

ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2014

GENERAL INFORMATION

ACCOUNTING OFFICER

Mr. Sibusiso Sithole

REGISTERED OFFICE

City Hall
Dr. Pixle KaSeme Street
Durban
4000

POSTAL ADDRESS

P O Box 1014
Durban
4000

BANKERS

Standard Bank of SA (Ltd).
P O Box 2511, Durban, 4001

AUDITORS

The Auditor-General

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2014

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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 & 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
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DOHS	Department of Human Settlements
SALA	South African Local Authority Pension Fund

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Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 85, 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 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Durban

25 August 2014

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand thousand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	2	341,913	233,332
Investments	3	3,550,000	4,350,000
Receivables from exchange transactions	4	2,525,327	2,340,346
VAT receivable	5	106,117	33,308
Consumer debtors	6	2,944,533	2,905,031
Current portion of Long-term Receivables	7	7,139	73,183
Call investment deposits	8	2,405,000	375,000
Cash and cash equivalents	9	996,029	979,463
		12,876,058	11,289,663
Non-Current Assets			
Investment property	10	261,153	258,039
Property, plant and equipment	11	37,043,767	34,583,358
Intangible assets	12	771,604	690,111
Heritage assets	13	10,512	9,658
Investments in Municipal entities	14	579,946	526,324
Investment in Joint Ventures	15	61,679	81,596
Loans to Municipal Entities	16	226,590	72,049
Investments	3	500,000	500,000
Long-term Receivables	7	16,301	99,342
		39,471,552	36,820,477
Total Assets		52,347,610	48,110,140
Liabilities			
Current Liabilities			
External borrowings	17	992,214	957,240
Payables from exchange transactions	18	5,678,743	4,848,782
Consumer deposits	19	1,511,191	1,274,512
Retirement benefit obligation	20	294,321	259,944
Unspent conditional grants and receipts	21	1,328,821	1,039,839
Provisions	22	37,993	43,410
Bank overdraft	9	857,562	904,710
		10,700,845	9,328,437
Non-Current Liabilities			
External borrowings	17	9,255,502	8,929,548
Retirement benefit obligation	20	2,724,346	2,628,325
Provisions	22	383,415	366,371
		12,363,263	11,924,244
Total Liabilities		23,064,108	21,252,681
Net Assets		29,283,502	26,857,459
Reserves			
Housing Development fund	23	170,364	260,454
Accumulated surplus		29,113,138	26,597,005
Total Net Assets		29,283,502	26,857,459

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STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	24	13,112,696	12,499,079
Rental of facilities and equipment		434,770	421,816
Licences and permits		41,337	42,836
Donations - PPE		706	2,641
Reversal of loss on Impairment	54	314	2,364
Other income	25	2,154,378	2,046,915
Interest received	26	518,343	442,084
Gains on disposal of assets		22,165	18,865
Fair value adjustments	34	66	12,367
Total revenue from exchange transactions		16,284,775	15,488,967
Revenue from non-exchange transactions			
Taxation revenue			
Fines		248,511	240,604
Property rates	27	5,308,509	4,923,532
Property rates - penalties imposed		144,180	69,002
Transfer revenue			
Government grants & subsidies	28	4,232,396	3,657,750
Public contributions and donations		15,083	45,329
Total revenue from non-exchange transactions		9,948,679	8,936,217
Total revenue		26,233,454	24,425,184
Expenditure			
Employee related costs	29	(6,576,461)	(5,911,639)
Remuneration of councillors	30	(94,721)	(84,713)
Amortisation - Intangible assets		(42,643)	(42,031)
Loss on Impairment of Investment in Municipal Entity		-	(117,689)
Depreciation - Property, Plant and Equipment		(1,588,253)	(1,545,415)
Impairment Loss - Property, Plant and Equipment		(11,576)	(20,648)
Finance costs	31	(905,188)	(973,598)
Debt impairment	54	(1,439,675)	(992,720)
Depreciation - Investment Properties		(1,844)	(1,756)
Repairs and maintenance		(2,004,492)	(1,768,032)
Bulk purchases	32	(7,839,588)	(7,557,474)
Contracted services		(1,307,607)	(1,104,519)
Grants and subsidies paid	33	(169,313)	(174,304)
Housing - Development Expenditure		(513)	(391)
Loss on disposal of assets		(197)	(1,685)
Fair value adjustments	34	(14,167)	(1,098)
General Expenses	35	(1,826,256)	(1,595,713)
Total expenditure		(23,822,494)	(21,893,425)
Operating surplus		2,410,960	2,531,759
Share of Income from Joint Venture	15	15,083	1,231
Surplus for the year		2,426,043	2,532,990

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Annual Financial Statements for the year ended June 30, 2014

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	260,454	24,483,984	24,744,438
Adjustments			
Prior year adjustments (prior to 2012/13)	-	(419,972)	(419,972)
Balance at July 01, 2012 as restated	260,454	24,064,012	24,324,466
Changes in net assets			
Surplus for the year as previously reported	-	2,702,931	2,702,931
Total changes	-	2,702,931	2,702,931
Opening balance	260,454	26,766,943	27,027,397
Adjustments			
Prior year adjustments (2012/13)	-	(169,938)	(169,938)
Balance at July 01, 2013 as restated*	260,454	26,597,005	26,857,459
Changes in net assets			
Surplus for the year	-	2,426,043	2,426,043
Transfer: Housing Development Fund	(90,090)	90,090	-
Total changes	(90,090)	2,516,133	2,426,043
Balance at June 30, 2014	170,364	29,113,138	29,283,502
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Cash Flow Statement

Figures in Rand thousand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Ratepayers, Government and Other		24,407,249	23,563,120
Interest income		518,343	442,084
		24,925,592	24,005,204
Payments			
Employee costs and Suppliers		(19,037,643)	(18,221,747)
Finance costs		(905,188)	(973,598)
		(19,942,831)	(19,195,345)
Net cash flows from operating activities	36	4,982,761	4,809,859
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,076,713)	(3,439,085)
Proceeds from sale of property, plant and equipment, Intangibles & Investment Property	11	34,581	41,768
Purchase of other intangible assets	12	(124,138)	(71,303)
Purchases of heritage assets	13	(857)	(149)
Increase in non-current receivables		82,152	(50,315)
Decrease in Joint Venture Loan account		35,000	-
Net cash flows from investing activities		(4,049,975)	(3,519,084)
Cash flows from financing activities			
Proceeds from external borrowings		1,500,000	-
Repayment of external borrowings		(1,139,072)	(792,218)
Net cash flows from financing activities		360,928	(792,218)
Net increase/(decrease) in cash and cash equivalents		1,293,714	498,557
Cash and cash equivalents at the beginning of the year		5,299,753	4,801,196
Cash and cash equivalents at the end of the year	9	6,593,467	5,299,753

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Annual Financial Statements for the year ended June 30, 2014

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
2014											
Financial Performance											
Property rates	5,136,991	-	5,136,991	-	-	5,136,991	5,308,509	-	171,518	103 %	103 %
Service charges	14,216,000	-	14,216,000	-	-	14,216,000	13,112,696	-	(1,103,304)	92 %	92 %
Investment revenue	366,870	-	366,870	-	-	366,870	518,343	-	151,473	141 %	141 %
Transfers recognised - operational	2,359,637	(97,655)	2,261,982	-	-	2,261,982	2,191,386	-	(70,596)	97 %	93 %
Other own revenue	2,793,376	152	2,793,528	-	-	2,793,528	3,061,510	-	267,982	110 %	110 %
Total revenue (excluding capital transfers and contributions)	24,872,874	(97,503)	24,775,371	-	-	24,775,371	24,192,444	-	(582,927)	98 %	97 %
Employee costs	(6,572,363)	(736)	(6,573,099)	-	-	(6,573,099)	(6,576,461)	-	(3,362)	100 %	100 %
Remuneration of councillors	(104,516)	3,557	(100,959)	-	-	(100,959)	(94,721)	-	6,238	94 %	91 %
Debt impairment	(536,625)	-	(536,625)	-	-	(536,625)	(1,439,675)	-	(903,050)	268 %	268 %
Depreciation and asset impairment	(1,799,485)	-	(1,799,485)	-	-	(1,799,485)	(1,644,316)	-	155,169	91 %	91 %
Finance charges	(1,159,456)	-	(1,159,456)	-	-	(1,159,456)	(905,188)	-	254,268	78 %	78 %
Materials and bulk purchases	(8,051,963)	-	(8,051,963)	-	-	(8,051,963)	(7,839,588)	-	212,375	97 %	97 %
Transfers and grants	(203,713)	(13,475)	(217,188)	-	-	(217,188)	(169,313)	-	47,875	78 %	83 %
Other expenditure	(6,189,287)	65,825	(6,123,462)	-	-	(6,123,462)	(5,153,232)	-	970,230	84 %	83 %
Total expenditure	(24,617,408)	55,171	(24,562,237)	-	-	(24,562,237)	(23,822,494)	-	739,743	97 %	97 %
Surplus/(Deficit)	255,466	(42,332)	213,134	-	-	213,134	369,950	-	156,816	174 %	145 %

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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	3,183,431	(3,195)	3,180,236	-		3,180,236	2,041,010		(1,139,226)	64 %	64 %
Surplus (Deficit) after capital transfers and contributions	3,438,897	(45,527)	3,393,370	-		3,393,370	2,410,960		(982,410)	71 %	70 %
Share of surplus from Joint Venture	-	-	-	-		-	(15,083)		(15,083)	- %	DIV/0 %
Surplus/(Deficit) for the year	3,438,897	(45,527)	3,393,370	-		3,393,370	2,426,043		(967,327)	71 %	71 %
Capital expenditure and funds sources											
Total capital expenditure	5,432,146	-	5,432,146	-		5,432,146	4,201,662		(1,230,484)	77 %	77 %
Sources of capital funds											
Transfers recognised - capital	3,183,432	(728,355)	2,455,077	-		2,455,077	2,041,010		(414,067)	83 %	64 %
Borrowing	1,000,000	500,000	1,500,000	-		1,500,000	1,500,000		-	100 %	150 %
Internally generated funds	1,248,714	(496,804)	751,910	-		751,910	660,612		(91,298)	88 %	53 %
Total sources of capital funds	5,432,146	(725,159)	4,706,987	-		4,706,987	4,201,622		(505,365)	89 %	77 %

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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	5,559,008	(155,869)	5,403,139	-		5,403,139	4,982,761		(420,378)	92 %	90 %
Net cash from (used) investing	(4,891,137)	-	(4,891,137)	-		(4,891,137)	(4,049,975)		841,162	83 %	83 %
Net cash from (used) financing	(100,893)	500,000	399,107	-		399,107	360,928		(38,179)	90 %	(358)%
Net increase/(decrease) in cash and cash equivalents	566,978	344,131	911,109	-		911,109	1,293,714		382,605	142 %	228 %
Cash and cash equivalents at the beginning of the year	4,637,996	-	4,637,996	-		4,637,996	5,299,753		661,757	114 %	114 %
Cash and cash equivalents at year end	5,204,974	344,131	5,549,105	-		5,549,105	6,593,467		(1,044,362)	119 %	127 %

Refer to note 50 for details.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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 Properties
- 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 25 Employee Benefits
- 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

eThekweni Municipality

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ACCOUNTING POLICIES

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

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

GRAP 20 Related Party Disclosures

These accounting policies are consistent with the previous period, except for the changes set out in note 42&51 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Housing development fund

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

ACCOUNTING POLICIES

1.4 Retirement Benefits

1.4.1 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.

1.4.2 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

1.4 Retirement Benefits (continued)

1.4.3 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.

1.4.4 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.

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 are included in note 20

ACCOUNTING POLICIES

1.5 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.

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

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.

1.6 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

1.6 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

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, to meet service delivery objectives, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial Recognition

Property, plant and equipment is initially measured at cost.

Where an asset is acquired for no consideration (i.e. through a non-exchange transaction), its cost is deemed to be equal to its fair value as at date of acquisition.

Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment

ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

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 useful lives of items of property, plant and equipment:

Item	Average Estimated useful life
Infrastructure	
• Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	20 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 30 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fittings	2 - 20 years
• Vehicle	3 - 11 years
• Bins and containers	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

All property, plant and equipment are considered to have a nil residual value

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.

