restated	278,807	22,740,841	23,019,648
Changes in net assets			
Surplus for the year as previously reported	-	1,751,064	1,751,064
Transfer to Housing Development Fund	(18,353)	18,353	-
Total changes	(18,353)	1,769,417	1,751,064
Opening balance	260,454	24,510,258	24,770,712
Adjustments			
Prior year adjustments (2011/12)	-	(26,274)	(26,274)
Balance at 01 July 2012 as restated	260,454	24,483,984	24,744,438
Changes in net assets			
Surplus for the year	-	2,768,393	2,768,393
Total changes	-	2,768,393	2,768,393
Balance at 30 June 2013	260,454	27,252,377	27,512,831

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

CASH FLOW STATEMENT

Figures in Rand thousand	Note(s)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers, Government and Other		23,327,543	21,172,067
Interest income		441,814	313,605
		23,769,357	21,485,672
Payments			
Employee costs and Suppliers		(18,095,529)	(16,090,780)
Finance costs		(931,766)	(866,281)
		(19,027,295)	(16,957,061)
Net cash flows from operating activities	35	4,742,062	4,528,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(3,388,907)	(3,405,898)
Proceeds from sale of property, plant and equipment, Intangibles & Investment Property	11	37,898	71,510
Purchase of other intangible assets	12	(71,134)	(57,076)
Purchases of heritage assets	13	(149)	-
Increase in long-term receivables		(28,995)	(12,179)
Net cash flows from investing activities		(3,451,287)	(3,403,643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from external borrowings		-	1,000,000
Repayment of external borrowings		(792,218)	(431,450)
Net cash flows from financing activities		(792,218)	568,550
Net increase/(decrease) in cash and cash equivalents		498,557	1,693,518
Cash and cash equivalents at the beginning of the year		4,801,196	3,107,678
Cash and cash equivalents at the end of the year	9	5,299,753	4,801,196

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand thousand

	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
2013											
Financial Performance											
Property rates	4,844,103	-	4,844,103	-	-	4,844,103	4,967,942	-	123,839	103 %	103 %
Service charges	13,513,490	796	13,514,286	-	-	13,514,286	12,499,079	-	(1,015,207)	92 %	92 %
Investment revenue	234,754	4,000	238,754	-	-	238,754	441,814	-	203,060	185 %	188 %
Transfers recognised - operational	2,126,964	65,710	2,192,674	-	-	2,192,674	2,026,005	-	(166,669)	92 %	95 %
Other own revenue	2,633,176	86,211	2,719,387	-	-	2,719,387	2,773,428	-	54,041	102 %	105 %
Total revenue (excluding capital transfers and contributions)	23,352,487	156,717	23,509,204	-	-	23,509,204	22,708,268	-	(800,936)	97 %	97 %
Employee costs	(5,997,367)	(41,053)	(6,038,420)	-	-	(6,038,420)	(5,883,084)	-	155,336	97 %	98 %
Remuneration of councillors	(83,766)	(4,866)	(88,632)	-	-	(88,632)	(88,538)	-	94	100 %	106 %
Debt impairment	(550,000)	74,559	(475,441)	-	-	(475,441)	(757,059)	-	(281,618)	159 %	138 %
Depreciation and asset impairment	(1,777,563)	37,676	(1,739,887)	-	-	(1,739,887)	(1,666,244)	-	73,643	96 %	94 %
Finance charges	(1,239,138)	23,940	(1,215,198)	-	-	(1,215,198)	(931,766)	-	283,432	77 %	75 %
Materials and bulk purchases	(7,858,874)	(26,480)	(7,885,354)	-	-	(7,885,354)	(7,557,474)	-	327,880	96 %	96 %
Transfers and grants	(184,819)	(94,546)	(279,365)	-	-	(279,365)	(173,991)	-	105,374	62 %	94 %
Other expenditure	(5,672,849)	(194,244)	(5,867,093)	-	-	(5,867,093)	(4,514,695)	-	1,352,398	77 %	80 %
Total expenditure	(23,364,376)	(225,014)	(23,589,390)	-	-	(23,589,390)	(21,572,851)	-	2,016,539	91 %	92 %
Surplus/(Deficit)	(11,889)	(68,297)	(80,186)	-	-	(80,186)	1,135,417	-	1,215,603	(1,416)%	(9,550)%

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand thousand

	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
Transfers recognised - capital	2,831,077	(1,195,061)	1,636,016	-		1,636,016	1,631,745		(4,271)	100 %	58 %
Surplus (Deficit) after capital transfers and contributions	2,819,188	(1,263,358)	1,555,830	-		1,555,830	2,767,162		1,211,332	178 %	98 %
Share of surplus (deficit) of associate	-	-	-	-		-	(1,231)		(1,231)	- %	DIV/0 %
Surplus/(Deficit) for the year	2,819,188	(1,263,358)	1,555,830	-		1,555,830	2,768,393		1,212,563	178 %	98 %
Capital expenditure and funds sources											
Total capital expenditure	5,285,263	(985,229)	4,300,034	-		4,300,034	3,507,658		(792,376)	82 %	66 %
Sources of capital funds											
Transfers recognised - capital	2,831,077	(1,195,061)	1,636,016	-		1,636,016	1,857,429		221,413	114 %	66 %
Public contributions and donations	55,000	-	55,000	-		55,000	-		(55,000)	- %	- %
Borrowing	1,500,000	(750,000)	750,000	-		750,000	-		(750,000)	- %	- %
Internally generated funds	899,186	959,832	1,859,018	-		1,859,018	1,650,229		(208,789)	89 %	184 %
Total sources of capital funds	5,285,263	(985,229)	4,300,034	-		4,300,034	3,507,658		(792,376)	82 %	66 %

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand thousand

	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
Cash flows											
Net cash from (used) operating	4,966,211	(834,863)	4,131,348	-		4,131,348	4,747,537		616,189	115 %	96 %
Net cash from (used) investing	(5,296,696)	1,000,763	(4,295,933)	-		(4,295,933)	(3,456,762)		839,171	80 %	65 %
Net cash from (used) financing	705,481	(750,000)	(44,519)	-		(44,519)	(792,218)		(747,699)	1,780 %	(112)%
Net increase/(decrease) in cash and cash equivalents	374,996	(584,100)	(209,104)	-		(209,104)	498,557		707,661	(238)%	133 %
Cash and cash equivalents at the beginning of the year	3,697,411	-	3,697,411	-		3,697,411	4,801,196		1,103,785	130 %	130 %
Cash and cash equivalents at year end	4,072,407	(584,100)	3,488,307	-		3,488,307	5,299,753		(1,811,446)	152 %	130 %

Refer to note 50 for details.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

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 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

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

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

Approved guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

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

IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102) Income Taxes

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

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

GRAP 25 Employee Benefits (effective date: 1 April 2013)

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20 Related Party Disclosures

Approved Standards of GRAP that entities are not required to apply:

GRAP 18 Segment Reporting

A summary of the significant accounting policies are disclosed below.

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

1.1 Presentation of currency

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

1.2 Going concern assumption

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

ACCOUNTING POLICIES

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

GRAP 18: Segment Reporting – issued March 2005:

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

GRAP 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 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.

1.4 Housing development fund

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

1.5 Investment property

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.

ACCOUNTING POLICIES

1.5 Investment property (continued)

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 the Statement of Financial Performance 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 the Statement of Financial Performance 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 during each reporting period. 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.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent Measurement

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

Depreciation

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

Item	Useful life
Property - land	indefinite
Property - buildings	10 - 80 years

1.6 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

Initial Recognition

Property, plant and equipment are stated at cost. 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.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)**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.

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 its intended use.

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.

The annual depreciation rates are based on the following estimated asset lives:

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

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

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 period.

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 net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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.

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.

1.7 Intangible assets

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

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.
- Its ability to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Subsequent Measurement

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

Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows :-

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

Details	Years
Computer software	5 - 20 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 net proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair values as at the date of acquisition. If at Initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

Subsequent measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses ie cost model.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of financial Performance.

ACCOUNTING POLICIES

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets.

The municipality will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return. 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 determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use, are tested for impairment annually, irrespective of whether any indication of impairment exists.

1.10 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets.

The municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the municipality determines 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 cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

Impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

Reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value. Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. 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.

ACCOUNTING POLICIES

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to (from) municipal entities

These include loans to municipal entities and recognised at fair value plus any transaction costs and subsequently measured at cost.

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

Debtors

Debtors are initially recognised at fair value plus any transaction costs 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. Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

Creditors

Trade payables are initially measured at fair value plus any transaction costs, 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, 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 the Statement of Financial Performance 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.

ACCOUNTING POLICIES

1.11 Financial instruments (continued)

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, 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

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

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

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 value in use.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in the Statement of Financial Performance.

1.13 Investment in joint venture

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

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

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 value in use.

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in the Statement of Financial Performance.

1.14 Inventories

Initial Recognition

Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), 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.

ACCOUNTING POLICIES

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 the Statement of Financial Performance when incurred.

1.16 Provisions and contingencies

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 prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The municipality uses the prevailing prime rate at year end.

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

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.

ACCOUNTING POLICIES

1.17 Retirement Benefits (continued)

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 86% 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 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, best approximated by reference to market yields at the reporting date on government 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 the statement of financial performance .

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 the statement of financial performance 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 .

ACCOUNTING POLICIES

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 from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised as follows:

1.19.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

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

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

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

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

1.19.2 Revenue from non-exchange transactions

This refers to transactions where the municipality received revenue from another entity without giving approximately equal value in exchange.

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 with reference to the principal amount and the effective interest rate applicable.

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.

ACCOUNTING POLICIES

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 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

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.

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.

ACCOUNTING POLICIES

1.27 Comparatives information

1.27.1 Current year comparatives

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

1.27.2 Prior year comparatives

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

1.28 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.

1.29 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 that are best approximated by reference to market yields at the reporting date on government 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 20. 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 20.

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 based on past recovery trends discounted at the effective interest rate computed at initial recognition.

Non-cash generating and cash generating 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.

All assets owned/recognised by the municipality are held for the provision of basic services and are considered to be non-cash generating assets

ACCOUNTING POLICIES

1.29 Significant Judgements (continued)

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 22 - 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.

1.30 Budget Information

The budget has been included in the Annual Financial Statements in accordance with GRAP 24. The municipality presents a comparison of budget and actual amounts as a Statement of comparative and actual information.

1.31 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 40 - Related Parties.

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.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
2. Inventories		
Unsold properties held for re-sale	-	6
Consumable stores	222,512	226,058
Maintenance materials	65	94
Water	10,755	9,253
	233,332	235,411

The cost of inventories recognised as an expense during the period in respect of water sales was R1 367.2m (2012: R1 156.4m).

3. Investments

Designated at fair value

Fixed Deposit	4,850,000	3,500,000
---------------	-----------	-----------

Non-current assets

Fixed Deposit	500,000	-
---------------	---------	---

Current assets

Fixed Deposit	4,350,000	3,500,000
---------------	-----------	-----------

Investments are non-derivative financial assets and are classified at fair value and are held to maturity. 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. Investments held for less than twelve months are recognised at cost. Investments with maturities greater than twelve months are recognised at fair value.