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.

ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

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 on Provisions 1.25

1.8 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.

GRAP 32: Service Concession Arrangements: Grantor - Issued August 2013:
Compliance with this standard will not have an impact on the current financial information as no transactions relating to service concession arrangements exist in the current year

GRAP 108: Statutory Receivables -issued September 2013

Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables together with additional disclosure on measurement basis and criteria.

1.9 Intangible assets

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

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

ACCOUNTING POLICIES

1.9 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. 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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, over their useful lives as follows:

Item	Useful life
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 of possible impairment, which 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.

Intangible assets are derecognised when the asset is disposed 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.

1.10 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.

ACCOUNTING POLICIES

1.10 Heritage assets (continued)

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.

1.11 Investments in Municipal entities

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

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

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.

1.12 Investment in Joint Ventures

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.

1.13 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

1.13 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

1.13 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.

1.14 Tax

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

1.15 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.

1.16 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.

1.17 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

1.18 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.

1.19 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.

1.20 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.

ACCOUNTING POLICIES

1.21 Budget Information

An approved budget is the anticipated revenue and expenditure expected to apply in the annual or multiyear period based on current plans and approved by the Municipal Council. The Final Budget is the approved budget adjusted for transfers, allocations, supplemental appropriations and other changes applicable to the budget period. The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury.

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.

The Appropriation Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.22 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 41 - Related Parties.

1.23 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.

1.24 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 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 40.

ACCOUNTING POLICIES

1.26 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:

1.26.1 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. Bulk electricity meters are read monthly.

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.

1.26.2 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 bases on management's best estimate of the probable inflows.

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

1.27 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.

1.28 Translation of foreign currencies

Foreign currency transactions

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

1.29 Comparatives information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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.

1.30 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.

1.31 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.

1.32 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.

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Figures in Rand thousand	2014	2013
2. Inventories		
Consumable stores	330,212	222,512
Maintenance materials	36	65
Water	11,665	10,755
	341,913	233,332

The cost of inventories recognised as an expense during the period in respect of water sales was R1 520 m (2013: R1 367.2m).

3. Investments

Designated at fair value

Fixed Deposit	4,050,000	4,850,000
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Non-current assets

Fixed Deposit	500,000	500,000
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Current assets

Fixed Deposit	3,550,000	4,350,000
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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	(2,617,573)	(1,586,555)
Prepayments	37,910	29,255
Other Debtors (mainly in respect of Sundry services and interest on outstanding debt)	2,428,246	2,165,490
Debtor - DOHS	2,540,522	1,635,926
Insurance debtors	43,745	-
Fair value adjustments	(1,669)	(1,244)
Accruals	94,146	97,474
	2,525,327	2,340,346

5. VAT

VAT reconciliation

VAT receivable	106,117	33,308
Net Vat	106,117	33,308

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

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Figures in Rand thousand	2014	2013
6. Consumer debtors		
Gross balances		
Rates	2,100,582	2,016,802
Electricity	1,173,232	1,134,456
Water	1,244,866	1,379,804
Refuse	103,890	89,656
Business service levies	3,765	3,765
Housing rental	55,350	85,237
Waste water	208,452	183,069
	4,890,137	4,892,789
Less: Allowance for impairment		
Rates	(823,622)	(921,316)
Electricity	(171,158)	(179,303)
Water	(801,232)	(700,779)
Refuse	(65,708)	(51,008)
Business service levies	(3,765)	(3,765)
Housing rental	18,292	(52,731)
Waste water	(98,411)	(78,856)
	(1,945,604)	(1,987,758)
Net balance		
Rates	1,276,960	1,095,486
Electricity	1,002,074	955,153
Water	443,634	679,025
Refuse	38,182	38,648
Housing rental	73,642	32,506
Waste water	110,041	104,213
	2,944,533	2,905,031
Included in above is receivables from exchange transactions		
Electricity	1,002,074	955,153
Water	443,634	679,025
Waste water	110,041	104,213
Refuse	38,182	38,648
Housing rental	11,168	32,506
	1,605,099	1,809,545
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	1,288,651	1,144,556
	2,893,750	2,954,101
Rates		
Current (0 -30 days)	391,998	316,359
31 - 60 days	65,263	71,062
61 - 90 days	81,033	58,118
91 - 120 days	40,933	28,720
121 - 365 days	1,376,107	1,379,785
> 365 days	145,248	162,758
	2,100,582	2,016,802

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6. Consumer debtors (continued)		
Electricity, Water, Solid Waste and Waste Water		
Current (0 -30 days)	1,130,657	1,102,156
31 - 60 days	195,059	187,599
61 - 90 days	72,590	64,713
91 - 120 days	57,609	54,993
> 365 days	1,274,525	1,377,524
	2,730,440	2,786,985
Regional services levies		
> 365 days	3,765	3,765
Housing rental		
Current (0 -30 days)	387	2,572
31 - 60 days	1,182	1,627
61 - 90 days	1,222	1,225
91 - 120 days	1,195	29,333
121 - 365 days	51,364	50,480
	55,350	85,237
Reconciliation of allowance for impairment		
Balance at beginning of the year	1,985,507	1,925,169
Contributions to allowance	554,980	245,812
Debt impairment written off against allowance	(532,409)	(185,474)
	2,008,078	1,985,507
7. Long-term receivables		
Long-term receivables		
Loan: DIDD	156,583	108,183
Fair Value Adjustment	(12,929)	(8,475)
Housing Selling scheme loans	128,042	129,584
First Metro Housing Loans	14,114	15,054
Land sales	1,514	69,438
Education Loans	17,647	15,324
Provision for Impairment: Loan - DIDD	(156,583)	(156,583)
Provision for Impairment: Housing Selling scheme loans	(124,948)	-
	23,440	172,525
Less: Current portion transferred to current receivables		
Housing Selling scheme loans	3,337	2,673
First Metro Housing Loans	1,038	940
Land sales	1,514	69,438
Education Loans	1,250	132
	7,139	73,183
Long-term receivables - Non-current portion	16,301	99,342
Long-term receivables - Current portion	7,139	73,183

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.

eThekweni Municipality

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7. Long-term receivables (continued)

Sporting Bodies Loans

These loans attract interest of 11% - 14% (2013: 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.

8. Call investment deposits

30 Day deposits	2,405,000	375,000
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9. Cash and cash equivalents

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

Cash and cash equivalents consist of:

Cash on hand	18,399	4,493
Bank balances	977,630	974,970
Bank balances and cash	996,029	979,463
Bank overdraft	(857,562)	(904,710)
	138,467	74,753
Call Investment Deposits	2,405,000	375,000
Investments	4,050,000	4,850,000
	6,593,467	5,299,753

10. Investment property

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	102,554	(41,880)	60,674	89,258	(39,943)	49,315
Non-revenue Generating	200,479	-	200,479	208,724	-	208,724
Total	303,033	(41,880)	261,153	297,982	(39,943)	258,039

Reconciliation of investment property - 2014

	Opening balance	Disposals	Transfers	Depreciation	Total
Revenue Generating	49,315	(29)	13,232	(1,844)	60,674
Non-revenue Generating	208,724	(8,245)	-	-	200,479
	258,039	(8,274)	13,232	(1,844)	261,153

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10. Investment property (continued)

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

The fair value of the above properties is R3.4 billion (2013: R2.9 billion). Investment properties have been valued in accordance with current market conditions.

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11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	5,177,920	(793,395)	4,384,525	4,225,149	(685,160)	3,539,989
Infrastructure	31,778,385	(7,234,555)	24,543,830	29,330,776	(6,419,374)	22,911,402
Community	4,944,886	(901,524)	4,043,362	4,874,236	(779,114)	4,095,122
Other property, plant and equipment	7,152,865	(3,149,047)	4,003,818	6,587,750	(2,620,271)	3,967,479
Housing Development Fund	132,386	(64,154)	68,232	132,945	(63,579)	69,366
Total	49,186,442	(12,142,675)	37,043,767	45,150,856	(10,567,498)	34,583,358

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Work In Progress	Depreciation	Impairment loss	Total
Buildings	3,539,989	359,184	(1)	(13,726)	607,855	(108,776)	-	4,384,525
Infrastructure	22,911,402	1,354,852	(98)	-	1,097,841	(818,856)	(1,311)	24,543,830
Community	4,095,122	36,227	-	248	34,175	(118,306)	(4,104)	4,043,362
Other property, plant and equipment	3,967,479	612,979	(3,983)	253	(26,278)	(540,785)	(5,847)	4,003,818
Housing Development Fund	69,366	650	(254)	-	-	(1,530)	-	68,232
	34,583,358	2,363,892	(4,336)	(13,225)	1,713,593	(1,588,253)	(11,262)	37,043,767

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Work In Progress	Depreciation	Impairment loss	Total
Buildings	3,025,664	309,089	(890)	122,109	176,651	(94,998)	2,364	3,539,989
Infrastructure	23,235,357	1,291,896	(3,003)	(1,415,734)	584,837	(777,083)	(4,868)	22,911,402
Community	4,090,177	323,259	(16)	(217,550)	19,327	(117,892)	(2,183)	4,095,122
Other property, plant and equipment	2,301,087	614,065	(18,694)	1,511,159	122,314	(548,855)	(13,597)	3,967,479
Housing Development Fund	71,608	288	(325)	3	-	(2,208)	-	69,366
	32,723,893	2,538,597	(22,928)	(13)	903,129	(1,541,036)	(18,284)	34,583,358

Included in Property, Plant and Equipment above are items that are still in use and that have a historical cost of R363m (2013 R333m) but are fully depreciated. This amount is made up as follows: Landfill (Disposal sites) - R269million; PPE fully impaired - R94million.

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12. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	48,435	-	48,435	48,362	-	48,362
Computer software	970,893	(247,724)	723,169	846,874	(205,125)	641,749
Total	1,019,328	(247,724)	771,604	895,236	(205,125)	690,111

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Transfers	Work in progress	Amortisation	Total
Servitudes	48,362	73	-	-	-	48,435
Computer software	641,749	89,690	(2)	34,375	(42,643)	723,169
	690,111	89,763	(2)	34,375	(42,643)	771,604

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Work in progress	Amortisation	Total
Servitudes	48,189	173	-	-	-	-	48,362
Computer software	613,246	29,967	(609)	13	41,163	(42,031)	641,749
	661,435	30,140	(609)	13	41,163	(42,031)	690,111

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13. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	10,512	-	10,512	9,658	-	9,658

Reconciliation of heritage assets 2014

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	9,658	857	(3)	10,512

Reconciliation of heritage assets 2013

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

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14. Investments in Municipal entities

Name of company	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
ICC Durban (Proprietary)Limited	100.00 %	100.00 %	1	1
Durban Marine Theme Park (State Owned Company)Limited	99.80 %	99.80 %	872,996	872,996
			872,997	872,997
Impairment of investment in controlled entities			(293,051)	(346,673)
			579,946	526,324

At its meeting on 24 June 2014, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, 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 June 30, 2014

	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	-
Electricity Income Received (R'000)	9,351	18,197
Water Income Received (R'000)	1,711	5,143
Rates Income Received (R'000)	5,370	-
Refuse Removal (R'000)	618	936
Insurance (R'000)	-	1,421

As at June 30, 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	(154,541)	-
Electricity Income Received (R'000)	8,906	16,807
Water Income Received (R'000)	1,312	3,117
Rates Income Received (R'000)	4,290	-
Refuse Removal (R'000)	511	1,120
Insurance (R'000)	-	1,246

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Figures in Rand thousand	2014	2013	
15. Investment in Joint Ventures			
Name of company	Listed / Unlisted	Carrying amount 2014	Carrying amount 2013
Effingham Development	66.74%	61,679	81,596

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

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

Summary of the municipality's interest in the joint venture

Assets			
Township Property		42,381	44,279
Current assets - Debtors		14,505	11,535
Current assets - Bank Balances and Cash on hand		28,176	44,509
Total Assets		85,062	100,323
Equity and Liabilities			
Members Loan Accounts		61,679	81,596
Current liabilities - Creditors		23,383	18,727
Total Equity and Liabilities		85,062	100,323

Reconciliation of Investment in Joint Venture

Balance at beginning of year	81,596	80,365
Share of Income for the year	15,083	1,231
Payment received	(35,000)	-
Balance at end of year	61,679	81,596

16. Loan to Municipal entity

Controlled entity

ICC Durban (Proprietary) Limited	226,590	226,590
	226,590	226,590
Impairment of loan to controlled entity	-	(154,541)
	226,590	72,049

17. External Borrowings

Designated at fair value

Annuity loans	10,247,716	9,886,788
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The fair value of all long term loans approximates their book values.

Refer to Note 53 for more detail on long-term liabilities.

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

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

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17. External Borrowings (continued)		
AFD Calyon loan 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 R2.4 m to the year 2015.		
All other loans are unsecured.		
Non-current liabilities		
Designated at fair value	9,255,502	8,929,548
Current liabilities		
Designated at fair value	992,214	957,240
18. Payables from exchange transactions		
Trade payables	2,079,800	2,204,876
Payments received in advance	44,112	40,385
Income received in advance - D.O.H.S	772,213	861,080
Other payables	1,707,120	1,032,461
Retentions	191,859	166,077
Bank deposits not yet receipted	453,486	212,329
Staff leave	417,132	322,534
Deferred Expenditure (Straight-lining of Leases)	21,672	26,980
Adjustment for fair value	(8,651)	(17,940)
	5,678,743	4,848,782
19. Consumer deposits		
Electricity	1,055,647	877,823
Water	277,762	249,180
Interest	177,782	147,509
	1,511,191	1,274,512
Included in eThekwini Municipality's deposits is an accrual of interest at an effective interest rate of 3% per annum (2013: 3%) which is paid to consumers when deposits are refunded.		
20. EMPLOYEE BENEFIT OBLIGATIONS		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post - employment medical benefits	(3,336,338)	(2,867,471)
Pension Benefits	317,671	(20,798)
	(3,018,667)	(2,888,269)
Non-current liabilities	(2,724,346)	(2,628,325)
Current liabilities	(294,321)	(259,944)
	(3,018,667)	(2,888,269)

Actuarial Valuations:

The actuarial valuations were done by Price Waterhouse Coopers Actuarial Management Solutions, an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. Assumptions applied in the current period are summarised in the reconciliation of the actuarial losses.

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20. EMPLOYEE BENEFIT OBLIGATIONS (continued)		
Net Actuarial Gain / (Loss): Post-employment Medical Benefits		
Change in calculation model	-	72,778
Change in gross discount rate	-	47,787
Change in health care cost inflation assumption	92,218	(198,458)
Change in mortality assumption	-	295,918
Introduction of ill-health assumption	-	221,836
Change in active's percentage married assumption	-	(73,930)
Experience variance and data changes	82,993	(179,531)
	175,211	186,400
Net Actuarial Gain / (Loss): Post-employment Pension Benefits		
Change in economic assumptions	(107,485)	(348,861)
Change in demographic assumptions	-	286,259
Experience variance and data changes	45,415	(25,333)
Notional pensioners account	(641,312)	(324,501)
Trust Account	-	(33,069)
	(703,382)	(445,505)
Statement of Financial Performance obligation for:		
Contribution to Post-employment medical benefits	448,469	127,502
Pension Benefits: Contribution to Funds	(276,078)	(82,486)
Total, included in employee benefits expense	172,391	45,016
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	2,867,471	2,752,683
Current service cost	127,502	139,153
Interest cost	264,867	252,819
Actuarial (gains) losses	175,211	(186,400)
Benefit payments	(98,713)	(90,784)
Balance at end of year	3,336,338	2,867,471
Net expense recognised in the Statement of financial performance		
Current service cost	127,502	139,153
Interest cost	264,867	252,819
Actuarial (gains) losses	175,211	(186,400)
Benefit payments	(98,713)	(90,784)
Total, included in employee benefits expense	468,867	114,788

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20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Present Value of Obligations	(1,892,056)	(2,067,082)	(2,752,683)	(2,867,471)	(3,336,338)
Fair Value of Plan Assets	1,892,056	2,067,082	2,752,683	2,867,471	3,336,338

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

In respect of Present Value of Obligations	(151,079)	13,736	(162,839)	(179,531)	-
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Disclosure Requirement in terms of GRAP 25

	Central Assumption 8.4%	Health Care cost Inflation -1%	+1%
Accrued Liability June 30, 2014	3,336,338	2,854,292	3,945,695
Current Service Cost + Interest Cost 2014/15	470,765	391,411	575,445

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 R120.7million.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.50 %	9.20 %
General increases to medical aid contributions	8.40 %	7.90 %
Salary Inflation	7.40 %	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 %	100.00 %

Other assumptions:

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members - Mortality table based on Durban Pension Fund experience

Mortality of pensioners - a(m) and a(f) ultimate tables plus 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: [state effect]

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20. EMPLOYEE BENEFIT OBLIGATIONS (continued)		
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 %
Pension benefits		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	10,832,916	10,227,913
Present value of the defined benefit obligation-partially or wholly funded	(11,808,164)	(10,207,115)
Liability (Surplus) in the Statement of Financial Position	(975,248)	20,798
Net expense recognised in the statement of financial performance		
Service cost	(116,976)	(120,028)
Interest cost	(838,262)	(757,257)
Expected return on assets	1,056,768	914,348
Net actuarial gains / (losses) recognised in the year	788,572	48,309
Change in Par.68 Limit	(657,577)	-
Gains on Settlements	46,455	-
Active member expenses	(2,902)	(2,886)
	276,078	82,486
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	(10,227,913)	(9,486,188)
Current service cost	(116,976)	(120,028)
Contributions by plan participants	(23,892)	(25,800)
Actuarial losses	(703,382)	(445,505)
Interest cost	(838,262)	(757,257)
Benefit payments	558,594	606,865
Settlement	518,915	-
Balance at end of year	(10,832,916)	(10,227,913)
Movement in the fair value of plan assets is as follows:		
Opening Fair Value of Plan assets	10,207,115	9,315,204
Actuarial gains (losses)	1,491,954	493,814
Employer contributions	62,391	67,700
Employee contributions	23,892	25,800
Benefit payments	(558,594)	(606,865)
Expected return on assets	1,056,768	914,348
Settlement	(472,460)	-
Active member expenses	(2,902)	(2,886)
Balance at end of year	11,808,164	10,207,115

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20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Disclosure in terms GRAP 25

Defined benefit obligation	(10,832,916)	(10,227,913)
Plan assets	11,808,164	10,207,115
Funded status (before applying the net asset limit)	975,248	(20,798)
Experience adjustments on plan liabilities	(595,897)	(382,903)
Experience adjustments on plan assets	1,491,954	493,814
	2,846,553	69,315

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	8.70	8.40
Expected return on plan assets	10.90	10.60
Future salary increases	7.40	6.90
Future pension increases	6.40	5.90

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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.

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20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The KZN Municipal Pension Fund is a defined contribution fund and became operational on 2001-11-01. It presently has a membership of over 18000 employees with a total pension accumulation exceeding R8 billion.

The Funding Level of the KZN Municipal Pension Fund as at December 2013 was 100.29% a surplus of R22 669 482 accumulating due to timing differences between processing of transactions and the effective date of the asset manager investing and/or disinvesting monies. The tolerance level that would trigger a distribution to members is 100,5%.

As at 01/01/2014 the total funeral, death, and disability cost as a percentage of payroll for a member with more than 3 years of service was 3,038%. With Member Record Admin Cost at 0,176% of payroll and Trustee, Printing, Legal, Front Office, and Fund Staff costs of 0,194% of total payroll, the member enjoyed a total charge of only 3,408% of payroll. This means that 14,592% of a members pensionable salary is deposited into the members pension accumulation out of the Employer contribution of 18% and in addition members add their own contribution. The Employee (or member) is allowed a variable contribution rate elected every year of either 5%, 7.5%, 9%, 12%, 15%, or 18%. Members who have less than 3 years of service do not have the same death benefit cover but then their costs for insurance are 1,522% less, a further addition to the pension accumulation for this category of members.

Of the R8b invested only R600m is invested by members choosing the more cautious portfolios. There is some R6b in the default Managed portfolio, a fund that returned 20,2% for the year as at 31 March 2014. Another R600m is in the Aggressive portfolio. This portfolio has been modified in recent time to include more equity investments both locally, offshore, and within the African continent. The Aggressive fund return for the same 12 month period was 23,41%. The balance of about R800m is held in the life staging portfolios designed to progressively protect capital for those members older than 55.

The Fund has only 13 pension annuitants as at 13 May 2014 which is disappointing given the attractive fee structure that is available relative to the living annuity offerings in the insurance industry. Trustees are concerned that members are being drawn to Insurance industry annuities that are heavily invested in commercial and industrial property on the basis that these investments have returned high dividends in recent years. The insurance sector is not regulated in terms of investment asset class mix whereas the in-house annuity is governed by regulations on prudent investment allocation.

The trustees and officers of the fund continue to contain investment fees and other fund costs whilst striving to provide members with a modern pension arrangement.

The external auditors of the Fund continue to be satisfied with the running of the KZN Municipal Pension Fund.

The Financial Services Board also conducted Compliance Audit of the Fund during the year. (The FSB report on their audit is still awaited but the Fund is confident that the audit went well).

The Durban Pension Fund is a defined benefit fund administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The interim valuation as at 2014-01-01 revealed that the Fund was 103.7% funded(2013-01-01: 100%). The value of assets amounted to R10,9 billion (2013-01-01: R9.9 billion) whilst the value of liabilities was determined to be R10,5 billion (2013-01-01: R9.9 billion). The active member pool solvency reserve is 64.1% funded (2013-01-01: 0.1%) and the pensioner pool solvency reserve is 100% funded (2013-01-01: 54.4%). 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 R62,4 million (2012/13: R67.7 million) was contributed by Council in respect of retirement funding during the period under review

Multi-Employer Retirement Benefit Plans:

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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 2013) 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 progress, 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.

The asset composition of the Durban Pension Fund is summarised below:

Cash	10.41 %	8.70 %
Equity	29.10 %	27.76 %
Bonds	40.59 %	40.89 %
Property	3.73 %	3.88 %
Foreign	15.38 %	18.28 %
Other	0.79 %	0.49 %
	-	-

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Electricity Demand Side Management Grant	14,308	-
Department of Co Operative Governance and Traditional Affairs	7,006	9,074
Department of Transport and Public Transport Infrastructure	819,688	597,620
Department of Environmental Affairs	2,242	1,427
Expanded Public Works Incentive Grant	5,519	17,885
Neighbourhood Development Partnership	3,181	4,395
Dept of Arts & Culture	236,617	90,856
Vuna Awards	875	1,910
Grant Accreditation	13,884	-
Department of Human Settlements	107,508	172,564
Lamontville and R293 Trf Deeds/ Administration	1,556	1,556
European Union	7,456	8,043
Donations and Public Contributions	58,183	77,594
DANIDA	-	295
D Moss Interest and Land Sales	8,073	8,073
Infrastructure Skills grant	-	7,234
Other Grants and Subsidies	42,725	41,313
	1,328,821	1,039,839

These amounts are invested in a ring-fenced investment until utilised. See note 28 for more detail.

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22. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Interest Charged	Total
Current					
Clearance of Alien Vegetation	15,427	14,906	(14,454)	-	15,879
Performance bonus	16,647	10,401	(15,496)	-	11,552
Long service awards	11,336	-	(774)	-	10,562
Non-current					
Environmental rehabilitation: Landfill sites	73,220	2,897	-	6,590	82,707
Clearance of Alien Vegetation	30,084	7,557	-	-	37,641
Long service awards	263,067	-	-	-	263,067
	409,781	35,761	(30,724)	6,590	421,408

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

Non-current liabilities	383,415	366,371
Current liabilities	37,993	43,410
	421,408	409,781

Environmental rehabilitation: Landfill sites

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

The asset is measured using the cost model:

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

The following assumptions were used to calculate the provision:

- Discount rate of 9% (2013: 8.5%);
- Inflation rate of 6.6% (2013: 5.5%);
- Total area expected to be rehabilitated: 800 426 square metres (2013: 800 426 square meters);
- Rate per square metre: R138.75 (2013: R130.16) escalating every year by inflation rate;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

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22. Provisions (continued)

Bisasar	360,326	360,326
Maranhill	193,000	193,000
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	192,300	192,300

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	43,116	3,880	2,931	49,927
Maranhill	19,518	1,758	711	21,987
Wyebank	2,676	241	125	3,042
Shallcross	2,849	256	75	3,180
Buffelsdraai	5,061	455	(945)	4,571
Totals	73,220	6,590	2,897	82,707

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: R9 153.00 / Ha
 (2013: R8 483.00 / Ha).