4. Receivables from exchange transactions

Provision for Bad Debts	(592,146)	(397,190)
Prepayments	29,255	17,318
Other Debtors (mainly in respect of Sundry services and interest on outstanding debt)	1,654,426	1,458,872
Debtor - DOHS	1,709,533	1,242,528
Fair value adjustments	(1,244)	(146)
Accruals	97,474	363,572
	2,897,298	2,684,954

5. VAT

VAT reconciliation

VAT receivable	32,570	26,953
----------------	--------	--------

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

6. Consumer debtors

Gross balances

Rates	2,148,378	1,816,780
Electricity	1,134,456	1,084,636
Water	1,379,804	1,288,075
Refuse	89,656	76,684
Business service levies	3,765	3,938
Housing rental	78,751	72,885
Waste water	183,069	144,584
	5,017,879	4,487,582

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
6. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(1,267,700)	(940,383)
Electricity	(179,303)	(172,010)
Water	(700,779)	(676,548)
Refuse	(22,982)	(39,624)
Business service levies	(3,765)	(3,938)
Housing rental	(50,480)	(39,425)
Waste water	(77,900)	(53,240)
	(2,302,909)	(1,925,168)
Net balance		
Rates	880,678	876,397
Electricity	955,153	912,626
Water	679,025	611,527
Refuse	66,674	37,060
Housing rental	28,271	33,460
Waste water	105,169	91,344
	2,714,970	2,562,414
Included in above is receivables from exchange transactions		
Electricity	955,153	912,626
Water	679,025	611,527
Waste water	105,169	91,344
Refuse	66,674	37,060
Housing rental	28,271	33,460
	1,834,292	1,686,017
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	880,678	876,397
	2,714,970	2,562,414
Rates		
Current (0 -30 days)	369,110	296,744
31 - 60 days	71,062	58,228
61 - 90 days	58,118	47,217
91 - 120 days	28,720	18,736
121 - 365 days	1,428,855	1,395,855
> 365 days	192,513	-
	2,148,378	1,816,780
Electricity, Water, Solid Waste and Waste Water		
Current (0 -30 days)	1,102,156	993,434
31 - 60 days	187,599	189,152
61 - 90 days	64,713	86,037
91 - 120 days	54,993	86,567
> 120 days	1,377,524	1,238,789
	2,786,985	2,593,979
Regional services levies		
> 365 days	3,765	3,938

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

6. Consumer debtors (continued)

Housing rental

Current (0 -30 days)	2,572	2,193
31 - 60 days	2,852	1,537
61 - 90 days	22,848	29,730
91 - 120 days	50,479	39,425
	78,751	72,885

Reconciliation of allowance for impairment

Balance at beginning of the year	1,925,169	1,756,340
Contributions to allowance	563,214	367,192
Debt impairment written off against allowance	(185,474)	(198,364)
	2,302,909	1,925,168

7. Long-term receivables

Long-term receivables

Loan: DIDT	108,183	145,299
Fair Value Adjustment	(8,475)	(11,997)
Housing Selling scheme loans	129,584	128,969
First Metro Housing Loans	15,054	15,975
Land sales	69,438	8,836
Education Loans	15,324	13,324
Sporting bodies	-	805
	329,108	301,211

Less: Current portion transferred to current receivables

Housing Selling scheme loans	2,673	2,714
First Metro Housing Loans	940	921
Land sales	69,438	8,836
Education Loans	132	294
Sporting bodies	-	442
	73,183	13,207

Long-term receivables - Non-current portion	255,925	288,004
Long-term receivables - Current portion	73,183	13,207

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% (2012: 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.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
8. Call investment deposits		
30 Day deposits	375,000	1,230,000
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	4,493	5,714
Bank balances	974,970	697,884
Bank balances and cash	979,463	703,598
Bank overdraft	(904,710)	(632,402)
Call Investment Deposits	74,753	71,196
Investments	375,000	1,230,000
	4,850,000	3,500,000
	5,299,753	4,801,196
Current assets	695,374	71,196
Current liabilities	(3,476,684)	-
	(2,781,310)	71,196

10. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	89,258	(39,943)	49,315	89,258	(38,187)	51,071
Non-revenue Generating	208,724	-	208,724	209,029	-	209,029
Total	297,982	(39,943)	258,039	298,287	(38,187)	260,100

Reconciliation of investment property - 2013

	Opening balance	Disposals	Depreciation	Total
Revenue Generating	51,071	-	(1,756)	49,315
Non-revenue Generating	209,029	(305)	-	208,724
	260,100	(305)	(1,756)	258,039

Reconciliation of investment property - 2012

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

The fair value of the above properties is R2.9 billion (2012: R2.8 billion). Investment properties have been valued in accordance with current market conditions.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

11. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	4,225,146	(685,222)	3,539,924	3,609,767	(584,103)	3,025,664
Infrastructure	29,288,356	(6,375,577)	22,912,779	28,654,563	(5,395,282)	23,259,281
Community	4,874,236	(779,041)	4,095,195	4,667,834	(577,657)	4,090,177
Other property, plant and equipment	6,587,758	(2,625,271)	3,962,487	4,773,896	(2,472,809)	2,301,087
Housing Development Fund	132,944	(63,579)	69,365	134,193	(62,585)	71,608
Total	45,108,440	(10,528,690)	34,579,750	41,840,253	(9,092,436)	32,747,817

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Impairment	Total
Buildings	3,025,664	309,089	(893)	122,109	176,651	(95,060)	2,364	3,539,924
Infrastructure	23,259,281	1,149,947	(1,185)	(1,415,734)	682,547	(757,209)	(4,868)	22,912,779
Community	4,090,177	323,259	(16)	(217,550)	19,327	(117,874)	(2,128)	4,095,195
Other property, plant and equipment	2,301,087	608,127	(12,748)	1,511,159	122,314	(553,855)	(13,597)	3,962,487
Housing Development Fund	71,608	287	(325)	3	-	(2,208)	-	69,365
	32,747,817	2,390,709	(15,167)	(13)	1,000,839	(1,526,206)	(18,229)	34,579,750

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Impairment	Total
Buildings	2,844,494	133,054	(3)	31,512	107,126	(90,416)	(103)	3,025,664
Infrastructure	20,346,994	2,536,031	-	1,174,913	(43,650)	(754,245)	(762)	23,259,281
Community	4,330,031	49,694	(18)	(176,525)	23,886	(130,603)	(6,288)	4,090,177
Other property, plant and equipment	3,243,126	611,157	(10,787)	(1,030,666)	(9,682)	(497,174)	(4,887)	2,301,087
Housing Development Fund	74,503	41	(385)	(24)	-	(2,527)	-	71,608
	30,839,148	3,329,977	(11,193)	(790)	77,680	(1,474,965)	(12,040)	32,747,817

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R333m (2012 R280m) but are fully depreciated. This amount is made up as follows: Landfill (Disposal sites) - R269million; PPE fully impaired - R64million.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

12. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	48,362	-	48,362	48,189	-	48,189
Computer software	846,878	(206,379)	640,499	779,332	(167,158)	612,174
Total	895,240	(206,379)	688,861	827,521	(167,158)	660,363

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Amortisation	Total
Servitudes	48,189	173	-	-	-	-	48,362
Computer software	612,174	29,798	(609)	4	41,163	(42,031)	640,499
	660,363	29,971	(609)	4	41,163	(42,031)	688,861

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	47,882	307	-	-	-	48,189
Computer software	595,954	110,320	1,281	(53,551)	(41,830)	612,174
	643,836	110,627	1,281	(53,551)	(41,830)	660,363

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

13. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	9,658	-	9,658	9,501	-	9,501

Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	9,501	149	8	9,658

Reconciliation of heritage assets 2012

	Opening balance	Additions	Transfers	Work-in-progress	Total
Art Collections, antiquities and exhibits	9,992	2,065	(491)	(2,065)	9,501

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

14. Investments in Municipal entities

Name of company	% holding		Carrying amount 2013	Carrying amount 2012
	2013	2012		
ICC Durban (Proprietary) Limited	100.00 %	100.00 %	1	1
Durban Marine Theme Park (Proprietary) Limited	99.80 %	99.80 %	872,996	872,996
			872,997	872,997
Impairment of investment in controlled entities			(346,673)	(228,984)
			526,324	644,013

At its meeting on 19 June 2013, 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".

As at 30 June 2013

	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)	8,906	16,807
Water Income Received (R'000)	1,312	3,117
Gross Rates Income Received (R'000)	4,481	-
Refuse Removal (R'000)	511	1,120
Insurance (R'000)	-	1,246

As at 30 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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
15. Loan to Municipal entity		
Controlled entity		
ICC Durban (Proprietary) Limited	226,590	226,590
	226,590	226,590
Impairment of loan to controlled entity	(226,590)	(226,590)
	-	-

Loan to Municipal Entity is fully impaired as it is considered to be irrecoverable in the short-term. Cash accumulated recognised in the financial statements has been committed to capital expenditure for the next 5 years to allow the entity to maintain an acceptable status within the conferencing environment.

16. Investment in joint venture

Name of company	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Effingham Development	66.74%	66.74 %	81,596	80,365

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

Summary of the municipality's interests in the joint venture.

Assets

Township Property	44,279	42,573
Current assets - Debtors	11,535	11,446
Current assets - Bank Balances and Cash on hand	44,509	46,467

Total Assets	100,323	100,486
---------------------	----------------	----------------

Equity and Liabilities

Members Loan Accounts	81,596	80,365
Current liabilities - Creditors	18,727	20,121

Total Equity and Liabilities	100,323	100,486
-------------------------------------	----------------	----------------

Reconciliation of Investment in Joint Venture

Balance at beginning of year	80,365	70,610
Share of Income for the year	1,231	9,755

Balance at end of year	81,596	80,365
-------------------------------	---------------	---------------

17. EXTERNAL BORROWINGS

Designated at fair value

Annuity loans	9,886,788	10,678,806
Debentures and Local Registered Stock loans	-	200
	9,886,788	10,679,006

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

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

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 nonpayment. The income is estimated to be R3.2m to the year 2014.

All other loans are unsecured.

Non-current liabilities

Designated at fair value	8,929,548	9,906,679
--------------------------	-----------	-----------

Current liabilities

Designated at fair value	957,240	772,327
--------------------------	---------	---------

18. Payables from exchange transactions

Trade payables	2,204,876	1,937,260
Payments received in advance	40,385	79,517
Income received in advance - D.O.H.S	861,080	1,051,294
Other payables	900,702	998,625
Retentions	166,077	119,709
Bank deposits not yet receipted	212,329	181,668
Staff leave	322,534	302,269
Deferred Expenditure	32,287	30,212
Adjustment for fair value	(17,940)	(9,095)
	4,722,330	4,691,459

19. Consumer deposits

Electricity	877,823	780,028
Water	249,180	225,328
Refuse	64,419	59,539
	1,191,422	1,064,895

Included in eThekwini Municipality's deposits is an accrual of interest at an effective interest rate of 3% per annum (2012: 3%) which is paid to consumers when deposits are refunded.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Post-employment medical benefits	2,867,471	2,752,683
Pension benefits	20,798	170,984
	(2,888,269)	(2,923,667)
Non-current liabilities	2,628,325	2,664,486
Current liabilities	259,944	259,181
	2,888,269	2,923,667

Actuarial Valuations:

The actuarial valuations were done by Price Waterhouse Coopers Actuarial Management Solutions (as in 2012), an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Certain assumptions applied were revised by Price Waterhouse Coopers Actuarial Management Solutions and are summarised in the reconciliation of the actuarial losses.

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

Change in calculation model	72,778	(226,290)
Change in gross discount rate	47,787	264,185
Change in health care cost inflation assumption	(198,458)	(227,185)
Change in mortality assumption	295,918	(216,016)
Introduction of ill-health assumption	221,836	(258,926)
Change in active's percentage married assumption	(73,930)	91,874
Actual vs expected change in subsidies	-	707,190
Increase in proportion of pensioners married	-	(212,493)
Experience variance and data changes	(179,531)	(431,246)
	186,400	(508,907)

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

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

Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	114,788	685,601
Pension Benefits: Contribution to Funds	-	489,904
Total, included in employee benefits expense	114,788	1,175,505

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

20. Employee benefit obligations (continued)

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	2,752,683	2,067,082
Current service cost	139,153	88,412
Interest cost	252,819	170,195
Actuarial (gains) losses	(186,400)	508,907
Benefit payments	(90,784)	(81,913)
Balance at end of year	2,867,471	2,752,683

Net expense recognised in the Statement of financial performance

Current service cost	139,153	88,412
Interest cost	252,819	170,195
Actuarial (gains) losses	(186,400)	508,907
Benefit payments	(90,784)	(81,913)
Total, included in employee benefits expense	114,788	685,601

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Present Value of Obligations	1,589,173	1,892,056	2,067,082	2,752,683	2,867,471
Present Value of Obligations in excess of Plan Assets	1,589,173	1,892,056	2,067,082	2,752,683	2,867,471
Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)					
In respect of Present Value of Obligations	(46,905)	(151,079)	13,736	(162,839)	(179,531)

Disclosure Requirement in terms of GRAP 25

Sensitivity Results from Previous Valuation

	Central Assumption 7.9%	-1%	+1%
Accrued Liability 30 June 2013	2,867,471	2,449,443	3,383,219
% Change	- %	(14.6)%	18.0 %
Current Service Cost + Interest Cost 2013/14	392,700	325,371	478,352
% Change	- %	(17.1)%	21.8 %

Disclosure Requirement in terms of GRAP 25:

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 R97.9million.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
20. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.20 %	9.10 %
General increases to medical aid contributions	7.90 %	7.50 %
Salary Inflation	6.00 %	6.00 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	100.00 %	90.00 %
Other assumptions:		
Age of spouse - Husbands 5 years older than wives		
Mortality of in-service members - Mortality table based on Durban Pension Fund experience		
Mortality of pensioners - a(m) and a(f) ultimate tables plus 0.5% improvement per annum		
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		
The effect of the major categories of plan assets is as follow:		
Percentage of in-service members withdrawing before retirement:		
Age 20	7.85 %	7.85 %
Age 25	5.67 %	5.67 %
Age 30	4.20 %	4.20 %
Age 35	3.31 %	3.31 %
Age 40	2.23 %	2.23 %
Age 45	1.21 %	1.21 %
Age 50	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %
	-	-
Pension benefits		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	10,227,913	9,486,188
Present value of the defined benefit obligation-partially or wholly funded	(10,207,115)	(9,315,204)
Liability (Surplus) in the Statement of Financial Position	20,798	170,984
Net expense recognised in the statement of financial performance		
Service cost	(120,028)	(122,656)
Interest cost	(757,257)	(641,239)
Expected return on assets	914,348	803,239
Net actuarial gains / (losses) recognised in the year	48,309	(1,734,471)
Change in unrecognised due to net asset limit	-	1,136,123
Active member expenses	(2,886)	-
	82,486	(559,004)

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

20. Employee benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

Opening Defined Benefit Obligation	(9,486,188)	(7,369,519)
Current service cost	(120,028)	(122,656)
Contributions by plan participants	(25,800)	(26,500)
Actuarial losses	(445,505)	(1,885,765)
Interest cost	(757,257)	(641,239)
Benefit payments	606,865	559,491
Balance at end of year	(10,227,913)	(9,486,188)

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

Opening Fair Value of Plan assets	9,315,204	8,824,562
Actuarial gains (losses)	493,814	151,294
Employer contributions	67,700	69,100
Employee contributions	25,800	26,500
Benefit payments	(606,865)	(559,491)
Expected return on assets	914,348	803,239
Active member expenses	(2,886)	-
Balance at end of year	10,207,115	9,315,204

Disclosure in terms of GRAP 25

Defined benefit obligation	(10,227,913)	(9,486,188)
Plan assets	10,207,115	9,315,204
Funded status (before applying the net asset limit)	-	(170,894)
Experience adjustments on plan liabilities	-	(77,828)
Experience adjustments on plan assets	-	151,294
Only the prior year is shown as the current year's information is unavailable.	(20,798)	(268,412)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	8.40	8.30
Expected return on plan assets	10.60	10.00
Future salary increases	6.90	6.50
Future pension increases	5.90	5.50

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

20. Employee benefit obligations (continued)**Examples of mortality rates used were as follows: Active members (All):**

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

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. It presently has a membership of over 17 000 employees with a total pension accumulation of over R7 billion.

As a defined contribution fund the solvency of the fund is generally not of any concern and from 2008 through to 2010 the Fund was granted the status of being Valuation Exempt by the Financial Services Board. A rule change thereafter extended the benefits offered by the Fund to allow incorporation of pensioners as continued members should they opt upon retirement for a Living Annuity offered by the Fund. With this change the Fund lost its valuation exempt status and a Statutory Valuation was undertaken by Alexander Forbes Actuarial Services as at 30 June 2011, approved by the Financial Services Board on 30 November 2012. The actuarial valuation confirmed that the fund was once again in a sound financial position. Due to the fact that the inclusion of a Living Annuity option has no effect on the Fund or the Employer's liability it is anticipated that the Fund will again be granted valuation exempt status before the next statutory valuation is due.

The external auditors of the Fund issued an unqualified opinion on the Annual Financial Statements as at 30 June 2012. A modification to the insured Disability Benefit has been designed by the Trustees and is due to be implemented in 2014. Under the proposed arrangement the temporary disability period will reduce from 24 months to 12 months, the waiting period reduces from 3 months to 1 month, and income benefit will increase from 75% of salary to 100% of salary. This structural change is achieved at effectively the same premium rate. The permanent disability benefit payable after the 12 month period remains unchanged being an insured cash payment that is based on the same age related multiple of annual salary applied within the insured Death Benefit structure. The disabled member's insured sum is added to the pension accumulation and the total is used to fund a retirement annuity. The new disability arrangement is considered to be less disruptive to the work undertaken by the employer and is favoured by members who have previously been on temporary disability. The future claims experience will be closely monitored by the Fund and Employer in order to measure the sustainability of this new arrangement.

The Durban Pension Fund is a defined benefit fund administered by the eThekweni 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 statutory valuation as at 2013-01-01 revealed that the Fund was 100% funded. The actuarial value of assets and liabilities was determined to be R9.9 billion (2012-01-01: R8.9 billion). The active member pool solvency reserve is 0.1% funded (compared to 60% funded at 2010-01-01 and the pensioner pool solvency reserve is 54.4% funded (compared to 100% funded at 2010-01-01). Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 9.57% being funded by the employer surplus account. In compliance with the Fund's rules an amount of R67.7 million was contributed by Council in respect of retirement funding during the period under review.

Multi-Employer Retirement Benefit Plans:

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

20. Employee benefit obligations (continued)

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. Two of the NJMP retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund. The last actuarial valuations of the 2 Defined Benefit Funds (March 2012) 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. A primary reason for the surcharge is that salaries have been increased well in excess of inflation over the past number of years, which has increased the liabilities of the 2 Defined Benefit Funds. Surcharges were updated to 17.5% for Retirement fund and 9.5% for Superannuation Fund and are applicable for 8 years from July 2012 at which time it is expected that both funds will be fully funded. The 2013 valuations are still in starting phase, outcomes will only be known by November at the annual AGM of funds. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner.

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.

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Electricity Demand Side Management Grant	-	35,051
Department of Provincial and Local Government	2,000	2,000
Department of Co Operative Governance and Traditional Affairs	7,074	8,867
Department of Transport and Public Transport Infrastructure	597,620	168,697
Department of Environmental Affairs	1,427	4,195
Expanded Public Works Incentive Grant	17,885	-
Neighbourhood Development Partnership	4,395	-
Vuna Awards	1,910	2,098
Urban Settlement Development Grant	-	28,369
Grant Accreditation	-	59
Metropolitan Transport Authority - Taxi Ranks	-	32
Department of Human Settlements	172,564	143,291
Lamontville and R293 Trf Deeds/ Administration	1,556	1,556
Other Conditional Receipts		
European Union	8,043	8,405
Donations and Public Contributions	77,594	125,448
DANIDA	295	295
D Moss Interest and Land Sales	8,073	8,362
Department of Arts & Culture	79,731	5,482
Infrastructure Skills grant	7,234	4,077
Other Grants and Subsidies	52,437	41,370
	1,039,838	587,654

These amounts are invested in a ring-fenced investment until utilised. See note 27 for more detail. No grants or subsidies were withheld during the year.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

22. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	11,646	14,361	(10,580)	-	15,427
Performance bonus	14,796	10,154	(8,303)	-	16,647
Long service awards	8,477	3,358	(499)	-	11,336
Non-current					
Environmental rehabilitation: Landfill sites	66,306	1,278	-	5,636	73,220
Clearance of Alien Vegetation	21,900	8,184	-	-	30,084
Long service awards	200,054	63,013	-	-	263,067
	323,179	100,348	(19,382)	5,636	409,781

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Clearance of Alien Vegetation	9,233	10,037	(7,624)	-	11,646
Performance bonus	15,208	7,012	(7,424)	-	14,796
Long service awards	8,577	458	(558)	-	8,477
Non-current					
Environmental rehabilitation: Landfill sites	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
	286,961	46,537	(15,606)	5,287	323,179

Non-current liabilities	366,371	288,260
Current liabilities	43,410	34,919
	409,781	323,179

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 8.5%. 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 8.5% (2012: 9%);
- Inflation rate of 5.5% (2012: 5.5%);
- Total area expected to be rehabilitated: 800 426 square metres (738 000 square metres);
- Rate per square metre: R130.16 (2012: R123) escalating every year by inflation rate;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

22. Provisions (continued)

Bisasar	360,326	368,000
Maranhill	193,000	140,000
Wyebank	25,000	50,000
Shallcross	29,800	50,000
Buffelsdraai	192,300	130,000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 2 years to 58 years and are best estimates provided for by the respective landfill site engineers. The useful life for the Bisasar Landfill site has been extended by 3 years as at 01 July 2012.

The total rehabilitation can be reconciled as follows:

Name	O/ Balance	Interest	Additions	C/ Balance
Bisasar	42,516	3,614	(3,014)	43,116
Maranhill	12,457	1,059	6,002	19,518
Wyebank	4,751	404	(2,479)	2,676
Shallcross	4,168	354	(1,673)	2,849
Buffelsdraai	2,414	205	2,442	5,061
Totals	66,306	5,636	1,278	73,220

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 2013 (2012: 30 June 2012). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 8.5% (2012: 9%) was used based on internal rate of return.

Clearance of Alien Vegetation

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

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

Data used for calculations:

Municipal owned land within the municipal area: 18 000 Ha
Municipal owned open space currently managed (prioritised): 2 200 Ha
Current approximate cost of clearing very high infestations of IAP's: R8 483.00 / Ha
(2012: R5200.00 / Ha).

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
22. Provisions (continued)		
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.		
23. Housing development fund		
Accumulated Surplus	(6,525)	(6,525)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	260,454	260,454
The housing development fund is represented by the following assets and liabilities		
Property, plant and equipment	69,374	71,608
Housing selling scheme loans	129,584	127,242
Housing rental Debtors	28,271	35,187
Housing other Debtors	328	272
Housing inventory	65	94
Investments	50,197	92,398
Investment properties	16,811	17,177
Bank and cash	34,981	4
Assets	329,611	343,982
Long-term liabilities	306	354
Unspent Conditional Grants	39,302	45,751
Creditors	9,730	7,012
Bank Overdraft	-	10,592
Government Grant Reserve	19,819	19,819
Liabilities	69,157	83,528
Total Housing Development Fund Assets and Liabilities	260,454	260,454
24. Service charges		
Sale of electricity	9,174,721	8,352,757
Sale of water	2,066,325	1,893,865
Solid waste	442,348	404,734
Sewerage and sanitation charges	663,029	635,915
Other service charges	152,656	140,766
Total service charges	12,499,079	11,428,037
25. Other income		
Sundry income	344,611	507,270
Fuel levy	1,690,569	1,424,593
Moses Mabhida Stadium - other income	11,700	7,534
	2,046,880	1,939,397

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

26. Property rates

Rates received

Residential	1,773,354	1,664,257
Business / Commercial	1,531,972	1,388,169
Unauthorised / Illegal development	17,620	25,911
Agricultural	4,235	1,855
Vacant land	320,755	404,993
Industrial	1,304,788	870,454
Public Service Infrastructure	15,218	(4,840)
Total Assessment Rates	4,967,942	4,350,799

Valuations

Residential	263,925,286	262,901,930
Business / Commercial	86,615,122	86,687,690
Unauthorised / Illegal development	702,083	180,890
Agricultural	2,436,976	2,397,649
Vacant land	11,884,164	10,771,038
Industrial	47,274,599	51,003,590
Public Service Infrastructure	15,678,604	12,093,564
Development Phasing Line	145,392	-
Total Property Valuations	428,662,226	426,036,351

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.00914 (2012: R0.00907); Agriculture - R0.00228 (2012: R0.00227); Vacant Land - R0.04376 (2012: R0.04345); Industrial - R0.02674 (2012: R0.02655); Business and Commercial - R0.02072 (2012: R0.02057); Public Service Infrastructure - R 0.00228 (2012: R0.00227). All residential property owners are exempt from paying rates on the first R120 000 (2012: 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 (2012: R400 000) of their property value (inclusive of the R120 000 referred to earlier). No rates are levied on the first R30 000 (2012: R30 000) value of vacant land.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
27. Government grants and subsidies		
Equitable Share	1,769,412	1,581,802
Expanded Public Works Programme Incentive	24,471	22,860
European Union	380	1,600
Primary Health Care Provincial Subsidy	68,957	56,111
Department of Transport and Public Transport infrastructure	124,328	354,161
Department of Environmental Affairs	2,768	6,912
Vuna Awards	188	800
2010 KZN Provincial Grant	-	14,789
Demand Side Management	31,772	13,228
Urban Settlement Development Grant	1,315,929	1,063,205
Other Grants	82,062	149,652
Public Contributions	46,916	6,131
Neighbourhood Development Partnership	3,514	2,091
Department of Human Settlements	157,222	116,383
Danida	-	641
Grant Accreditation	4,584	240
Department of Co-Operative Government and Traditional Affairs	1,793	5,369
Metropolitan Transport Authority-Taxi Ranks	32	1,228
Infrastructure Skills Grant	19,773	10,423
Department of Arts and Culture	3,360	2,115
D Moss Land Sales and Interest	289	-
	3,657,750	3,409,741

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Current-year receipts	1,769,412	1,581,802
Conditions met - transferred to revenue	(1,769,412)	(1,581,802)
	-	-

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

D Moss Interest and Land Sales

Balance unspent at beginning of year	8,362	8,362
Conditions met - transferred to revenue	(289)	-
	8,073	8,362

The above relates to funding for the acquisition of D Moss land.