Performance Bonus

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

- **Long service awards**

Revised Conditions of Service for employees are currently being negotiated. The interim conditions of service for Employees are as follows:
 Long Service Leave will accrue as follows:

Long Service Leave

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone
After 20 years	2	25	3	30

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22. Provisions (continued)				
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation	-	75	14	90

Employees who achieve 25 years service receive a once off cash payment of R500 and upon achievement of 40 years service, employees receive a gold wrist watch or a comparable gift.

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.

A long Service Allowance will accrue as follows:

- 2% of monthly salary at 15-19 years

- 3% of monthly salary at 20-24 years

- 4% of monthly salary at 25-29 years

- 5% of monthly salary at 30-35 years

- 6% of monthly salary at 35 years or more

The abovementioned is limited to a maximum of R 1081.82

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2014 (2013: 30 June 2013). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 9% (2013: 8.5%) was used based on internal rate of return.

23. Housing development fund

Accumulated Surplus	(96,615)	(6,525)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	170,364	260,454

The housing development fund is represented by the following assets and liabilities

Property, plant and equipment	67,918	69,374
Housing selling scheme loans	65,568	129,584
Housing rental Debtors	11,168	28,271
Housing other Debtors	247	328
Housing inventory	36	65
Investments	46,892	50,197
Investment properties	16,446	16,811
Bank and cash	13,202	34,981
Assets	221,477	329,611
Long-term liabilities	244	306
Unspent Conditional Grants	14,063	39,302
Creditors	16,987	9,730
Government Grant Reserve	19,819	19,819
Liabilities	51,113	69,157
Total Housing Development Fund Assets and Liabilities	170,364	260,454

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24. Service charges		
Sale of electricity	9,449,095	9,174,721
Sale of water	2,302,765	2,066,325
Solid waste	472,127	442,348
Sewerage and sanitation charges	726,846	661,402
Other service charges	161,863	154,283
Total service charges	13,112,696	12,499,079
25. Other income		
Sundry income	319,610	345,665
Fuel levy	1,822,833	1,690,569
Moses Mabhida Stadium - other income	11,935	10,681
	2,154,378	2,046,915
Refer to Appendix D for a Statement of Financial Performance: Moses Mabhida Stadium.		
26. Interest revenue		
Interest revenue		
Interest earned - External Investments	375,306	329,395
Interest earned - Outstanding Debtors	143,037	112,689
	518,343	442,084

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27. Property rates		
Rates received		
Residential	1,856,376	1,728,944
Business / Commercial	1,704,306	1,531,972
Unauthorised / Illegal development	32,610	17,620
Development Phasing	3,051	-
Agricultural	1,680	4,235
Vacant land	355,272	320,755
Industrial	1,341,318	1,304,788
Public Service Infrastructure	13,896	15,218
Total Assessment Rates	5,308,509	4,923,532
Valuations		
Residential	266,601,096	263,925,286
Business / Commercial	89,480,353	86,615,122
Unauthorised / Illegal development	539,224	702,083
Agricultural	2,751,760	2,436,976
Vacant land	12,091,994	11,884,164
Industrial	45,837,315	47,274,599
Public Service Infrastructure	16,121,656	15,678,604
Development Phasing Line	148,972	145,392
Total Property Valuations	433,572,370	428,662,226

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.00976 (2013: R0.00914); Agriculture - R0.00244 (2013: R0.00228); Vacant Land - R0.04674 (2013: R0.04376); Industrial - R0.02856 (2013: R0.02674); Business and Commercial - R0.02213 (2013: R0.02072); Public Service Infrastructure - R 0.00244 (2013: R0.00228). All residential property owners are exempt from paying rates on the first R120 000 (2013: 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 (2013: R400 000) of their property value (inclusive of the R120 000 referred to earlier). No rates are levied on the first R30 000 (2013: R30 000) value of vacant land.

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28. Government grants and subsidies		
Equitable Share	1,869,806	1,769,412
Expanded Public Works Programme Incentive	59,747	24,471
European Union	587	380
Primary Health Care Provincial Subsidy	97,088	68,957
Department of Transport and Public Transport infrastructure	285,298	128,520
Department of Environmental Affairs	7,435	2,768
Vuna Awards	1,036	188
Demand Side Management	692	31,772
Urban Settlement Development Grant	1,580,999	1,315,929
Other Grants	33,702	67,821
Public Contributions	21,229	46,916
Neighbourhood Development Partnership	4,769	3,514
Department of Human Settlements	150,449	153,030
Grant Accreditation	939	4,584
Department of Co-Operative Government and Traditional Affairs	6,068	1,793
Metropolitan Transport Authority-Taxi Ranks	-	32
Department of Arts and Culture	13,084	17,601
Public Transport Network Operations	71,395	-
Intergrated City Development Grant	9,539	-
Infrastructure Skills Grant	18,534	19,773
D Moss Land Sales and Interest	-	289
	4,232,396	3,657,750

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Current-year receipts	1,869,806	1,769,412
Conditions met - transferred to revenue	(1,869,806)	(1,769,412)
	-	-

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	8,073	8,073
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The above relates to funding for the acquisition of D Moss land.

Department of Environmental Affairs

Balance unspent at beginning of year	1,427	4,195
Current-year receipts	8,250	-
Conditions met - transferred to revenue	(7,435)	(2,768)
	2,242	1,427

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

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28. 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	597,620	168,697
Current-year receipts	507,366	599,702
Conditions met - transferred to revenue	(285,298)	(128,520)
Grant withheld	-	(42,259)
	819,688	597,620

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	4,395	-
Current-year receipts	3,555	10,000
Conditions met - transferred to revenue	(4,769)	(3,514)
Grant withheld	-	(2,091)
	3,181	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	8,043	8,405
Current-year receipts	-	18
Other	(587)	(380)
	7,456	8,043

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	41,313	41,371
Current-year receipts	35,114	67,763
Conditions met - transferred to revenue	(33,702)	(67,821)
	42,725	41,313

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

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

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28. Government grants and subsidies (continued)

Department of Human Settlements

Balance unspent at beginning of year	172,564	143,291
Current-year receipts	85,393	182,303
Conditions met - transferred to revenue	(150,449)	(153,030)
	107,508	172,564

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
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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	295
Grant Paid back to the Funder	(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
Current-year receipts	14,823	4,525
Conditions met - transferred to revenue	(939)	(4,584)
	13,884	-

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	9,074	10,867
Current-year receipts	4,000	-
Conditions met - transferred to revenue	(6,068)	(1,793)
	7,006	9,074

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

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Figures in Rand thousand	2014	2013
28. Government grants and subsidies (continued)		
Donations and Public Contributions		
Balance unspent at beginning of year	77,594	125,448
Current-year receipts	1,818	862
Conditions met - transferred to revenue	(21,229)	(46,916)
Reversal of prior year accrual	-	(1,800)
	58,183	77,594

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.

Department of Arts & Culture

Balance unspent at beginning of year	90,856	5,482
Current-year receipts	158,845	102,975
Conditions met - transferred to revenue	(13,084)	(17,601)
	236,617	90,856

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

This Grant is for the operating expenditure for libraries and museums and capital expenditure for the upgrade of the Central Library .

Metropolitan Transport Authority-Taxi Ranks

Balance unspent at beginning of year	-	32
Conditions met - transferred to revenue	-	(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
Current-year receipts	15,000	-
Conditions met - transferred to revenue	(692)	(31,772)
Grant withheld	-	(3,279)
	14,308	-

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

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

Infrastructure Skills Grants

Balance unspent at beginning of year	7,234	4,077
Current-year receipts	18,500	22,930
Grant paid back	(7,200)	-
Conditions met - transferred to revenue	(18,534)	(19,773)
	-	7,234

eThekwini Municipality

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28. Government grants and subsidies (continued)

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.

Urban Settlements Development Grant

Current-year receipts	1,580,999	1,315,929
Conditions met - transferred to revenue	(1,580,999)	(1,315,929)
	-	-

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	17,885	-
Current-year receipts	47,381	42,356
Conditions met - transferred to revenue	(59,747)	(24,471)
	5,519	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.

eThekweni Municipality

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28. Government grants and subsidies (continued)

Vuna Awards

Balance unspent at beginning of year	1,910	2,098
Conditions met - transferred to revenue	(1,035)	(188)
	875	1,910

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.

Primary Health Care Provincial Subsidy

Current-year receipts	97,088	68,957
Conditions met - transferred to revenue	(97,088)	(68,957)
	-	-

Public Transport Network Operations

Current-year receipts	71,395	-
Conditions met - transferred to revenue	(71,395)	-
	-	-

This grant is used to provide supplementary operational funding to municipalities operating approved Integrated Rapid Public transport Network/ Integrated Public Transport Network services.

Intergrated City Development

Current-year receipts	9,539	-
Conditions met - transferred to revenue	(9,539)	-
	-	-

The grant is used to provide financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

eThekweni Municipality

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Figures in Rand thousand	2014	2013
29. Employee related costs		
Employee related costs - Salaries and Wages	4,132,812	3,763,136
Medical aid and Pension Benefits	1,303,241	1,002,981
UIF	35,033	32,090
Leave pay provision contribution	196,230	182,157
Travel, motor car, accommodation, subsistence and other allowances	279,197	241,318
Overtime payments	437,066	438,708
Housing benefits and allowances	16,715	17,884
Holiday Bonus	290,544	273,378
Other	71,054	60,589
Less: Employee costs relating to capitalisation and maintenance of PPE	(185,431)	(100,602)
	6,576,461	5,911,639

Remuneration of the Municipal Manager - Mr. S. Sithole (appointed 03/01/2012)

Annual Remuneration	2,221	2,062
Car Allowance	180	180
Performance Bonuse 2012	82	-
Performance Bonus 2013	176	-
Contributions to UIF, Medical and Pension Funds	28	24
	2,687	2,266

Remuneration of the Chief Finance Officer

Annual Remuneration	1,227	1,241
Car Allowance	425	397
Market Allowances	242	242
Contributions to UIF, Medical and Pension Funds	292	272
Cellphone Allowance	18	18
Performance Bonus 2011	-	119
Performance Bonus 2012	126	-
Performance Bonus 2013	124	-
Other Allowances (Subsistence, Leave cashing, Backpay)	146	34
	2,600	2,323

Safety and Security

Severance Pay	-	261
Performance Bonus 2011	-	133
Performance Bonuses 2012	140	-
Contributions to UIF, Medical and Pension Funds	-	6
Arbitration Award	-	388
Other Allowances (Subsistence, Leave cashing, Backpay)	-	226
	140	1,014

Contract Expired 30 June 2012.