Department of Environmental Affairs

Balance unspent at beginning of year	4,195	1,557
Current-year receipts	-	9,550
Conditions met - transferred to revenue	(2,768)	(6,912)
	1,427	4,195

Conditions still to be met - remain liabilities (see note 21).

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

27. Government grants and subsidies (continued)

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. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

Department of Transport and Public Transport infrastructure

Balance unspent at beginning of year	168,697	317,859
Current-year receipts	595,510	204,999
Grant withheld	(42,259)	-
Conditions met - transferred to revenue	(124,328)	(354,161)
	597,620	168,697

Conditions still to be met - remain liabilities (see note 21).

This grant is received from the Department of Transport for the design and construction of the dedicated public transport lanes, stations and other related infrastructure as part of the Integrated Rapid Public Transport Network.

Neighbourhood Partnership Development

Balance unspent at beginning of year	-	2,091
Current-year receipts	10,000	-
Grant withheld	(2,091)	-
Conditions met - transferred to revenue	(3,514)	(2,091)
	4,395	-

Conditions still to be met - remain liabilities (see note 21).

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

European Union

Balance unspent at beginning of year	8,405	9,923
Current-year receipts	18	82
Conditions met - transferred to revenue	(380)	(1,600)
	8,043	8,405

Conditions still to be met - remain liabilities (see note 21).

Funds used for Capacity Enhancement/ Knowledge Management in terms of close our report

Other Grants and Subsidies

Balance unspent at beginning of year	41,370	43,988
Current-year receipts	93,129	147,034
Conditions met - transferred to revenue	(82,062)	(149,652)
	52,437	41,370

Conditions still to be met - remain liabilities (see note 21).

Other Grants and subsidies were utilised during the year to fund various Council projects.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

27. Government grants and subsidies (continued)

Department of Human Settlements

Balance unspent at beginning of year	143,291	198,132
Current-year receipts	186,495	61,542
Conditions met - transferred to revenue	(157,222)	(116,383)
	172,564	143,291

Conditions still to be met - remain liabilities (see note 21).

Funding for the administration of Hostels in KwaZulu Natal.

Lamontville R293 Trf Deeds/ Administration

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

Conditions still to be met - remain liabilities (see note 21).

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

DANIDA

Balance unspent at beginning of year	295	936
Conditions met - transferred to revenue	-	(641)
	295	295

Conditions still to be met - remain liabilities (see note 21).

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

Grant Accreditation

Balance unspent at beginning of year	59	299
Current-year receipts	4,525	-
Conditions met - transferred to revenue	(4,584)	(240)
	-	59

Conditions still to be met - remain liabilities (see note 21).

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

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	8,867	7,311
Current-year receipts	-	6,925
Conditions met - transferred to revenue	(1,793)	(5,369)
	7,074	8,867

Conditions still to be met - remain liabilities (see note 21).

Funds used for the construction of a Factory for Hazelmere Lungisa Indlela Village and to draft a land use management scheme for Shongweni Local Area Plan.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

27. Government grants and subsidies (continued)

Donations and Public Contributions

Balance unspent at beginning of year	125,448	129,866
Current-year receipts	862	1,713
Reversal of Prior year Accrual	(1,800)	-
Conditions met - transferred to revenue	(46,916)	(6,131)
	77,594	125,448

Conditions still to be met - remain liabilities (see note 21).

The grants were received from various organisations to finance various developments. In the prior year this includes development of Nandi Drive and various roads in Hillcrest.

2010 KZN Government Grant

Balance unspent at beginning of year	-	14,789
Conditions met - transferred to revenue	-	(14,789)
	-	-

Conditions still to be met - remain liabilities (see note 21).

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

Metropolitan Transport Authority-Taxi Ranks

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

Conditions still to be met - remain liabilities (see note 21).

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

Electricity Demand Side Management Grant

Balance unspent at beginning of year	35,051	3,279
Current-year receipts	-	45,000
Grant With held	(3,279)	-
Conditions met - transferred to revenue	(31,772)	(13,228)
	-	35,051

Conditions still to be met - remain liabilities (see note 21).

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

Department of Provincial and Local Government

Balance unspent at beginning of year	2,000	2,000
--------------------------------------	-------	-------

Conditions still to be met - remain liabilities (see note 21).

Grant to be utilised for the Shembe Development Precinct (Rural ABM) and the acquisition of land for the Bridge City Project (INK).

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

27. Government grants and subsidies (continued)

Primary Health Care Provincial Subsidy

Current-year receipts	68,957	56,111
Conditions met - transferred to revenue	(68,957)	(56,111)
	-	-

Conditions still to be met - remain liabilities (see note 21).

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 C). The conditions of the grant have been met.

Urban Settlements Development Grant

Balance unspent at beginning of year	28,369	1,091,574
Current-year receipts	1,287,560	-
Conditions met - transferred to revenue	(1,315,929)	(1,063,205)
	-	28,369

Conditions still to be met - remain liabilities (see note 21).

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 Incentive Grant

Balance unspent at beginning of year	-	22,860
Current-year receipts	42,356	-
Conditions met - transferred to revenue	(24,471)	(22,860)
	17,885	-

Conditions still to be met - remain liabilities (see note 21).

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

27. Government grants and subsidies (continued)

Vuna Awards

Balance unspent at beginning of year	2,098	2,898
Conditions met - transferred to revenue	(188)	(800)
	1,910	2,098

Conditions still to be met - remain liabilities (see note 21).

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.

Department of Arts and Culture

Balance unspent at beginning of year	5,482	2,614
Current-year receipts	77,609	4,983
Conditions met - transferred to revenue	(3,360)	(2,115)
	79,731	5,482

Conditions still to be met - remain liabilities (see note 21).

The Grant is for the operating expenditure for the libraries and capital costs for the upgrade of the Central library.

Infrastructure Skills Grant

Balance unspent at beginning of year	4,077	-
Current-year receipts	22,930	14,500
Conditions met - transferred to revenue	(19,773)	(10,423)
	7,234	4,077

Conditions still to be met - remain liabilities (see note 21).

Funding to equip Engineering graduates in achieving professional registration in water and waste water related skills.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
28. Employee related costs		
Employee related costs - Salaries and Wages	3,815,498	3,506,256
Medical aid and Pension Benefits	1,002,981	2,100,775
UIF	32,090	27,963
Leave pay provision contribution	182,157	127,710
Travel, motor car, accommodation, subsistence and other allowances	189,469	167,610
Overtime payments	438,708	342,807
Housing benefits and allowances	17,884	19,196
Holiday Bonus	273,378	247,763
Other	31,521	28,471
Less: Employee costs relating to capitalisation and maintenance of PPE	(100,602)	(92,811)
	5,883,084	6,475,740
Remuneration of the Municipal Manager - Mr. S. Sithole (appointed 03/01/2012)		
Annual Remuneration	2,062	960
Car Allowance	180	90
Contributions to UIF, Medical and Pension Funds	24	11
	2,266	1,061
Remuneration of the Chief Finance Officer		
Annual Remuneration	1,241	1,163
Car Allowance	397	372
Market Allowance	242	242
Contributions to UIF, Medical Aid and Pension Funds	272	254
	2,152	2,031
Safety and Security		
Annual Remuneration	-	1,552
Severance Pay	261	-
Arbitration Award	388	-
Contributions to UIF, Medical and Pension Funds	6	20
	655	1,572
Health and Social Services		
Annual Remuneration	1,465	1,368
Car Allowance	120	120
Contributions to UIF, Medical and Pension Funds	40	36
	1,625	1,524
Governance		
Annual Remuneration	1,241	1,163
Car Allowance	397	372
Market Allowance	121	121
Contributions to UIF, Medical and Pension Funds	267	251
	2,026	1,907
Procurement and Infrastructure		
Annual Remuneration	-	1,590

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

28. Employee related costs (continued)

Car Allowance	-	120
Market Allowance	-	210
Contributions to UIF, Medical and Pension Funds	34	59
Severance Pay	962	-
	996	1,979

Resigned:30 June 2012

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

Annual Remuneration	-	823
Car Allowance	-	51
Market Allowance	-	191
Contributions to UIF, Medical and Pension Funds	-	20
	-	1,085

Corporate and Human Resources

Annual Remuneration	609	-
Car Allowance	45	-
Contributions to UIF, Medical and Pension Funds	17	-
	671	-

Appointed :1 February 2013

Sustainable Development and City Enterprises

Annual Remuneration	642	-
Car Allowance	54	-
Contributions to UIF, Medical and Pension Funds	22	-
	718	-

Appointed : 21 January 2013

29. Remuneration of councillors

Councillors	88,538	84,751
Mayor	1,087	734
Deputy Mayor	872	797
Mayoral Committee Members	4,701	4,244
Speaker	940	819
Councillors	80,181	73,184
Traditional Leaders	757	4,973
Total Councillors' Remuneration	88,538	84,751

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

29. Remuneration of councillors (continued)

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.

The mayoral committee consists of 9 members.

The municipality's council is made up of 193 Councillors (including the Mayoral Committee members but excluding the Mayor, Deputy Mayor and the Speaker)..

30. Finance costs

Non-current borrowings	878,603	843,478
Consumer Deposits	12,077	11,281
Other interest paid	41,086	11,522
	931,766	866,281

An amount of R98.4m (2012: R132.7m) relating to borrowing costs was capitalised to work-in-progress with 8.73% (2012: 8.73%) being the weighted average cost of funds borrowed generally by the municipality.

31. Bulk purchases

Electricity	6,190,307	5,510,492
Water	1,367,167	1,156,478
	7,557,474	6,666,970

32. Grants and subsidies paid

Other subsidies

Grant Paid:Enhanced Extended Discount Benefit	5,471	8,926
Grant Paid:Sporting Organisations	46,522	41,829
Grant Paid:South African Association of Marine Biology Research	50,253	44,281
Grant Paid:Playhouse Company	3,587	3,087
Grant Paid:Natal Philharmonic Orchestra	7,373	7,022
Grant Paid:Tourism Indaba	15,539	13,685
Grant Paid:Trade Point Durban	1,206	1,206
Grant Paid:Food Aid Program	10,739	9,876
Grant Paid:Other	33,301	11,782
	173,991	141,694

33. Fair value adjustments

Fair value adjustment - Debtors	3,522	667
Fair value adjustment - Creditors	8,845	(6,006)
Fair value adjustment - Long term receivables	(1,098)	(404)
	11,269	(5,743)

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
34. General expenses		
Advertising	17,053	12,061
Auditors remuneration	26,578	20,677
Bank charges	3,998	3,934
Cleaning	17,364	16,828
Commission paid	21,765	18,648
Consulting and professional fees	32,548	32,860
Delivery expenses	3,836	3,744
Civic Entertainment	10,685	2,754
Animal Costs	3,816	3,495
Hire	76,835	79,756
Insurance	14,081	14,241
Community development and training	23,259	18,771
Conferences and seminars	2,376	637
IT expenses	32,920	26,260
Lease rentals on operating lease	47,515	52,831
Marketing	29,704	19,382
Levies	7,917	4,825
Magazines, books and periodicals	6,633	8,559
Medical Requisites	20,091	20,709
Fuel and oil	209,788	178,555
Postage and courier	25,836	25,163
Printing and stationery	34,268	33,654
Promotions	64,558	49,454
Research costs	9,613	4,586
Secretarial fees	48,950	53,464
Security (Guarding of municipal property)	2,154	4,829
Subscriptions and membership fees	13,925	9,782
Telephone and fax	61,400	60,885
Transport and freight	59,245	50,296
Training	80,043	71,171
Travel - local	32,325	30,881
Refuse	29,356	43,689
Stock Adjustments	1,155	1,466
Electricity	133,662	113,451
Gas	1,120	941
Sewerage and waste disposal	29,605	34,069
Refuse Bags	44,058	46,448
Recycling	7,543	5,371
Tourism development	6,259	1,734
Other Sponsorships and subsidies	5,175	7,578
Stadium Operational Costs	88,541	77,207
Urban Improvement Precincts	18,050	18,714
Safety Equipment	3,181	2,715
Small Plant and Tools	4,034	3,698
Venue Decorative costs	2,735	2,318
Other expenses	182,114	85,896
	1,597,667	1,378,987

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

35. Cash generated from operations

Surplus	2,768,393	1,724,790
Adjustments for:		
Depreciation on PPE	1,526,206	1,474,965
Loss on sale of PPE	1,685	6,495
Gain on disposal of PPE	(23,501)	(65,236)
Amortisation of Intangible Assets	42,031	41,830
Depreciation :Investment Property	1,756	1,809
Income from Joint Venture	(1,231)	(9,755)
Fair value adjustments	(11,269)	5,743
Reversal of loss on Impairment: PPE	(2,364)	-
Impairment deficit	20,593	12,040
Debt impairment	757,059	393,592
Movements in retirement benefit assets and liabilities	(35,398)	1,175,505
Movements in provisions	86,602	36,218
Donations:PPE	(2,641)	(1,759)
Loss on impairment on Investment in Municipal Entity	117,689	35,557
Changes in working capital:		
Inventories	2,079	(24,005)
Receivables from exchange transactions	(402,667)	(81,805)
Consumer debtors	(715,770)	(533,151)
Payables from exchange transactions	39,716	366,234
VAT	(5,617)	12,066
Unspent conditional grants and receipts	452,184	(170,684)
Consumer deposits	126,527	128,162
	4,742,062	4,528,611

36. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities	9,886,788	10,679,006
Used to finance property, plant and equipment – at cost	(9,886,788)	(10,679,006)
	-	-

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

37. Commitments

37.1 Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure	1,428,524	1,338,553
• Community	46,427	82,641
• Land and buildings	59,092	3,765
• Other assets	32,630	33,897
	1,566,673	1,458,856

Approved but not yet contracted for

• Infrastructure	554,718	439,583
• Community	137,167	38,289
• Other assets	49,000	2,631
	740,885	480,503

37.2 Operating leases - as lessee (expenditure)

Minimum lease payments due

- within one year	27,621	35,373
- in second to fifth year inclusive	109,414	127,505
- later than five years	27,919	38,409
	164,954	201,287

38. Leases (Income) - Lessor

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

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

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand 2013 2012

39. Contingencies

Contractual Disputes	57,929	1,203
----------------------	--------	-------

Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	27,429	71,183
------------------------	--------	--------

Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	227,926	330,872
----------------	---------	---------

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 had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	79,584	65,584
-----------------	--------	--------

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;
- Compensation Commissioner: R55m (Standard Bank) ;
- Durban Marine Theme Park: R10m (First National Bank) dated 29 January 2009;
- The South African Insurance Association: R9m (Standard Bank)

Legal Claims	584,258	130,874
--------------	---------	---------

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: R14.5m;
- Rates dispute: R6.3m;
- Value of compensation in respect of expropriation of various properties R542.9m
- Claims for damages - various: R18.7m
- Various and other minor legal disputes R1.7m

Municipal Entity - Durban Marine Theme Park	107,801	-
---	---------	---

A debenture held in Durban Marine Theme Park is convertible at the option of the holder into ordinary shares. Should the holder not exercise the option to convert, the debenture is redeemable at the option of either the issuer or the bearer. On redemption the debenture capital is repayable in 3 equal capital tranches during 2015, 2016 and 2017. The Municipality shall fund this obligation should the Municipal Entity be unable to meet it's obligations in terms of this repayment when it falls due.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
40. Related parties		
Relationships		
Municipal Entities		Durban Marine Theme Park (Proprietary) Limited I.C.C. Durban (Proprietary) Limited (refer to note 14)
Joint Venture		Ethekwini Transport Authority Riverhorse Valley Joint Venture (refer to note 16)
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
Related party balances		
Loan accounts - Owing by related parties		
Durban Infrastructural Development Trust	108,183	145,299
Amounts included in Trade Receivable regarding related parties		
I.C.C. Durban (Proprietary) Limited	1,729	1,300
Durban Marine Theme Park (Proprietary) Limited	2,322	2,283
	4,051	3,583
Amounts included in Trade Payable regarding related parties		
I.C.C. Durban (Proprietary) Limited	3,222	486
Durban Marine Theme Park (Proprietary) Limited	-	520
Ethekwini Transport Authority	54,047	51,897
	57,269	52,903
Related party transactions		
Sales to related parties		
I.C.C. Durban (Proprietary) Limited:		
Electricity	8,906	8,704
Water	1,312	1,157
Refuse	511	659
Gross Rates	4,481	18,358
Grant-in-Aid (Rates)	-	(10,500)
Durban Marine Theme Park (Proprietary) Limited		
Electricity	16,807	16,687
Water	3,117	5,249
Waste	1,120	870
Insurance	1,246	1,243
Advance Fire Training	-	33
Riverhorse Valley Joint Venture		
Electricity and Water	5	61
Income from Joint Venture	1,231	9,755
Purchases from related parties		
I.C.C. Durban (Proprietary) Limited:		
General Expenses	32,965	87,068
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	3,977	1,782

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
40. Related parties (continued)		
Ethekwini Transport Authority		
General Expenses	2,512	2,696
Grant-in-Aid	2,730	5,100
41. Prior year adjustments / Changes in accounting policy		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality:		
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. 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.		
Transfer of Housing Loans to Long term receivables.		
Creditors:		
PPE adjustments in respect of over accruals and non-stock items.		
Elimination of internal departmental insurance claims.		
Property, Plant and Equipment and Intangible Assets:		
Moveable assets that were not recorded in the fixed asset register have been recorded at fair value. Depreciation adjustments 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. Amortisation costs incorrectly raised have been reversed. Items relating to Heritage assets have been transferred out of PPE and are now separately disclosed.		
Unspent Conditional Grants:		
Reversal of grant incorrectly accrued for in prior year as well as the revenue recognition relating to a grant spent but not transferred in 2010/11.		
Heritage Assets: (Accounting policy change)		
Re-classification of these items in accordance with GRAP 103 (Heritage Assets) that were previously disclosed as part of PPE.		
Other Debtors:		
Reversal of an accrual for an unspent grant.		
Elimination of internal departmental insurance claims.		
VAT:		
VAT portion of reversal of grant incorrectly accrued for in 2011/12.		
Long-term Receivables:		
Re-classification: Transfer of Housing loans from Consumer Debtors - 2011/12		
Consumer Debtors		
Balance previously reported	-	2,753,087
Rates adjustments - prior to 2011/12	-	(167,630)
Rates adjustments - 2011/12	-	(21,316)
Write-off of Ingonyama Rates - prior to 2011/12	-	(12,657)
Write-back of Ingonyama Rates Bad Debt Provision - prior to 2011/12	-	12,657
Re-classification: Transfer of Housing loans to long-term receivables - 2011/12	-	(1,727)
	-	2,562,414

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

41. Prior year adjustments / Changes in accounting policy (continued)

Creditors

Balance previously reported	-	4,843,862
Over-accrual of cost of PPE - 2011/12	-	(5,828)
PPE adjustment i.r.o. non-stock items - 2011/12	-	92
Other Debtors - elimination of departmental insurance claims - 2011/12	-	(146,667)
	-	4,691,459

Property, Plant and Equipment

Balance previously reported	-	32,786,820
Depreciation, Impairment, Fair value and write-off adjustments - 2011/12	-	(28,421)
Depreciation, Impairment, Fair value and write-off adjustments - prior to 2011/12	-	4,655
Cost of asset over accrued for - 2011/12	-	(5,828)
Creditors adjustment i.r.o. non-stock items - 2011/12	-	92
Re-classification: Transfer to Heritage assets	-	(9,501)
	-	32,747,817

Intangible Assets

Balance previously reported	-	630,625
Amortisation adjustment - 2011/12	-	20,296
Amortisation adjustment - prior to 2011/12	-	9,442
	-	660,363

Unspent Conditional Grants

Balance previously reported	-	599,421
Transfer of grant previously incorrectly reflected as unspent - prior to 2011/12	-	(9,400)
Other Debtors: Reversal of grant incorrectly accrued for in 2011/12	-	(2,367)
	-	587,654

Heritage Assets

Balance previously reported	-	-
Re-classification: Transfer from Property, Plant & Equipment	-	9,501
	-	9,501

Accumulated Surplus

Balance previously reported	-	24,657,555
Consumer Debtors: Rates Income adjustment - prior to 2011/12	-	(167,631)
Consumer Debtors: Rates Income adjustment - 2011/12	-	(21,316)
Unspent Conditional Grants: Recognition of grant previously incorrectly reflected as unspent - prior to 2011/12	-	9,400
Consumer Debtors: Write-off of Ingonyama Rates - prior to 2011/12	-	(12,657)
Consumer Debtors: Write-back of Ingonyama Rates Bad Debt Provision - prior to 2011/12	-	12,657
PPE & Intangibles adjustments - prior to 2011/12	-	14,098
PPE & Intangibles adjustments - 2011/12	-	(8,125)
Other income adjustment - 2011/12	-	3
	-	24,483,984

Other Debtors

Balance previously reported	-	2,834,316
Unspent Grants: Reversal of grant incorrectly accrued for in 2011/12	-	(2,695)
Creditors: elimination of departmental insurance claims - 2011/12	-	(146,667)
	-	2,684,954

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

41. Prior year adjustments / Changes in accounting policy (continued)

VAT

Balance previously reported	-	26,622
Unspent Grants: VAT portion of reversal of grant incorrectly accrued for in 2011/12	-	331
	-	26,953

Long-term Receivables

Balance previously reported	-	286,277
Re-classification: Transfer of Housing loans from Consumer Debtors - 2011/12	-	1,727
	-	288,004

42. Traffic fines

Traffic fines issued but not yet recovered at year end	1,539,496	1,376,589
--	-----------	-----------

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.

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	9,800	5,710
Amount paid - current year	(9,800)	(5,710)
	-	-

Audit fees

Current year audit fee	14,132	12,357
Previous years audit fee	12,357	13,213
Amount paid - current year	(14,132)	(12,357)
Amount paid - previous years	(12,357)	(13,213)
	-	-

PAYE and UIF

Current year payroll deductions	772,051	698,029
Amount paid - current year	(772,051)	(698,029)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	1,496,472	1,326,493
Amount paid - current year	(1,496,472)	(1,326,493)
	-	-

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT received (paid) for the year	265,363	568,630
VAT payable	(13,927)	-
	251,436	568,630

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial year ended 30 June 2013:

30 June 2013	Amount Outstanding (Rands)	Month
Councillor Abegail Shabalala	927	Feb-13
Councillor BA Chili	375	Jan-13
Councillor Bhekisisa Ngwane	1,111	Aug-12
Councillor Biyela	29	Mar-13
Councillor Conrad Dlamini	68,601	Sep-12
Councillor Dennis Shozi	4,800	Aug-12
Councillor EF Shabalala	55	Jul-12
Councillor Fanie Moyo	4,891	Jul-12
Councillor GS Ngcobo	7,079	Aug-12
Councillor Hendrick Cele	3,450	Aug-12
Councillor Hlongwa	63	Mar-13
Councillor Hubane Maphumulo	1,380	Jul-12
Councillor Jonathan Naidoo	38,415	Dec-12
Councillor MAK Dladla	226	Sep-12
Councillor Mary Jane Ntshangase	237	Sep-12
Councillor Mduduzi Bayeni	166	Jul-12
Councillor Mduduzi Gumede	442	Sep-12
Councillor ME Bayeni	437	Apr-13
Councillor Melta Mthembu	1,518	Feb-13
Councillor Mhlabunzima Bhengu	1,414	Jul-12
Councillor SJ Nhlapho	549	Mar-13
Councillor PM Sibiya	480	Feb-13
Councillor MS Cele	4,003	Jul-13
Councillor NE Mthembu	1,883	Oct-12
Councillor Neliswe Nyanisa	1,680	Sep-12
Councillor Ngwazi	81	Aug-12
Councillor Obed Ngcobo	10,795	Aug-12
Councillor P Padayachee	358	Sep-12
Councillor Peter Davis	4,552	Jul-12
Councillor PP Hlengwa	982	Sep-12
Councillor Pragalathan Naidoo	43,271	Jun-13
Councillor S Zungu	183	Dec-12
Councillor Simingayesonke Mcoyi	1,230	Jul-12
Councillor SS Buthelezi	142	Jun-13
Councillor Themba Ncane	37,699	Jul-12
Councillor Theresa Nzuzo	22,237	Aug-12
Councillor Vulo Qulo	339	Aug-12
Councillor Vusi Gebashe	3,420	Jul-12
Councillor ZRT Gumede	1,207	Jan-13
Councillor ZS Ndzoziya	4,423	Jan-13
Councillor NJ Makhanya (Sibiya)	151	Apr-13
Councillor NF Shabalala	2,862	Apr-13
Councillor MK Ndzimbomvu	20	May-13
Councillor Marcus Zungu	23,487	Mar-13
Councillor JN Cele	205	Feb-13
Councillor William Mapena	31	Mar-13
Councillor Bongani Mpungose	194	Feb-13
Councillor B Dlamini	6,895	Mar-13
Councillor Hleziphi Goge	100	Jul-12
Councillor Dean Macpherson	449	Sep-12
	309,524	-

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2012	Amount Outstanding (Rands)
Councillor Dlamini C	84,750
Councillor Ncane T	40,411
Councillor Nzuzi T	23,249
Councillor Ngcobo O	10,854
Councillor Naidoo P	6,242
Councillor Cele H	6,227
Councillor Moyo F	5,140
Councillor Shozi D	4,954
Councillor Bhengu M	4,359
Councillor Gebashe V	3,996
Councillor Maphumulo H	1,769
Councillor Shabalala A	1,362
Councillor Mcoyi S	1,239
Councillor Ngwane B	1,150
Councillor Xhakaze M	830
Councillor Ndzoyiya Z	371
Councillor Bayeni M	168
Councillor Sibiya 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
	264,405

44. Comparative figures

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

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

45. Deviation from supply chain management regulations

During the year there were contracts awarded of more than R2 000 to various employees of council or people who are spouse's, children or parents of people in the service of the municipality amounting to R2.3million (2012: R9 million) .