Health and Social Services

Annual Remuneration	1,579	1,465
Car Allowance	120	120
Performance Bonus 2011	-	139
Performance Bonuses 2012	119	-
Performance Bonus 2013	127	-
Contributions to UIF, Medical and Pension Funds	45	40
Cellphone Allowance	12	12

eThekweni Municipality

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Figures in Rand thousand	2014	2013
29. Employee related costs (continued)		
Other Allowances (Subsistence,Leave cashing,Backpay)	60	11
	2,062	1,787
Governance		
Annual Remuneration	1,227	1,241
Car Allowance	425	397
Performance Bonus 2011	-	95
Performance Bonuses 2012	77	-
Performance Bonus 2013	82	-
Contributions to UIF, Medical and Pension Funds	285	267
Market Allowance	121	121
Cellphone Allowance	12	12
Other Allowances (Subsistence,Leave cashing,Backpay)	167	29
	2,396	2,162
Procurement and Infrastructure		
Performance Bonus 2011	-	156
Performance Bonuses 2012	130	-
Contributions to UIF, Medical and Pension Funds	-	34
Severance Pay	-	962
Other Allowances (Subsistence,Leave cashing,Backpay)	-	284
	130	1,436
Resigned:30 June 2012		
Remuneration of the Municipal Manager - Dr. M. Sutcliffe (01/07/2011 - 31/12/2011)		
Performance Bonus 2011	-	254
Performance Bonuses 2012	69	-
	69	254
Corporate and Human Resources		
Annual Remuneration	1,449	609
Car Allowance	108	45
Contributions to UIF, Medical and Pension Funds	42	17
Other Allowances (Subsistence,Leave cashing,Backpay)	122	-
	1,721	671
Appointed :1 February 2013		
Sustainable Development and City Enterprises		
Annual Remuneration	1,531	642
Car Allowance	120	54
Contributions to UIF, Medical and Pension Funds	49	22
Cellphone Allowance	30	13
Other Allowances (Subsistence,Leave cashing,Backpay)	1	9
	1,731	740
Appointed : 21 January 2013		

eThekweni Municipality

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30. Remuneration of councillors

Councillors	94,721	84,713
Mayor	1,163	1,087
Deputy Mayor	939	872
Mayoral Committee Members	4,732	4,701
Speaker	1,000	940
Councillors	86,130	76,356
Councillors' pension contribution	757	757
Total Councillors' Remuneration	94,721	84,713

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 12 members.
The municipality's council is made up of 205 Councillors.

31. Finance costs

Non-current borrowings	831,900	899,940
Consumer Deposits	27,038	32,572
Other interest paid	46,250	41,086
	905,188	973,598

An amount of R65.5m (2013:R102.3m) relating to borrowing costs was capitalised to work-in-progress with 9% (2013:8.73%) being the weighted average cost of funds borrowed generally by the municipality.

32. Bulk purchases

Electricity	6,319,701	6,190,307
Water	1,519,887	1,367,167
	7,839,588	7,557,474

33. Grants and subsidies paid

Other subsidies

Grant Paid:Enhanced Extended Discount Benefit	3,496	5,471
Grant Paid:Sporting Organisations	46,125	46,502
Grant Paid:South African Association of Marine Biology Research	56,469	50,253
Grant Paid:Playhouse Company	3,803	3,587
Grant Paid:Natal Philharmonic Orchestra	7,816	7,373
Grant Paid:Tourism Indaba	15,658	15,539
Grant Paid:Trade Point Durban	1,058	1,206
Grant Paid:Food Aid Program	12,203	10,739
Grant Paid:Other	22,685	33,634
	169,313	174,304

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Figures in Rand thousand	2014	2013
34. Fair value adjustments		
Fair value adjustment - Debtors	-	3,522
Fair value adjustment - Creditors	(14,167)	8,845
Fair value adjustment - Long term receivables	66	(1,098)
	(14,101)	11,269
35. General expenses		
Advertising	41,301	17,053
Auditors remuneration	30,264	26,578
Bank charges	5,129	3,998
Cleaning	24,637	17,364
Commission paid	26,202	21,765
Consulting and professional fees	40,327	32,548
Delivery expenses	3,505	3,836
Civic Entertainment	1,015	10,685
Hire	62,185	76,835
Community development and training	11,948	23,259
Conferences and seminars	2,849	2,376
IT expenses	36,915	37,703
Lease rentals on operating lease	48,161	42,207
Marketing	38,697	29,704
Levies	3,361	7,917
Magazines, books and periodicals	9,114	6,633
Medical Requisites	21,492	20,135
Fuel and oil	249,436	209,788
Postage and courier	25,073	25,836
Printing and stationery	35,596	34,268
Promotions	62,905	64,558
Research costs	11,210	9,613
Sundry HR costs	53,148	48,950
Subscriptions and membership fees	15,234	16,665
Telephone and fax	57,873	61,400
Transport and freight	64,708	59,245
Training	91,111	80,049
Travel - local	20,169	35,243
Refuse	23,574	29,356
Title deed search fees	778	435
Stock Adjustments	5,667	3,775
Sewerage and waste disposal	49,426	29,605
Refuse Bags	71,718	67,795
Recycling	9,313	7,543
Tourism development	8,326	6,259
Other Sponsorships and subsidies	4,198	5,175
Stadium Operational Costs	50,376	88,541
Urban Improvement Precincts	21,478	17,529
Safety Equipment	26,307	25,725
Eradication of Alien Vegetation	11,142	582
Special Events	165,702	169,053
Venue Decorative costs	3,140	2,735
Other expenses	281,546	115,394
	1,826,256	1,595,713

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Figures in Rand thousand	2014	2013
36. Cash generated from operations		
Surplus	2,426,043	2,532,990
Adjustments for:		
Depreciation on PPE	1,588,253	1,541,036
Loss on sale of PPE	197	1,685
Gain on disposal of PPE	(22,165)	(19,619)
Amortisation of Intangible Assets	42,643	42,031
Depreciation :Investment Property	1,844	1,756
Income from Joint Venture	(15,083)	(1,231)
Fair value adjustments	14,101	(11,269)
Reversal of loss on Impairment: PPE	(314)	(2,364)
Impairment deficit	11,576	20,648
Debt impairment	1,439,675	992,720
Movements in retirement benefit assets and liabilities	130,398	(35,398)
Movements in provisions	11,627	86,602
Donations:PPE	(706)	(2,641)
Loss on impairment on Investment in Municipal Entity	-	117,689
Changes in working capital:		
Inventories	(108,581)	2,079
Receivables from exchange transactions	(594,482)	24,478
Consumer debtors	(1,215,790)	(1,016,617)
Payables from exchange transactions	820,673	(57,568)
VAT	(72,809)	(6,355)
Unspent conditional grants and receipts	288,982	452,185
Consumer deposits	236,679	147,022
	4,982,761	4,809,859
37. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities	10,247,716	9,886,788
Used to finance property, plant and equipment – at cost	(10,247,716)	(9,886,788)
	-	-

eThekwini Municipality

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Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013
38. Commitments		
Commitments in respect of capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	4,452,586	1,348,992
• Investment property	15,410	46,427
• Biological assets that form part of an agricultural activity	250,703	59,092
• Other financial assets	110,868	32,630
	4,829,567	1,487,141
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	202,781	554,718
• Investment property	64,804	137,167
• Other financial assets	15,853	49,000
	283,438	740,885
Operating leases - as lessee (expenditure)		
Minimum lease payments due		
- within one year	48,154	27,109
- in second to fifth year inclusive	103,913	125,184
- later than five years	4,350	9,532
	156,417	161,825
Operating Commitments		
Commitments Payable		
- within one year	1,405,842	1,474,856
- within two to three years	679,283	640,833
- after three years	25,376	23,939
	2,110,501	2,139,628

Included above is Operating Commitments for Security Management. The Contract terminates on 31 October 2014. A contract has not been entered into for the period thereafter. The three year budget forecasts for Security Management costs is R429.6m, R485.1m and R527.9m respectively.

39. 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.

eThekweni Municipality

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Figures in Rand thousand	2014	2013
40. Contingencies		
Contracted Disputes	130,040	57,929
Various departments within the municipality have price disputes with certain contractors.		
Self Insurance Reserve	79,067	51,429
Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.		
Property Rate	3,949	217,115
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	75,354	79,584
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 (Standard Bank) dated 1 November 2011;		
- Compensation Commissioner: R60.8m(Standard Bank) ;		
-South	African	Insurance Association:R9m.
Legal Claims	904,888	638,908
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:		
-Rates dispute: R4.6m;		
-Value of compensation in respect of expropriation of various properties R574.1m		
-Claims for damages - various: R296.2m		
-Various and other minor legal disputes R29.8m		
Municipal Entity-Durban Marine Theme Park	113,748	104,356
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.		
	-	-
	-	-
	-	-

eThekweni Municipality

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Figures in Rand thousand	2014	2013
41. Related parties		
Relationships		
Municipal Entities		Durban Marine Theme Park SOC Limited ICC Durban (Pty)Ltd EtheKwini Transport Authority
Joint ventures		River Horse Valley Joint Venture. Refer to note 15
Councillor/Official with significant influence		Durban Infrastructural Development Trust Trustees: M.E. Bayeni - Councillor N.N.Nyanisa - Councillor S.Z.Xulu - Councillor J.Balwanth - Council Official M.Tembe - Independent 3rd party P.N.Ngcobo - Independent 3rd party K.Ragunandan - Independent 3rd party
Related party balances		
Loan accounts - Owing by related parties		
Durban Infrastructural Development Trust	156,583	108,183
ICC Durban (Proprietary) Limited	226,590	226,590
	383,173	334,773
Amounts included in Trade Receivable regarding related parties		
I.C.C. Durban (Proprietary) Limited	1,165	1,729
Durban Marine Theme Park (Proprietary) Limited	2,254	2,322
	3,419	4,051
Amounts included in Trade Payable regarding related parties		
I.C.C. Durban (Proprietary) Limited	7,164	3,222
EtheKwini Transport Authority	55,534	54,047
	62,698	57,269
Consumer Deposit Paid		
I.C.C. Durban (Proprietary) Limited	1,409	976
Other Related Party Asset		
I.C.C. Durban (Proprietary) Limited-Sponsorship in Advance	2,695	1,053
Related party transactions		
Sales to related parties		
I.C.C. Durban (Proprietary) Limited:		
Electricity	9,351	8,906
Water	1,711	1,312
Refuse	617	511
Property Rates	5,370	4,290
Durban Marine Theme Park (Proprietary) Limited		
Electricity	18,197	16,807
Water	5,143	3,117
Waste	936	1,120
Insurance	1,421	1,246
Riverhorse Valley Joint Venture		
Electricity and Water	6	5
Income from Joint Venture	15,083	1,231
Purchases from related parties		

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Notes to the Annual Financial Statements

Figures in Rand thousand	2014	2013
41. Related parties (continued)		
I.C.C. Durban (Proprietary) Limited:		
General Expenses	27,441	32,965
Durban Marine Theme Park (Proprietary) Limited		
General Expenses	6,738	3,977
Ethekwini Transport Authority		
General Expenses	2,610	2,512
Grant-in-Aid	2,867	2,730
42. 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		
Balance previously reported	-	3,032,372
Rates adjustments - prior to 2012/13	-	(87,166)
Rates adjustments - 2012/13	-	(44,411)
Housing Rental adjustments - 2012/13	-	4,235
	-	2,905,030
Creditors		
Balance previously reported	-	4,728,581
Accrual for Membership Fees - prior to 2012/13	-	422
Accrual for Membership Fees - 2012/13	-	6
Accrual for SALGA Fees - 2012/13	-	2,740
Councillors Allowance Accrual adjustment - 2012/13	-	(3,825)
Wages Accrual adjustment - prior to 2012/13	-	(658)
Wages Accrual adjustment - 2012/13	-	(35)
Conditions of Service Backpay accrual - prior to 2012/13	-	93,172
Conditions of Service Backpay accrual - 2012/13	-	29,122
Grant-in-Aid accrual - 2012/13	-	313
Accrual adjustment - prior to 2012-13	-	(1,056)
	-	4,848,782
Property, Plant and Equipment		
Balance previously reported	-	34,576,985
Adjustments (various) - prior to 2012/13	-	(34,248)
Adjustments: Loss on Disposal - 2012/13	-	(753)
Adjustments: Reversal of Capitalised Interest - 2012/13	-	(21,338)
Adjustments: General Expenses	-	(276)
Adjustments: Depreciation	-	(10,619)
Debtors: Housing WIP adjustment - 2012/13	-	73,607
	-	34,583,358
Intangible Assets		
Balance previously reported	-	688,861
Amortisation adjustment - prior to 2012/13	-	1,250
	-	690,111

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42. Prior year adjustments / Changes in accounting policy (continued)		
Accumulated Surplus		
Balance previously reported	-	27,186,915
Intangibles adjustments - prior to 2012/13	-	1,250
PPE adjustments - prior to 2012/13	-	(34,248)
PPE adjustments: Loss on Disposal - 2012/13	-	(753)
PPE adjustments: Reversal of Capitalised Interest - 2012/13	-	(21,338)
PPE adjustments: General Expenses	-	(276)
PPE adjustments: Depreciation	-	(10,619)
Consumer Debtors: Rates adjustments - prior to 2012/13	-	(87,166)
Consumer Debtors: Rates adjustments - 2012/13	-	(44,411)
Consumer Debtors: Housing Rental adjustments - 2012/13	-	4,235
Other Debtors: Traffic Fines adjustments - prior to 2012/13	-	(143,847)
Other Debtors: Traffic Fines adjustments - 2012/13	-	(129)
Other Debtors: Staff Cellphone Costs adjustment - prior to 2012/13	-	(1,486)
Other Debtors: Temporary Staff adjustment - 2012/13	-	569
Long-term Receivables: Provision for Bad Debts adjustment - 2012/13	-	(48,400)
Creditors: Accrual for Membership Fees - prior to 2012/13	-	(422)
Creditors: Accrual for Membership Fees - 2012/13	-	(6)
Creditors: Accrual for SALGA Fees - 2012/13	-	(2,740)
Creditors: Accrual adjustment - prior to 2012/13	-	1,056
Creditors: Councillors Allowance Accrual adjustment - 2012/13	-	3,825
Creditors: Wages Accrual adjustment - prior to 2012/13	-	658
Creditors: Wages Accrual adjustment - 2012/13	-	35
Creditors: Conditions of Service Backpay accrual - prior to 2012/13	-	(93,172)
Creditors: Conditions of Service Backpay accrual - 2012/13	-	(29,122)
Creditors: Grant-in-Aid accrual - 2012/13	-	(313)
Consumer Deposits: Interest adjustment - prior to 2012/13	-	(62,595)
Consumer Deposits: Interest adjustment - 2012/13	-	(20,495)
	-	26,597,005
Consumer Deposits		
Balance previously reported	-	1,191,422
Interest adjustment - prior to 2012/13	-	62,595
Interest adjustment - 2012/13	-	20,495
	-	1,274,512
Long-term Receivables		
Balance previously reported	-	147,742
Provision for Bad Debts adjustment - 2012/13	-	(48,400)
	-	99,342
Other Debtors		
Balance previously reported	-	2,558,846
Traffic Fines adjustments - prior to 2012/13	-	(143,847)
Traffic Fines adjustments - 2012/13	-	(129)
Staff Cellphone Costs adjustment - prior to 2012/13	-	(1,486)
Temporary Staff adjustment - 2012/13	-	569
PPE: Housing WIP adjustment - 2012/13	-	(73,607)
	-	2,340,346

eThekwini Municipality

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43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	10,400	9,800
Amount paid - current year	(10,400)	(9,800)
	-	-

Audit fees

Opening balance	18,074	14,132
Current year subscription / fee	14,132	12,357
Amount paid - current year	(18,074)	(14,132)
Amount paid - previous years	(14,132)	(12,357)
	-	-

PAYE and UIF

Current year subscription / fee	871,797	772,051
Amount paid - current year	(871,797)	(772,051)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	1,684,300	1,496,472
Amount paid - current year	(1,684,300)	(1,496,472)
	-	-

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.

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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 June 30, 2014:

June 30, 2014	Amount outstanding (Rands)	Month
Councillor Abegail Nomthandazo Shabalala	6,497	Jun-14
Councillor Barbar Fortein	69	Apr-14
Councillor Bhekisisa Ngwane	5,792	Jun-14
Councillor Conrad Dlamini	3,232	Feb-14
Councillor Danova Pillay	495	Jun-14
Councillor Dennis Shozi	1,895	Jun-14
Councillor Divas Mncwabe	26	May-14
Councillor GS Ngcobo	548	Aug-13
Councillor Hendrick Cele	12,692	Jun-14
Councillor Hubane Maphumulo	682	Jun-14
Councillor James Nxumalo	3,154	Apr-14
Councillor James Sikhosiphi	14,174	May-14
Councillor Japhet Dlamini	1,679	May-14
Councillor Joice Cele	219	Jun-14
Councillor Mak Dladla	141	Jan-14
Councillor Mary Jane Ntshangase	29	Sep-13
Councillor Mduduzi Bayeni	511	Jun-14
Councillor Mduduzi Ngcobo	622	Jun-14
Councillor Mduduzi Nkosi	4,743	May-13
Councillor Melta Mthembu	565	Feb-14
Councillor Mfanufikile Cele	293	Dec-13
Councillor Mhlabunzima Bhengu	715	Dec-13
Councillor MM Ngiba	3,978	Oct-13
Councillor MK Ndzimbomvu	31	Sep-13
Councillor PM Sibiyi	76	Aug-13
Councillor MS Cele	14,911	Jan-14
Councillor MS JN Cele	107	Oct-13
Councillor Muzimenyanga Dladla	141	Jun-14
Councillor Nelisiwe Nyanisa	7,009	Jun-14
Councillor Ngwazi	20	Sep-13
Councillor Nokuthula Makhanya(Sibiyi)	22	Nov-13
Councillor Nompumelelo Mabaso	14,106	Jun-14
Councillor Octavia Mthembu	14,865	Jun-14
Councillor P Padayachee	152	Jun-14
Councillor Pragalathan Naidoo	5,352	Jun-14
Councillor Professor Sibiyi	362	Jun-14
Councillor Sibusiso Gumede	1,050	Feb-14
Councillor Stanley Buthelezi	1,853	Jun-14
Councillor Themba Ncane	43	May-14
Councillor Theresa Nzuzi	2,524	Nov-13
Councillor Valelisa Qulo	266	Feb-14
Councillor Vusi Gebashe	63	May-14
Councillor ZRT Gumede	601	Dec-13
Councillor ZS Ndzoziya	879	Jun-14

127,184

June 30, 2013	Amount outstanding (Rands)	Month
Councillor Abegail Nomthandazo Shabalala	927	Feb-13

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43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
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	Ju-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 Sibiyi	480	Feb-13
Councillor MS Cele	4,003	Jul-13
Councillor NE Mthembu	1,883	Oct-12
Councillor Nelisiwe 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	Ju-12
Councillor Theresa Nzuzi	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 Ndzoyiya	4,423	Jan-13
Councillor NJ Makhanya(Sibiyi)	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	

44. Comparative figures

Certain comparative figures have been restated (refer note 42 for details).

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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 R1.1million (2013: R36.3 million) .

Contract awards made in terms of Section 36(1)(a) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R1.896 billion (2013: R1.165 billion).

Contracts awarded with minor breaches i.e.S 36 (1)(b)of the Supply Chain Management Policy amounted to R257 million.

46. FINANCIAL INSTRUMENTS

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

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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:

Carrying amount

Investments	4,050,000	4,850,000
Long-term receivables	36,369	181,000
Consumer Debtors	2,944,533	2,905,031
Debtors	2,526,996	2,341,590
Long-term Liabilities	10,247,716	9,886,788
Creditors	5,687,394	4,866,722

Fair value

Investments	4,050,000	4,850,000
Long-term receivables	23,440	172,525
Consumer Debtors	2,944,533	2,905,031
Debtors	2,525,327	2,340,346
Long-term Liabilities	10,247,716	9,886,788
Creditors	5,678,743	4,848,782

Basis for determining fair value:

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

Debtors and Creditors:

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

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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:	80,000
Ethekwini Municipality - Working Capital Facilities:	136,411
Ethekwini Municipality - Fleet Management Card:	15

The total of these facilities amount to **287,926**

At June 30, 2014	Carrying Amount	Contractual Cash Flows	12 months or less	More than 12 months
Borrowings	10,247,716	10,247,716	992,214	9,255,502
Trade and other payables	5,678,743	5,678,743	5,678,743	-
At June 30, 2013	Carrying Amount	Contractual Cash Flows	12 months or less	More than 12 months
Borrowings	9,886,788	9,886,788	957,240	8,929,548
Trade and other payables	4,848,782	4,848,782	4,848,782	-

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 R9.4million (2013: R12.3million) 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 19% change in the value of the swap. There is a positive relationship between the swap value and interest rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after four years
Long Term Borrowings	9.63 %	992,214	1,982,763	2,171,881	2,311,888	2,788,971

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	8.06 %	8,689	8,644	7,888	7,132	6,377

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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	2014	2013
Consumer Debtors	2,944,533	2,905,031
Other Debtors	2,525,327	2,340,346
Cash and Cash Equivalents	6,593,467	5,299,753

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

Consumer Debtors:

Gross

0 - 30 days	1,523,042	1,473,838
31 - 120 days	516,086	1,685,388
More than 120 days	2,851,009	1,733,563
Less: Provision for Bad Debts	(1,945,604)	(1,987,758)

Net Consumer Debtors	2,944,533	2,905,031
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Movement in the provision for Bad Debts: Consumers

Balance at beginning of year	1,987,758	1,925,168
Contribution	490,255	248,063
Bad debts written off	(532,409)	(185,473)
Balance at year end	1,945,604	1,987,758

Movement in the provision for Bad Debts: Other

Balance at beginning of year	1,586,555	541,037
Contribution	1,031,018	1,045,518
Balance at year end	2,617,573	1,586,555

eThekwini Municipality

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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 to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses) by June 2019.

Water losses of 131 021 634 kl (2012/2013 : 119 966 557 kl) occurred during the year under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R602,6m (2012/2013: R513,0m) were due mainly to illegal connections and deteriorating infrastructure. The non-revenue water volume increased from 37.3% in 2012/13 to 39.2% in 2013/14. Based on a Water Research Commission Report TT512/12, (using 2010 data) the current South African NRW average is 36.8% whilst the African average is 38.0%.

An estimated deemed authorised consumption of 31 369kl/day is being consumed in the informal settlements in the eThekwini Municipality and a programme is underway to meter and monitor this consumption. The municipality is compensated for this water consumption via the Equitable Share. If this volume had been included in the 2013/14 financial year, the reported NRW% would be 35,9% and the water losses would be 119 571 949 kl.

In line with the current NRW Business Plan, EWS is implementing a number of water loss interventions, the highlights of which for 2013/14 are as follows:

1. During the year 64 Pressure Reducing Valves were installed and 120 installations are planned to be done in the 2014/15 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 15567 leaks were repaired from the 6716 km of reticulation that were surveyed for leaks.
3. 4242 connections were regularized and registered in COINS from the sweeps being conducted Metro-wide in old 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 5978 out of a target of 9000 has been achieved. This programme was hampered by delays in the meter supply contract as well as plumbing resources. 955 ICI (Industrial, Commercial and Institutional) consumer meters older than 20 years were replaced. In January 2014, a decision was taken to meter all the unmetered sprinkler and fire connections and a contract to commence with this work has recently commenced.
5. The total number of registered connections increased by 10421 (2,2%) and the consumer sales marginally increased by 906 kl/day. The stagnant sales volume is highlighted as a major concern for the Unit and several programmes are being conducted to address this. There are now a total of 488 270 registered connections in eThekwini.

The success of the NRW programme has been hampered in the 2013/14 financial year due to the non-availability of materials and resources but has started to regain the momentum lost in the previous years. System attrition is estimated to be 2.1% and this is masking the results of the positive achievements. The compliance of the consumers as well as the large population migration to peri-urban areas is also highlighted as a concern. A significant increase in budget and planned work will be required as per the NRW 2013 Business Plan in order to achieve the stated target of 25% NRW by volume by June 2019.

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Electricity:

Estimated Electricity losses 687 009 986 kWh (2013: 667,412,169 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated electricity losses amounted to R 424m (2013: R 396m).

The norm for electricity losses ranges from 5.6% to 12%. The loss incurred by the municipality is 6.11% (2013: 5.85%) and is due to a combination of transmission/distribution losses and losses due to illegal connections. In comparison to other Metro's, eThekwini Municipality maintains its losses at a lower end of the norm.