Contract awards made in terms of Section 36 (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1.896 billion (2012: R1.165 billion).

There have been additional controls put in place for Section 36, which include the tabling of the need to follow Section 36 via the Executive Committee before the item is presented to the BAC in the first instance, and then final approval by the Accounting Officer. Further reporting occurs to our Finance & Procurement and Audit & Risk Committees on a regular basis for their oversight. It is also understood that eThekwini is one of the few, if not the only, municipality where Section 36 reports are scrutinized via the BAC before going to the Accounting Officer for final sign-off.

There were, however certain key (high value) Section 36 appointments that resulted in an abnormal increase in the utilization of Section 36, viz:

- Housing – the settlement of a court order with Zukhulise Cleaning & Maintenance
- Housing – the completion of a wide range of critical delivery projects nearing completion ($\pm 80\%$) that had unfortunately commenced through a process that was deemed irregular, and hence had to stop.
- Water & Sanitation Unit – to put together a process/policy that supports the plumbing contract in which many small plumbing companies are being provided with meaningful work on a well-documented and monitored process.
- Engineering – a large range of storm damage projects that needed urgent repair. Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

46. FINANCIAL INSTRUMENTS

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

46. FINANCIAL INSTRUMENTS (continued)

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.

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:

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.

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

46. 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 - Trading Pre Settlement:	70,000
Ethekwini Municipality - Letter of Credit:	1,500
Ethekwini Municipality - Performance guarantee:	68,584
Ethekwini Municipality - Overdraft:	136,416
Ethekwini Municipality - Fleet Management Card:	15

The total of these facilities amount to **276,515**

At 30 June 2013	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Long-term Liabilities	9,886,788	9,886,788	957,240	8,929,548
Trade and other payables	4,722,330	4,722,330	4,722,330	-
At 30 June 2012	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Long-term Liabilities	10,679,006	10,679,006	772,327	-
Trade and other payables	4,691,459	4,691,459	4,691,459	-

Market risk

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 R12.3million (2012: R12.4million) 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.

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 %	12,448	11,495	10,541	9,587	8,633

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

46. FINANCIAL INSTRUMENTS (continued)

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 of discounting.

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

Financial instrument		
Consumer Debtors	2,714,970	2,562,414
Other Debtors	2,897,298	2,684,954
Cash and Cash Equivalents	5,299,753	4,801,196

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

Consumer Debtors:

Gross

0 - 30 days	1,473,838	1,292,371
31 - 120 days	541,384	556,629
More than 120 days	3,002,657	2,638,582
Less: Provision for Bad Debts	(2,302,909)	(1,925,168)
Net Consumer Debtors	2,714,970	2,562,414

Movement in the provision for Bad Debts: Consumers

Balance at beginning of year	1,925,168	1,744,612
Contribution	563,214	378,920
Bad debts written off	(185,474)	(198,364)
Balance at year end	2,302,908	1,925,168

Movement in the provision for Bad Debts: Other

Balance at beginning of year	397,190	383,150
Contribution	194,956	14,672
Bad debts written off	-	(632)
Balance at year end	592,146	397,190

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

47. Material losses**Water:**

The Non-Revenue Water (NRW) Branch is responsible for monitoring the NRW situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. The primary objective of the NRW reduction activities is to reduce the NRW levels from 37.3% by volume (688litres/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 119 966 557 kl (2011/2012 : 112 121 754 kl) occurred during the year under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R513.0m (2011/2012: R411.0m) were due mainly to water theft and delays in the SCM processes. The non-revenue water volume increased from 35.3% in 2011/12 to 37.3% in 2012/13. The current South African NRW average is 36.8% whilst the African average is 38.0%.

In line with the NRW Business Plan, EWS is implementing a number of water loss interventions, the highlights of which for 2012/13 are as follows:

1. During the year 92 Pressure Reducing Valves were installed and more installations will be done in the 2013/14 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 19140 leaks were repaired from the 5 211 km of reticulation that were surveyed for leaks.
3. Regularized and registered approximately 1924 connections in COINS from Metro-wide eThekwini Housing projects
4. In terms of the programme for meter replacement for domestic consumers which are more than 20 years old a total of 3073 out of a target of 22 400 has been achieved. The annual meter supply contract, WS 6045 was delayed by 609 days by a High Court Action that was won with costs and this has contributed to this backlog of meters that must be changed. 392 ICI consumer meters older than 20 years were replaced.
5. The total number of registered connections increased by 3656 (0.8%) but the consumer sales decreased by 5.8Ml/day. The decreasing/stagnant sales volumes is highlighted as a major concern for the Unit. There are now a total of 477 849 registered connections in eThekwini.

The success of the NRW programme has been hampered in the 2012/13 financial year due to the non-availability of materials and resources. The appeal and subsequent delay in the award of a number of consulting appointments (totaling R 53,8m) have also had a negative impact on the programme results.

Once the NRW Programme gains traction again when the consulting and contracting contracts are in place, a significant increase in budget will be required as per the NRW 2012 Business Plan in order to achieve the stated target of 25% NRW by volume by June 2019

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

Electricity:

Estimated Electricity losses 667,412,169 kWh (2012: 664,796,777 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated electricity losses amounted to R396m (2012: R 364m). The norm for electricity losses ranges from 5.6% to 12%. The loss incurred by the municipality is 5.85% (2012: 5.8%) and is due to a combination of transmission/distribution losses and losses due to illegal connections. In comparison to other Metro's, eThekwini Municipality maintains its losses at a lower end of the norm.

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

1. Optimal Network Configuration:

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

2. Effective Maintenance on Network:

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

3. Efficient Network Loading:

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

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

1. Area Sweeps:

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

2. Employment of security Intelligence Teams:

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

3. Installation of anti-theft technologies at substations:

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

4. Theft Hotline:

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

Bad Debts written off:

Debt of R185m (2012: 198m) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, services, housing and sundry debts. 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. About 51% of the write-off relates to Water Debt Relief Programme where customers pay for the current consumption and the debt being written off over a period of time

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2013	2012
48. Unauthorised, irregular, fruitless and wasteful expenditure disallowed		
Cases reported during the 2012/13 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.	9,669	184,748
Parks, Recreation & Culture: Non-compliance with S.C.M.	18,309	29,162
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.	288,101	510,506
17(2012:87) awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	2,318	9,003
51(2012:245) awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	6,528	48,926
Misappropriation and Embezzlement of Council Funds	-	184
Wasteful Expenditure: Misuse of Council Funds	-	17
Fraudulent undercharge by Council employee for Electricity connection	-	1

Investigations are still in progress regarding 18 other cases (2012: 32), the details of which are summarised as follows:

1 case (2012: 10) relating to non-compliance with Supply Chain Management policy;

17 cases (2012: 20) relating to other financial matters.

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	947,223	164,676
Irregular expenditure current year	324,925	782,547
Condonements	(1,265,003)	-
Irregular expenditure awaiting condonement	7,145	947,223

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.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

2013

2012

49. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	30 June 2013	30 June 2013	30 June 2012	30 June 2012
050134353 - Standard Bank - Main Expenditure	76,022	(62,973)	68,576	(70,280)
050133535 - Standard Bank - Main Expenditure EFT	-	(854,810)	(41)	(696,749)
050133969 - Standard Bank - Direct Deposits Account	14,510	221,991	7,607	262,962
050134116 - Standard Bank - Electronic Deposits Account	50,946	720,104	40,940	1,594,095
050134132 - Standard Bank - Cashiers Deposit Account	(4,170)	217,463	(3,262)	182,771
050134140 - Standard Bank - Government Deposit Account	5,727	44,985	2,357	44,670
050134655 - Standard Bank - Electricity Income Account	1,757	6,882	1,394	7,913
050134671 - Standard Bank - Electricity Prepaid Vendor Deposits	6,826	73,785	5,738	10,790
050134469 - Standard Bank - SARS E-Filing Account	-	1,500	-	37,465
050134442 - Standard Bank - Dishonoured Cheques Account	(33)	605	(1,408)	(7,159)
050073117 - Standard Bank - Main Expenditure Bank	-	(5,092)	-	(13)
050133993 - Standard Bank - Direct Debit Collections Account	-	71,910	-	62,864
050134019 - Standard Bank - Transwitch Account	(4,706)	82,048	(4,045)	74,940
050134094 - Standard Bank - Agents Deposit Account	6,226	112,974	15,380	96,725
050134213 - Standard Bank - Metro Police Deposit Account	-	5,314	-	4,550
050134183 - Standard Bank - Metro Police Transwitch Deposit Account	-	763	-	934
050134248 - Standard Bank - Parks, Recreation and Culture Deposit Acc.	1,044	2,530	810	2,707
050134264 - Standard Bank - City Engineers Account	1,735	3,920	1,067	5,563
050134272 - Standard Bank - Durban Tourism Deposit Account	58	427	-	175
050134531 - Standard Bank - Central Foreign Rand Account	(269,800)	5,948	-	(204)
050134574 - Standard Bank - Water Foreign Rand Account	-	(70)	-	(844)
050134698 - Standard Bank - Electricity Foreign Rand Account	(923)	(923)	(5,390)	(5,390)
050134299 - Standard Bank - Virginia Airport Account	-	2,320	1	514
050134329 - Standard Bank - Department of Housing Account	-	270,703	-	50,452
050134450 - Standard Bank - Sundry PAYE Account	291	291	149	149
050134507 - Standard Bank - Cash Payments Account	2	(188)	37	(1,836)
050134426 - Standard Bank - Refunds Expenditure Account	-	1,529	-	3,227
050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	1,095	(219)	436	(455)
050133616 - Standard Bank - Water and Sanitation Services EFT Account	78	(293,311)	(3)	(296,204)
050134701 - Standard Bank - Electricity Expenditure Account	(2,996)	(2,998)	(1,211)	(3,196)

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand			2013	2012
49. Bank balances (continued)				
050133608 - Standard Bank - Electricity EFT	(614,402)	(614,402)	(613,944)	(611,960)
050133586 - Standard Bank - Salaries Account	60,881	(351,200)	50,553	(317,673)
050134590 - Standard Bank - Durban Fresh Produce Market Account	17,379	17,352	15,684	15,658
050134515 - Standard Bank - CIFAL Durban Account	230	230	1,520	1,520
050134493 - Standard Bank - General Bank Account	302,771	(108,010)	411,508	(529,092)
050041827 - Standard Bank - E-Ticketing Account	-	296	-	10
050134434 - Standard Bank - Bank Charges Account	-	(186)	-	(408)
050134337 - Standard Bank - Moses Mabhida Stadium Deposit Account	158,660	158,660	74,127	74,127
050138987 - Standard Bank - Pay at Deposit Account	(7,679)	70,252	(3,098)	67,013
050041924 - Standard Bank - Vehicle Auctions Account	-	-	-	5,151
050137220 - Standard Bank - Consolidated Investment Fund (EFT)	267,925	267,925	-	-
050154540 - Standard Bank - Syntell Deposit Account	(1)	36	-	-
050189816 - Standard Bank - Reforestation Project Account	807	900	-	-
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	974,970	2,363,643	697,884	2,606,945
Bank overdraft	(904,710)	(2,294,382)	(632,402)	(2,541,463)

50. Budget disclosure

Material differences between budget and actual amounts

Investment Revenue: > budget - this increase is attributable to the substantial increase in cash resources;
 Finance charges: < budget - this decrease is attributable to the anticipated borrowing of R1.5 billion in the first quarter, which did not materialise;
 Other expenditure: < budget - this decrease is made up mainly of underspending as follows: Asset Management (R22m); Audit fees (R7m); Electricity consumption by departments R20m); Hire of plant & vehicles (R46m); Insurance claims (R13m); IRPTN planning (R70m); Operational projects (R12m); Purchase of raw materials (R14m); Rates Clearance (R10m); Refuse Bags (R23m); Re-insurance premiums (R19m); Sludge disposal (R20m); Special Events (R9m) and various other smaller items of expenditure. The budget expenditure includes the internal consumption charges for water and electricity (R550m) which is eliminated in the actual figures.

The under-spending in respect of Capital expenditure is mainly due to the following:

Delays in the design and tender process for Housing;
 Delays in tender processes, unrest at Griffiths Mxenge highway and adverse weather conditions impacting negatively on road rehabilitation projects for engineering;
 Delays due to acquisition of land for IRPTN projects for ETA;
 Delays in the Western Aqueduct project due to legal issues.

Differences between budget and actual amounts basis of preparation and presentation

A comparison of the budget and actual information has been disclosed in the Appropriation Statement and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand thousand

Note 51: EXTERNAL LOANS

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE	RECEIVED	REDEEMED	BALANCE
				AT 30-Jun-12	DURING THE YEAR	DURING THE YEAR	AT 30-Jun-13
				R 000's	R 000's	R 000's	R 000's
Stock Loan	14.60%	K34	30-06-2013	200		200	0
Total Stock Loans				200	0	200	0
FRB PN	Variable	1/58	30-06-2016	171,423		23,110	148,313
INCA INDWA	9.52%	1/66	30-06-2020	380,584		30,802	349,782
Nedbank Ltd	8.47%	1/67	31-03-2021	672,133		52,448	619,685
DBSA Ph 1	13.50%	P1	30-09-2017	396,035		51,804	344,231
DBSA Ph 2	Variable	P2	31-03-2016	158,437		31,607	126,830
DBSA Ph 3	12.90%	P3	30-09-2017	271,325		32,325	239,000
DBSA Ph 4	10.40%	P4	30-06-2019	405,099		37,946	367,153
DBSA Ph 5	8.90%	P5	30-06-2020	219,961		18,252	201,709
DBSA Ph 6	8.75%	P6	30-06-2022	684,958		42,020	642,938
DBSA Ph 7	8.30%	P7	02-01-2028	2,783,131		83,482	2,699,649
NEDBANK 7 YRS	10.09%	1/70	28-02-2017	403,689		65,852	337,837
NEDBANK 5 YRS	9.21%	1/71	30-04-2015	331,632		100,810	230,822
RMB R 1b 15YRS	10.28%	1/72	30-06-2025	936,702		36,870	899,832
ABSA 7 YRS	8.73%	1/73	29-09-2017	851,169		126,616	724,553
ABSA 15 YRS	10.19%	1/74	30-06-2026	969,845		33,583	936,262
AFD Calyon	9.52%	1/68	31-12-2018	42,423		6,508	35,915
RMB R1B 20YRS	9.53%	1/75	30-06-2032	1,000,261		17,985	982,276
Total Annuity Loans				10,678,806	0	792,020	9,886,786
TOTAL EXTERNAL LOANS				10,679,006	0	792,218	9,886,788

Note 52. ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost / Revaluation										Accumulated Depreciations										Carrying Value
	Opening Balance	Prior Year Adjustment	Opening Under	Opening Under	Additions	Under	Disposals	Impairments	Transfers	Closing Balance	Opening Balance	Opening	Prior Year	Additions	Disposals	Impairments	Impairments	Transfers	Closing		
	R'000		Construction	Construction	R'000	Construction	R'000	R'000	R'000	R'000	R'000	R'000	Impairment	Adjustments	R'000	R'000	R'000	Reversal	R'000	Balance	
Land and Buildings																					
Land	423,061		0		9,334	0	-247	0	132,214	564,422	0			0	0	0	0	-10,105	-10,105	574,527	
Buildings	2,988,667		339,232		299,695	176,651	-1,327	0		3,702,918	645,506			95,060	-682	0	-2,364		737,520	2,965,398	
	3,311,728		339,232	0	309,089	176,651	-1,575	0	132,214	4,267,339	645,506	0	0	95,060	-682	0	-2,364	-10,105	727,415	3,539,924	
Infrastructure																					
Roads	7,769,387	268,119	1,369,579	-268,119	776,417	12,969	-2	0		9,928,349	1,645,638			270,466	-2	767	0	0	1,916,869	8,011,480	
Traffic Equipment & Ranks	424,863	47,155	255,965	-66,658	11,373	-44,349	0	0	0	628,349	169,997			26,209	0	0	0	0	196,206	432,143	
Stormwater Drainage	1,574,436	45,685	86,467	-45,685	80,904	-58,146	0	0	0	1,683,661	281,593			166,192	0	4,101	0	0	451,886	1,231,775	
Sewerage Pumps	41,431		83,840		0	20,852	0	0	0	146,123	71,330		10,221	0	0	0	0	0	81,551	64,572	
Sewerage Mains & Reticulation	2,201,677	134,107	640,642	-134,107	0	412,039	0	0	0	3,254,358	427,166			149	0	0	0	0	427,315	2,827,043	
Purification Works	57,149		79,436		0	-16,801	0	0	0	119,784	90			61,909	0	0	0	0	61,999	57,785	
Refuse Sites & Transfer Station	546,267	-406	67,806	-352	22,606	94,137	0	0	0	730,098	337,283			27,942	0	0	0	0	365,225	364,833	
Water Mains & Reticulation	4,383,832	156,874	65,375	-156,874	19,494	49,626	0	0	-1,128,694	3,389,633	446,519			14,309	0	0	0	-287,040	173,788	3,215,845	
Water Reservoirs	933,608		1,339,316		7,791	16,444	0	0	0	2,297,159	64,361			6,483	0	0	0	0	70,844	2,226,315	
General Infrastructure	254,924		92,261		99,582	6,891	0	0	0	453,658	102,622			3,867	0	0	0	0	106,489	347,169	
Mains	2,125,476		76,029		-3,750	11,195	-192	0	0	2,208,758	710,488			55,805	-91	0	0	0	766,202	1,442,556	
Major Substations	2,360,470		69,774		67,683	160,558	-1,463	0	0	2,657,022	579,965			67,833	-1,462	0	0	0	646,336	2,010,686	
Public Lighting	246,987		6,471		13,986	15,971	0	0	0	283,414	73,399			12,398	0	0	0	0	85,797	197,617	
Connections & Switches	916,445		30,831		53,862	1,162	-69,077	0	0	933,223	474,610			43,647	-67,994	0	0	0	450,263	482,960	
	23,836,952	651,534	4,263,792	-671,795	1,149,947	682,547	-70,734	0	-1,128,694	28,713,548	5,385,061	0	10,221	757,209	-69,549	4,868	0	-287,040	5,800,770	22,912,779	
					-263,560																
Community Assets																					
Recreation	3,607,172		27,598		84,371	-14,653	-3	0	-136,167	3,568,318	363,159			106,917	0	0	-20	-81,383	388,673	3,179,645	
Clinics & Depots	195,255		5,246		37,557	7,731	0	0	0	245,789	77,973			3,197	0	0	0	0	81,170	164,619	
Cemeteries & Crematoria	71,366		4,837		33,497	1,391	0	0	0	111,091	23,706			321	0	0	0	0	24,027	87,064	
Community Halls	158,675		2,647		33,354	3,772	0	0	0	198,448	215			2,102	0	1,719	0	0	4,036	194,412	
Fire Stations	39,286		3,728		33,285	3,681	0	0	0	79,980	18,530			1,165	0	0	0	0	19,715	60,265	
Libraries	265,251		293		33,178	9,410	0	0	0	308,132	84,873			2,763	0	429	0	0	88,065	220,067	
Museums	5,772		3,107		35,060	7,995	0	0	0	51,934	468			589	0	0	0	0	1,057	50,877	
Police Stations	114,835		0		32,957	0	-14	0	0	147,778	8,733			800	-1	0	0	0	9,532	138,246	
	4,457,612	0	47,456	0	323,259	19,327	-17	0	-136,167	4,711,470	577,657	0	0	117,874	-1	2,148	-20	-81,383	616,279	4,095,195	
Heritage Assets																					
Exhibits	0		0		0	0	0	0	0	0	0			0	0	0	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Assets																					
Airconditioning	181,132		30		2,564	335	-28	0	0	184,033	18,699			6,653	-24	0	0	0	25,328	158,705	
Security Systems	170,159		0		10,965	0	-2	0	0	181,122	61,614			17,061	-2	0	0	0	78,673	102,449	
Computer Equipment	342,118	-260	331,351		88,573	0	-13,022	0	0	748,760	420,904		-248	101,912	-9,472	0	0	0	513,096	235,664	
Car Parks & Fencing	321,096		8		48,499	0	0	0	0	369,605	22,383			37,220	0	149	0	0	59,752	309,853	
Plant & Equipment	1,323,191	-301	10,312		109,860	44,482	-5,462	0	1,132,621	2,614,703	542,844		-574	126,287	-5,331	2	-49	378,541	1,041,720	1,572,983	
Furniture & Fittings	126,033	-27	0		12,868	-1,459	-2,005	0	0	135,410	33,787		-314	16,101	-1,744	9	0	0	47,839	87,571	
Markets	191,653		1,459		6,010	23,484	0	0	0	222,606	51,392			6,365	0	1,421	0	0	59,178	163,428	
Vehicles	2,396,034		36,748		329,076	43,409	-28,877	0	0	2,775,391	1,303,582			243,977	-21,242	12,065	0	0	1,538,382	1,237,009	
Fire Engines	173,167		0		12,063	820	0	0	0	184,410	20,060			487	-327	0	0	0	20,220	164,190	
	5,224,585	-588	379,908	0	608,415	122,314	-51,215	0	1,132,621	7,416,039	2,475,265	0	-1,136	556,063	-38,142	13,646	-49	378,541	3,384,188	4,031,851	
Total	36,830,877	650,946	5,030,388	-671,795	2,390,709	1,000,839	-123,541	0	-26	45,108,397	9,083,489	0	9,085	1,526,206	-108,374	20,662	-2,433	13	10,528,648	34,579,750	

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

Figures in Rand thousand

APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost										Accumulated Depreciation								Carrying Value
	Opening Balance Cost	Prior Year Adjustments	Opening Balance Capital Under	Opening under	Additions	Under	Disposals	Transfers	Closing Balance	Opening Balance	Opening	Prior Year	Additions	Disposals	Impairments	Impairments	Transfers	Closing Balance	
			Construction	construction		Construction					Impairments	Adjustments				Reversal			
	R'000		R'000	Prior Year	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Miscellaneous	28,454								28,454	11,359			1,672					13,022	15,432
Formal Housing	12				287	(1,535)			(1,238)	10			2,210	(1,209)				1,011	(2,247)
Legal Services	9,514		8		69		(238)		9,352	2,057			415	(220)				2,252	7,101
Real Estates	83,392				1,387	1,016	(283)		85,511	17,753			2,590	(254)				20,089	65,422
Health	182,887		7,120		6,835	7,731	(162)		264,571	63,830			6,882	(94)		(19)		70,686	133,873
Skills Development	2,040				237		(50)		2,237	412			1,179	(34)				1,558	679
Emergency Control Centre - Admin	90,003		1,406		9,011	(1,406)		(34)	98,979	52,810			8,412				26	61,240	37,731
Grant in Aid	23,695				270				23,875	2,528			1,133					3,661	20,213
Security	1,469				507	2,686	(5)		4,656	677			219	(5)				891	3,765
Metropolitan Police	82,738				947		(871)		82,815	26,167			4,372	(743)				29,796	53,019
Retail Market	66,963				19	150	(2)		67,130	24,056			1,777	(0)	1,421			27,253	39,877
Housing	1,188,974							(136)	1,188,838	216,256							106	216,362	972,476
Municipal Information & Policy	4,354						(13)		4,341	2,446			263	(12)				2,697	1,845
Ombudsperson & Head - Investigation	503				267		(113)		657	410			75	(108)				377	280
Office Of International & Governance	592				20				612	379			75					454	158
Community Participation	3,264				89				3,353	2,635			246					2,881	472
Office Of Geographic Information	4,083				181		(9)		4,256	1,329			360	(7)				1,881	2,574
City Manager's Office	107	0							107	103			96					199	(92)
Strategic Projects	634,745		22,789		115,280	(20,821)	(108)	(88)	751,818	51,309			26,653	(89)		(1)	53	77,925	673,892
Office Of The D C M : Sust. Development	229				162				331	106			10					116	215
Office of the D C M : Sust. Procurement	302				174		(23)		453	124			61	(4)				182	271
Office Of The D C M : Health, Safety	4,591		52		101		(0)		4,694	1,330			394	(0)				1,723	2,931
Office Of The D C M : Corp & HR	151				2				153	76			37					113	40
Office Of The D C M : Governance	12								12	11			0					11	1
Office Of The D C M : Health & Social	7,035				44				7,079	1,593			624					2,217	4,862
Office Of The D C M : Treasury	872				101		(36)		936	679			77	(30)				726	210
Development Planning & Management	70,095		6,010		5,410		(86)		81,429	5,131			1,007	(80)				6,058	75,372
Economic Development & Facilitation	380,297		135,013		16,286	74,136	(11)		605,721	36,040			16,609	(5)				52,644	553,077
City Enterprises	7,951				147		(23)		8,076	5,983			479	(21)				6,441	1,635
Business Support	142,943		1,009		1,023	568	(9)		145,534	37,135			5,368	(9)				42,494	103,039
Procurement	13,003		914		152	439	(148)		14,360	7,794			845	(115)				8,524	5,836
Engineering	8,442,876	330,255	1,633,956	(268,119)	857,965	69,934	(980)	(238)	11,065,648	1,653,409	9,085	290,299	(873)	4,868			185	1,956,973	9,108,675
Emergency Services	258,580		11,013		15,400	9,186	(1,345)		292,834	101,877			(605)				159	113,623	179,211
Parks, Recreation, Cemeteries & Governance	1,697,381	2,108	15,888		40,891	31,550	(530)	(204)	1,787,094	542,438			62,885	(406)		(2,364)		602,553	1,184,540
Communications	123,546		55,641		1,818	6,335	(132)		187,207	42,886			5,159	(118)		(0)		47,927	139,281
Regional Centres	2,285				543		(102)		2,726	1,240			352	(88)				1,504	1,222
Human Resources	105,043		2,107		1,082	113	(23)		108,322	31,689			2,974	(21)				34,641	73,880
Management Services & Org Development	15,388				1,264		(667)		15,985	9,521			1,250	(633)				10,138	5,846
Finance	685				76		(121)		640	404			98	(108)				394	246
City Fleet	17,171				236		(376)		17,032	13,149			671	(323)				13,497	3,535
Office Of Audit & Performance Management	912,201		30,466		174,499	20,935	(9,453)		1,128,648	521,131			77,826	(8,175)	2,006			592,789	535,860
Information Technology	707,366		9,398		15,279	(9,398)	(10,345)		712,300	200,464			78,999	(3,973)	11,693			287,183	425,117
Ethekeeni Transport Authority	1,331				86		(292)		1,125	759			143	(210)				692	433
Occupational Health & Safety	605,331				50,992		(3,726)		652,597	331,545			80,197	(353)				411,389	241,208
Performance Management	551,860		123,478	(134,107)	156,835	(19,412)	(245)		678,408	174,601			29,654	(183)	663			204,734	473,674
Durban Energy Office	2,632				505		(35)		3,103	1,461			447	(32)				1,876	1,227
Income	581				24				605	230			230					230	375
Finance and Major Projects	23,636		9,536		28,758	(3,436)	(25)		58,469	1,320			1,287	(17)				2,590	55,879
Int Control and Business Systems	29,069	28,005	342,556		2,718	(0)	(1,399)		400,950	21,111			1,798	(1,865)				21,045	379,905
ABMS	935				131		(108)		958	670			112	(90)				692	266
SDB	185,621		3,133		1,984	30,148	(517)		220,369	52,523			5,212	(410)				57,325	163,044
ABMS	10,340		34,620		66	3,479	(152)		48,353	2,218			492	(62)				2,649	45,704
SDB	11,800				34				11,834	1,303			339					1,642	10,192
ABM INK	29,659								29,659	5,321			1,600					6,921	22,738
Water	6,858,986	134,109	811,697	(157,226)	215,268	416,090	(5,897)	285	8,273,310	945,947			164,556	(5,130)			(295)	1,105,078	7,168,233
Sanitation	2,579,354	156,874	1,443,638	(66,658)	160,509	66,073	(1,304)	(5)	4,338,481	690,122			139,386	(716)			4	828,796	3,509,685
Solid Waste	997,426	(405)	68,451	(45,685)	45,760	93,972	(1,779)	(2)	1,157,739	650,705			88,313	(1,660)			1	737,359	420,380
Airport	1,803				408				2,211	548			87					635	1,576
Moses Mabhida Stadium	2,974,836				19,288			372	2,994,496	293,071			116,546		11	(49)	(225)	409,354	2,585,142
Housing	86,038		48,155		62,118	(12,306)	(415)		183,589	62,588			40,217	(366)				102,439	81,150
Market Service	113,113				7,972		(9)	4	121,079	24,599			3,248	(8)			(1)	27,838	93,241
Gas	109,676				2,991				112,667	13,486			4,295					17,781	94,886
Electricity Service	6,339,032		212,323		366,161	233,080	(79,902)		7,070,694	2,117,867			232,094	(78,907)				2,271,054	4,799,639
Total	36,830,877	650,946	5,030,388	(671,795)	2,390,709	1,000,839	(123,541)	(26)	45,108,398	9,083,489	-	9,085	1,526,205	(108,374)	20,662	(2,433)	13	10,528,648	34,579,750

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2013

Figures in Rand thousand

APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2012 Actual Income R'000	2012 Actual Expenditure R'000	2012 Surplus/ (Deficit) R'000		2013 Actual Income R'000	2013 Actual Expenditure R'000	2013 Surplus/ (Deficit) R'000
33,323	244,691	(211,368)	Executive & Council	34,228	284,808	(250,580)
7,339,115	2,993,543	4,345,572	Finance & Admin	8,279,677	2,160,336	6,119,341
230,268	716,575	(486,307)	Planning & Development	247,121	716,958	(469,837)
57,610	313,200	(255,590)	Health	74,189	337,867	(263,678)
49,481	563,691	(514,210)	Community & Social Services	75,476	639,932	(564,456)
863,931	1,130,023	(266,092)	Housing	306,528	724,113	(417,585)
145,592	1,039,661	(894,069)	Public Safety	134,331	1,176,902	(1,042,571)
97,851	1,027,911	(930,060)	Sport & Recreation	98,417	1,128,651	(1,030,234)
1,822	126,020	(124,198)	Environmental Protection	2,054	129,426	(127,372)
2,183,176	2,080,393	102,783	Waste Management	2,445,964	2,221,571	224,393
994,763	1,547,797	(553,034)	Road Transport	1,079,523	1,784,355	(704,832)
3,190,097	2,905,221	284,876	Water	3,526,936	3,564,011	(37,075)
8,949,656	7,685,188	1,264,468	Electricity	10,200,547	8,792,591	1,407,956
81,144	128,881	(47,737)	Other	88,232	164,539	(76,307)
24,217,829	22,502,795	1,715,034	Sub Total	26,593,223	23,826,060	2,767,162
			Share of Income from Joint Venture	1,231		
9,755			Less Inter-Dep charges	(2,261,582)	(2,261,582)	0
(2,007,401)	(2,007,401)	0				
22,220,183	20,495,394	1,724,790	Total	24,332,872	21,564,479	2,768,393

APPENDIX C : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA.56 OF 2003

NAME OF GRANT	NAME OF ORGAN OF STATE OR MUNICIPAL ENTITY	QUARTELY RECEIPTS					QUARTELY EXPENDITURE					GRANTS AND SUBSIDIES DELAYED/ WITHHELD					REASON FOR DELAY OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF GRANT	REASON FOR NON COMPLIANCE
		Sept R'000	Dec R'000	Mar R'000	Jun R'000	TOTAL	Sept R'000	Dec	Mar R'000	Jun R'000	TOTAL	Sept R'000	Dec R'000	Mar R'000	Jun R'000	TOTAL			
Financial Management Grant	National Treasury	1,500				1,500	1,500				1,500							Yes	N/A
Urban Settlements Grant	Human Settlements	261,325	335,222	691,013		1,287,560	78,003	164,676	143,829	929,421	1,315,929						Yes	N/A	
Equitable Share/Subsidy	National Treasury	737,255	542,175	489,982		1,769,412	737,255	542,175	489,982	1,769,412							Yes	N/A	
SRSA	National Treasury			28,923		28,923			28,923	28,923							Yes	N/A	
Infrastructure Skills Development Grant	National Treasury	12,930		10,000		22,930	10,300		737	8,736	19,773			3,000	3,000	Delays at uMngeni	Yes	N/A	
PTIF	Department of Transport - National	20,000	101,000	474,510		595,510	22,076	19,601	4,829	77,822	124,328		42,259		42,259	Roll over not approved	Yes	N/A	
Vuna Awards	National Treasury						93	60	21	14	188						Yes	N/A	
National Economic Development	Department of Economic Development				125	125				125	125						Yes	N/A	
Neghbourhood Development Grant	National Treasury		6,000	4,000		10,000		1,241	489	1,784	3,514		2,091		2,091	Roll over not approved	Yes	N/A	
Expanded Public Works Programme	Department of Public Works	16,942	12,707	12,707		42,356	3,965	5,507	5,482	9,517	24,471						Yes	N/A	
ESKOM	Department of Minerals and Energy			839		839											Yes	N/A	
Demand Side Management Grant	Department of Minerals and Energy						5,601	2,853	19,077	4,241	31,772		3,279		3,279	Roll over not approved	Yes	N/A	
Trade and Investment	Department of Trade and Investments				104	104				104	104						Yes	N/A	
National Electrification Programme	Department of Minerals and Energy	5,000				5,000	5,000			5,000	5,000						Yes	N/A	
Government Health Subsidy	KZN Department of Health			68,957		68,957	17,240	17,239	17,239	17,239	68,957						Yes	N/A	
Department of Arts and Culture	KZN Department of Arts and Culture	73,316			4,293	77,609	684	997	838	841	3,360						Yes	N/A	
Department of Environmental Affairs	Department of Environmental Affairs							130		2,638	2,768						Yes	N/A	
Grant Accreditation	Department of Human Settlements			4,525		4,525		59		4,525	4,584						Yes	N/A	
Department of Local Government & Traditional Affairs	KZN COGTA									1,793	1,793						Yes	N/A	
Department of Human Settlements	Department of Human Settlements	60,000	3,111	95,000	28,384	186,495	68,911	32,834	4,331	51,146	157,222						Yes	N/A	
Special Grant : IGR	KZN Department of Economic Development & Tourism			7,775		7,775			7,775	7,775	7,775						Yes	N/A	
KZNPA Subsidy	KZN Department of Transport	4,863	4,863	4,863	4,864	19,453	4,863	4,863	4,863	4,864	19,453						Yes	N/A	
Provincial Grants and Subsidies	Provincial Government Departments		16,717			16,717	3,000	4,121	3,560	3,560	14,241						Yes	N/A	
Municipal Transport Authority	KZN Department of Transport									32	32						Yes	N/A	
Grand Total		1,193,131	1,021,795	1,893,094	37,770	4,145,790	958,491	796,356	731,975	1,118,402	3,605,224	0	47,629	3,000	0	50,629			

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2013

Figures in Rand thousand

APPENDIX D : MOSES MABHIDA STADIUM - DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2013 R'000	2012 R'000
REVENUE		
Rental of facilities and equipment	61,806	63,963
Rent Non Bowl Events	15,254	21,976
Rent Bowl Events	30,578	15,152
Rent Shops	9,661	13,666
Suites & Business Clubs	5,752	12,756
Rent Parking Bays	560	412
Interest earned - external investments	0	30
Interest Received	0	30
Government grants and subsidies (Capital)	0	14,789
Fifa World Cup Stadium	0	14,789
Other income	11,773	7,534
Adventure Walk	55	71
Donations PPE	24	0
Mobile Kiosks	49	201
People's Park	5,278	0
Reversal of loss : PPE	49	0
Skycar	4,676	5,556
Sponsorships	1,019	0
Stadium Tours	623	811
Sundry Income	0	895
Total operating revenue	73,579	86,315
EXPENDITURE		
Bad Debts	-1,356	1,499
Bad Debts Provision	-1,356	1,499
Depreciation - Property, Plant and Equipment	116,762	115,380
Depreciation	116,762	115,380
Contracted Services	4,620	4,200
Management Fees	4,620	4,200
Impairments	11	120
Impairments - Property Plant & Equipment	11	120
General expenses	104,918	91,119
Electricity	12,796	11,039
Fuel & Oil : Vehicles	14	0
Hire of Temporary Seats	-	0
Refuse Removal	934	565
Stadium Operational Costs	88,541	77,207
Hire Of City Fleet	57	0
Water	2,575	2,308
Loss on disposal of property, plant and equipment	-	17
Loss on Disposal of Assets	-	17
Total operating expenditure	224,954	212,335
DEFICIT FOR THE YEAR	-151,376	-126,020