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

1. Optimal Network Configuration:

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

2. Effective Maintenance on Network:

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

3. Efficient Network Loading:

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

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

1. Area Sweeps:

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

2. Employment of security Intelligence Teams:

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

3. Installation of anti-theft technologies at substations:

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

4. Theft Hotline:

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

Bad Debts written off:

Debt of R533m (2013: 185m) 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. Prescribed Debt relating to acknowledgement of debt agreements for water was written off.

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48. Unauthorised, irregular, fruitless and wasteful expenditure disallowed		
Cases reported during the 2013/14 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
Parks, Recreation & Culture: Noncompliance with S.C.M.	-	18,309
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.	26,382	288,207
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality	634	2,675
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	542	1,006
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini municipality as Councillors	-	3,190
Misappropriation and Embezzlement of Council Funds	-	1,204
Wasteful Expenditure: Misuse of Council Funds	-	1

Investigations are still in progress regarding 303 other cases (2013: 125).

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	7,162	947,223
Irregular expenditure current year	27,558	325,271
Recoveries / Condonements	(25,254)	(1,265,332)
Irregular expenditure awaiting condonement	9,466	7,162

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.

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49. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
050134353 - Standard Bank - Main Expenditure	78,197	(96,276)	76,022	(62,973)
050133535 - Standard Bank - Main Expenditure EFT	193,655	(619,466)	-	(854,810)
050133969 - Standard Bank - Direct Deposits Account	15,717	255,422	14,510	227,991
050134116 - Standard Bank - Electronic Deposits Account	50,817	2,136,261	50,946	720,104
050134132 - Standard Bank - Cashiers Deposit Account	(5,652)	14,603	(4,170)	217,463
050134140 - Standard Bank - Government Deposit Account	10,062	135,924	5,727	44,985
050134655 - Standard Bank - Electricity Income Account	1,563	8,630	1,757	6,882
050134671 - Standard Bank - Electricity Prepaid Vendor Deposits	2,015	78,865	6,826	73,785
050134469 - Standard Bank - SARS E-Filing Account	-	35,266	-	1,500
050134442 - Standard Bank - Dishonoured Cheques Account	(71)	(313)	(33)	605
050073117 - Standard Bank - Main Expenditure Bank	-	-	-	(5,092)
050133993 - Standard Bank - Direct Debit Collections Account	-	75,232	-	71,910
050134019 - Standard Bank - Transwitch Account	-	95,911	(4,706)	82,048
050134094 - Standard Bank - Agents Deposit Account	15,055	230,732	6,226	112,974
050134213 - Standard Bank - Metro Police Deposit Account	-	5,156	-	5,314
050134183 - Standard Bank - Metro Police Transwitch Deposit Account	-	(1)	-	763
050134248 - Standard Bank - Parks, Recreation and Culture Deposit Acc.	55	1,255	1,044	2,530
050134264 - Standard Bank - City Engineers Account	176	5,220	1,735	3,920
050134272 - Standard Bank - Durban Tourism Deposit Account	-	128	58	427
050134531 - Standard Bank - Central Foreign Rand Account	-	(116)	(269,800)	5,948
050134574 - Standard Bank - Water Foreign Rand Account	-	(13)	-	(70)
050134698 - Standard Bank - Electricity Foreign Rand Account	-	-	(923)	(923)
050134299 - Standard Bank - Virginia Airport Account	-	764	-	2,320
050134329 - Standard Bank - Department of Housing Account	50	25,125	-	270,703
050134450 - Standard Bank - Sundry PAYE Account	367	367	291	291
050134507 - Standard Bank - Cash Payments Account	6	(5,319)	2	(188)
050134426 - Standard Bank - Refunds Expenditure Account	8,747	2,767	-	1,529
050134582 - Standard Bank - Water and Sanitation Services Expenditure Account	242	(1,378)	1,095	(219)
050133616 - Standard Bank - Water and Sanitation Services EFT Account	(199,891)	(487,550)	78	(293,311)
050134701 - Standard Bank - Electricity Expenditure Account	(1,722)	(1,724)	(2,996)	(2,998)

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49. Bank balances (continued)				
050133608 - Standard Bank - Electricity EFT	(639,653)	(639,653)	(614,402)	(614,402)
050133586 - Standard Bank - Salaries Account	65,909	(369,388)	60,881	(351,200)
050134590 - Standard Bank - Durban Fresh Produce Market Account	16,154	16,015	17,379	17,352
050134515 - Standard Bank - CIFAL Durban Account	230	230	230	230
050134493 - Standard Bank - General Bank Account	502,346	(862,018)	302,771	(108,010)
050041827 - Standard Bank - E-Ticketing Account	-	(559)	-	296
050134434 - Standard Bank - Bank Charges Account	-	(505)	-	(186)
050134337 - Standard Bank - Moses Mabhida Stadium Deposit Account	1	10,474	158,660	158,660
050138987 - Standard Bank - Pay at Deposit Account	(10,569)	79,849	(7,679)	70,252
050137220 - Standard Bank - Consolidated Investment Fund (EFT)	-	-	267,925	267,925
050154540 - Standard Bank - Syntell Deposit Account	(3)	81	(1)	36
050189816 - Standard Bank - Reforestation Project Account	7,067	7,311	807	900
050138782-Standard Bank-Moses Mabhida Expenditure Account	9,198	(12,540)	-	-
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	977,630	3,221,588	974,970	2,369,643
Bank overdraft	(857,562)	(3,096,819)	(904,710)	(2,294,382)

The following accounts had nil balances at year end:

050133608 - Standard Bank - Electricity expenditure; 050041924 - Standard Bank - Vehicle Auctions Account and 050134345 - Standard Bank - 2010 Soccer Grant Account

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50. Budget disclosure

Material differences between budget and actual amounts

Other Own Revenue<budget-the increase is mainly attributable to the change in the basis of revenue recognition of Traffic Fines Income, which was as a result of the amendment to IGRAP 1. In prior years Traffic Fine Income was recognised based on recovery in accordance with past trends, i.e. only 20% of fines issued were recognised as recoverable. The effect of the change to the recognition of the traffic fines revenue is that all fines issued are recognised in revenue. Effective enforcement has also resulted in more applications being submitted thus increasing revenue above expectations.

Debt Impairment>Budget. The increase is attributable to the provision for impairment of outstanding traffic fines, i.e. (fines considered irrecoverable based on past trends) as well as other Debtors (including DOHS).
Transfers and Grants<Budget The saving is attributed to the fact that there was an anticipation that an additional 18 Soup Kitchens would have been operational this year, however this did not materialise.
Other Expenditure<Budget ETA-The savings are a result of a delay in appointing the new service provider for buses (i.e. the disabled) due to an appeal by unsuccessful bidders.
Transfers Recognised-Capital< Budget The saving is a result of delays in Rehabilitations/Upgrading of R293 and Ex-owned Affairs projects. PTIS the implementation plan and 2013/2014 grant application was based on the premise that contracts for the right of way construction will be awarded in December 2013, but unfortunately unexpected delays were experienced in Go Durban Projects.
CAPITAL< Budget Savings is mainly as a result of a delay in the implementation of IRPTN grant funded projects, a number of projects were in the planning phase.

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.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand thousand

2014

2013

51. Deviation from IGRAP 1

Paragraph 13 of IGRAP1 requires that an entity apply amendments to the standard prospectively, however the amendment has been applied retrospectively. The retrospective application is considered to provide more useful information to the users of the financial statements.

The impact of prospective application had it been applied would have been as follows: Net Surplus would have been R12million higher and Accounts Receivable would have been R156million lower than currently stated.

52. Events after the reporting date

On the 18th of August 2014, the Trustees of the Durban Infrastructural Development Trust resolved to vest all rights of the Trust to the Municipality.

eThekwi Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand thousand

53. EXTERNAL LOANS

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE	RECEIVED	REDEEMED	BALANCE
				AT 30-Jun-13	DURING THE YEAR	DURING THE YEAR	AT 30-Jun-14
				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	148,313		29,856	118,457
INCA INDWA	9.52%	1/66	30-06-2020	349,782		65,462	284,320
Nedbank Ltd	8.47%	1/67	31-03-2021	619,687		56,921	562,766
DBSA Ph 1	13.50%	P1	30-09-2017	344,231		59,090	285,141
DBSA Ph 2	Variable	P2	31-03-2016	126,831		31,768	95,063
DBSA Ph 3	12.90%	P3	30-09-2017	238,999		36,664	202,335
DBSA Ph 4	10.40%	P4	30-06-2019	367,153		79,626	287,527
DBSA Ph 5	8.90%	P5	30-06-2020	201,708		19,926	181,782
DBSA Ph 6	8.75%	P6	30-06-2022	642,938		94,218	548,720
DBSA Ph 7	8.30%	P7	02-01-2028	2,699,647		240,808	2,458,839
DBSA Ph 8	9.85%	P8	30-06-2029	0	1,500,000	0	1,500,000
NEDBANK 7 YRS	10.09%	1/70	28-02-2017	337,837		72,426	265,411
NEDBANK 5 YRS	9.21%	1/71	30-04-2015	230,822		110,218	120,604
RMB R 1b 15YRS	10.28%	1/72	30-06-2025	899,831		40,778	859,053
ABSA 7 YRS	8.73%	1/73	29-09-2017	724,552		137,888	586,664
ABSA 15 YRS	10.19%	1/74	30-06-2026	936,263		37,114	899,149
AFD Calyon	9.52%	1/68	31-12-2018	35,915		6,545	29,370
RMB R1B 20YRS	9.53%	1/75	30-06-2032	982,276		19,762	962,514
Total Annuity Loans				9,886,784	1,500,000	1,139,070	10,247,714
TOTAL EXTERNAL LOANS				9,886,984	1,500,000	1,139,268	10,247,716

54. ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost / Revaluation							Accumulated Depreciations							Carrying Value
	Restated Opening Balance	Opening Under Construction	Additions	Under Construction	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additions	Disposals	Impairments	Impairments Reversal	Transfers	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Land and Buildings															
Land	564,422		60,673		-212		624,883	0	0	0				0	624,883
Buildings	3,201,116	459,612	299,601	607,933	-1,015	-14,209	4,553,038	685,159	109,693	-974			-483	793,395	3,759,643
	3,765,537	459,612	360,274	607,933	-1,227	-14,209	5,177,920	685,159	109,693	-974	0	0	-483	793,395	4,384,525
Infrastructure															
Roads	9,283,310	1,382,548	440,168	380,201			11,486,227	2,527,166	313,326					2,840,492	8,645,735
Traffic Equipment & Ranks	332,768	211,616	17,213	-15,038			546,559	196,206	28,240					224,446	322,113
Stormwater Drainage	1,655,418	28,321	409,651	-89	-54		2,093,247	451,886	174,262	-8	815			626,955	1,466,292
Sewerage Pumps	41,100	104,692	5,373	-52,967			98,198	81,551	18,873					100,424	-2,226
Sewerage Mains & Reticulation	2,236,628	1,052,681	9,130	362,959			3,661,398	439,874	257					440,131	3,221,268
Purification Works	57,480	62,635	9,397	-1,100	-2		128,410	61,999	65,188	-1	4			127,190	1,220
Refuse Sites & Transfer Station	568,316	161,943	49,501	-102,050			677,710	365,231	16,876					382,107	295,603
Water Mains & Reticulation	2,032,246	115,001	15,898	308,965			2,472,110	174,334	1,001					175,335	2,296,775
Water Reservoirs	2,215,341	1,355,760	16,830	168,807			3,756,738	70,844	7,905		56			78,805	3,677,933
General Infrastructure	251,403	99,152	21,467	-1			372,021	102,654	6,976					109,630	262,391
Mains	2,121,534	87,224	132,462	4,795	-1,111		2,344,904	766,063	58,760	-1,065	2			823,760	1,521,144
Major Substations	2,426,690	230,332	137,808	38,636	-197		2,833,269	646,141	69,611	-193	434			715,993	2,117,276
Public Lighting	260,972	22,442	30,655	-11,499	0		302,570	85,797	14,014	0	0			99,811	202,759
Connections & Switches	901,230	31,993	59,379	16,144	-3,722		1,005,024	449,628	43,571	-3,722	0			489,477	515,547
	24,384,436	4,946,340	1,354,932	1,097,763	-5,086	0	31,778,385	6,419,374	818,860	-4,989	1,310	0	0	7,234,555	24,543,830
Community Assets															
Recreation	3,711,293	12,945	28,128	-7,762		248	3,744,852	551,513	107,686		3,113			662,312	3,082,540
Clinics & Depots	233,486	12,977	946	2,297			249,706	81,170	3,236		126			84,532	165,174
Cemeteries & Crematoria	104,864	6,228	2,562	-523			113,131	24,027	341					24,368	88,763
Community Halls	192,030	6,419	643	0			199,092	4,036	2,002		443			6,481	192,611
Fire Stations	78,742	7,409	839	30,374			117,364	19,715	1,259		737			21,711	95,653
Libraries	298,429	9,703	330	9,642			318,104	88,065	2,383			-314		90,134	227,970
Museums	40,832	11,102	1,062	-218			52,778	1,057	597					1,654	51,124
Police Stations	147,778	0	1,718	364			149,860	9,532	801					10,333	139,527
	4,807,453	66,783	36,228	34,174	0	248	4,944,886	779,114	118,305	0	4,419	-314	0	901,524	4,043,362
Other Assets															
Airconditioning	183,668	365	7,605	521	-70		192,089	25,328	7,088	-65	26			32,377	159,712
Security Systems	181,122		10,795	0	-69		191,848	78,653	16,649	-40	3			95,265	96,583
Computer Equipment	757,972	331,351	61,405	0	-8,081		1,142,647	512,532	102,417	-7,161	23			607,811	534,835
Car Parks & Fencing	369,597	8	28,310	0			397,915	59,752	38,560		122			98,434	299,481
Plant & Equipment	1,482,024	53,203	236,772	-268	-7,630	236	1,764,337	342,856	115,739	-7,065	60		-17	451,573	1,312,764
Furniture & Fittings	135,410		11,324	0	-2,228		144,506	47,745	15,094	-1,310	14			61,543	82,964
Markets	220,113	24,943	3,076	-1,121			247,011	59,178	6,487					65,665	181,346
Vehicles	2,707,201	80,288	253,161	-25,409	-3,784		3,011,457	1,537,587	238,908	-2,235	5,599			1,779,858	1,231,598
Fire Engines	181,367	12,063	11	0			193,441	20,220	454					20,674	172,767
	6,218,474	502,221	612,459	-26,277	-21,862	236	7,285,251	2,683,850	541,396	-17,876	5,847	0	-17	3,213,200	4,072,051
Total	39,119,628	5,974,956	2,363,893	1,713,593	-28,175	-13,725	49,186,442	10,567,498	1,588,254	-23,839	11,576	-314	-500	12,142,675	37,043,767

APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost										Accumulated Depreciation										Carrying Value
	Opening Balance Cost	Prior Year	Opening Balance	Opening under	Additions	Under	Disposals	Impairments	Transfers	Closing Balance	Opening Balance	Opening	Prior Year	Additions	Disposals	Impairments	Impairments	Transfers	Closing Balance		
		Adjustments	Capital Under	construction Prior									Adjustments				Reversal				
	R'000		Construction	Year	R'000	Construction	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	(4,456)	-	152	-	-	-	-	-	24,150	13,022	12,176	1,672	-	-	-	-	-	-	26,869	(2,718)
Formal Housing	131,124	-	-	-	650	-	(1,209)	11	130,575	1,011	-	3	1,535	(955)	-	-	(5)	1,590	128,986	-	
Legal Services	9,345	-	8	-	57	-	(6)	266	9,669	2,252	-	-	396	(6)	-	1	(99)	2,544	7,125	-	
Real Estates	84,495	-	1,016	-	565	3,005	(338)	132	88,818	20,089	-	-	2,523	(275)	-	-	(47)	22,233	86,525	-	
Health	189,720	673	14,851	(673)	10,867	15,108	(209)	473	230,810	70,698	-	(2)	6,451	(200)	-	140	(192)	76,896	153,914	-	
Skills Development	2,237	352	-	-	251	-	(59)	306	3,087	1,558	-	(5)	376	(52)	-	-	(36)	1,842	1,245	-	
Emergency Control Centre - Admin	98,979	-	-	-	3,939	9,842	(50)	-	116,829	61,249	-	-	10,474	(15)	-	-	(3,168)	68,539	48,289	-	
Grant in Aid	23,875	-	-	-	-	-	-	4,118	23,875	3,661	-	-	-	-	-	-	-	3,661	20,213	-	
Security	1,971	-	2,686	-	51	4,645	-	27	9,779	891	-	-	244	-	-	-	-	1,132	8,247	-	
Metropolitan Police	82,815	139	-	-	364	-	(163)	-	85,556	29,796	-	(3)	4,031	(419)	-	-	(15)	33,391	52,165	-	
Retail Market	66,980	-	150	-	1,450	150	(4)	(2)	68,725	27,253	-	-	1,739	(4)	-	-	(2)	29,987	39,738	-	
Sanitation	2,828,771	147,007	1,509,710	(58,705)	412,633	456,895	(263)	(68)	5,295,979	828,796	-	19,337	160,416	(227)	-	69	-	1,008,457	4,287,522	-	
Gas	112,667	-	-	-	5,392	-	-	-	118,059	17,781	-	-	4,395	-	-	-	-	22,176	95,883	-	
Airport	2,211	-	-	-	600	-	(10)	-	2,801	635	-	-	103	(8)	-	-	-	730	2,072	-	
Housing	1,204,218	(1,758)	-	13,547	18,752	45,267	(124)	166	1,280,069	321,599	-	1,375	42,112	(101)	-	-	(43)	364,943	915,127	-	
Market Service	121,079	-	-	-	3,731	-	(12)	(19)	124,779	27,839	-	-	3,473	(11)	-	-	-	31,312	93,466	-	
Municipal Information & Policy	4,541	-	-	-	193	-	-	-	4,734	2,697	-	-	225	-	-	-	-	2,924	1,810	-	
Ombudsperson & Head : Investigation	657	-	-	-	289	-	(139)	321	1,128	377	-	-	169	(125)	-	-	(15)	406	722	-	
Office Of International & Governance	612	-	-	-	141	-	-	(3)	751	454	-	-	225	-	1	-	9	533	218	-	
Community Participation	3,353	-	-	-	205	670	-	-	4,229	2,881	-	-	225	-	-	-	1	3,108	1,121	-	
Office Of Geographic Information	4,256	-	-	-	225	-	-	(42)	4,381	1,591	-	-	317	(53)	-	-	42	1,987	2,394	-	
City Manager's Office	107	4,732	-	(73)	45	-	-	-	4,811	199	-	-	3	-	-	-	-	(1,210)	6,021	-	
Strategic Projects	749,850	-	1,968	-	20,518	-	-	(13,735)	758,602	77,925	-	-	32,879	-	-	-	510	111,314	647,288	-	
Office Of The D C M : Sust. Development	331	-	-	-	35	-	(34)	(5)	327	116	-	-	20	(28)	-	-	2	111	216	-	
Office Of The D C M :Sust.Procurement	453	-	-	-	233	-	(28)	(24)	633	182	-	-	67	(24)	-	-	11	236	397	-	
Office Of The D C M : Health, Safety	4,602	-	52	-	237	-	-	37	4,928	1,723	-	-	380	-	-	-	(22)	2,080	2,847	-	
Office Of The D C M : Governance	12	-	-	-	1	-	-	-	11	-	-	-	1	-	-	-	-	11	-	-	
Office Of The D C M : Corp & HR	153	-	-	-	45	-	-	4	202	113	-	-	43	-	-	-	25	181	21	-	
Office Of The D C M : Treasury	936	-	-	-	130	-	(14)	(46)	1,006	726	-	-	71	(12)	-	-	74	859	147	-	
Development Planning & Management	75,420	5,239	6,010	(5,239)	5,818	-	(241)	(60)	86,946	6,058	-	(169)	1,278	(230)	-	-	18	6,956	79,990	-	
Economic Development & Facilitation	396,572	-	209,149	-	59,199	46,772	(246)	83	711,528	52,644	-	-	17,209	(229)	-	-	(53)	69,571	641,957	-	
City Enterprises	8,076	-	-	-	70	-	(106)	247	8,287	6,441	-	-	488	(86)	-	-	(56)	6,787	1,500	-	
Business Support	143,357	-	1,576	-	1,497	(362)	(578)	(5)	146,086	42,494	-	-	5,396	(50)	-	0	(6)	47,835	98,251	-	
Procurement	13,007	-	1,353	-	474	(1,353)	(107)	174	13,548	8,524	-	-	590	(92)	-	-	(12)	9,010	4,538	-	
Water	7,045,524	94,823	1,227,787	(171,121)	294,262	492,505	(1,169)	21,608	9,004,219	1,105,078	-	(2,786)	168,237	(876)	913	(1,409)	1,269,156	7,735,063	-		
Solid Waste	995,316	200	162,423	(215)	242,593	(102,532)	(3,174)	72	1,294,682	737,359	-	(17)	66,551	(3,102)	475	-	(22)	801,244	493,438	-	
Engineering	9,361,759	289,494	1,703,889	(274,706)	442,121	544,478	(847)	(70,413)	11,995,775	1,955,973	-	3,247	329,549	(758)	-	3,410	2,291,422	9,704,354	-		
Emergency Services	272,635	8,391	20,199	(12,931)	11,910	19,756	(2,107)	(430)	317,425	113,623	-	390	12,257	(863)	4,825	(798)	129,434	187,991	-		
Parks, Recreation, Cemeteries & Governance	1,739,645	(1,079)	47,448	(52)	44,642	1,141	(2,048)	2,542	1,832,239	605,610	-	1,098	59,774	(1,597)	3,636	(314)	(955)	687,252	1,164,987	-	
Communications	2,726	(29)	-	-	225	-	(261)	2	2,661	1,504	-	-	356	(236)	-	-	0	1,624	1,037	-	
Regional Centres	106,102	1,798	2,220	(1,875)	2,191	1,036	(1)	155	111,625	34,641	-	(0)	3,062	(1)	-	(110)	37,593	74,032	-		
Human Resources	15,985	-	-	-	1,633	1,847	(683)	961	19,743	10,138	-	-	1,334	(651)	-	(269)	10,553	9,190	-		
Management Services & Org Development	640	-	-	-	74	-	(27)	144	832	394	-	-	118	(22)	-	-	(33)	457	375	-	
Finance	17,032	-	368	-	368	-	(368)	51	17,083	13,497	-	-	613	(333)	11	(90)	13,699	3,384	-		
City Fleet	1,077,191	-	51,402	-	74,025	(18,515)	(459)	(114,073)	1,069,572	595,583	-	-	81,793	(388)	99	47,856	724,943	344,629	-		
Office Of Audit & Performance Management	1,125	-	-	-	99	-	-	264	1,488	692	-	-	183	(82)	-	-	(82)	793	695	-	
Information Technology	658,535	2,915	-	-	46,424	-	(337)	(10,371)	697,166	411,389	-	673	75,211	(240)	0	6,145	493,178	203,988	-		
Ethekweni Transport Authority	574,343	-	104,066	-	75,713	220,196	(567)	164,175	1,137,926	204,734	-	-	40,637	(202)	-	(51,455)	193,715	944,211	-		
Occupational Health & Safety	3,103	-	-	-	164	454	(94)	137	3,763	1,876	-	-	416	(87)	-	-	(32)	2,774	1,589	-	
ABMS	10,255	-	38,098	-	39,803	(37,997)	(21)	15	50,152	2,649	-	-	1,415	(21)	-	-	72	4,115	46,037	-	
Durban Energy Office	52,369	-	6,101	-	292	-	(226)	10	58,543	2,590	-	-	2,725	(1)	-	-	394	5,707	52,835	-	
Durban Transport	712,300	-	-	-	251	-	(30)	(1,823)	710,697	287,183	-	-	74,144	(26)	-	-	1,553	362,853	347,844	-	
Office Of The D C M : Health & Social	7,079	-	-	-	57	-	-	59	7,195	2,217	-	-	569	-	-	-	(23)	2,763	4,432	-	
Income	58,393	-	342,556	-	6,041	430	(1,795)	852	406,578	21,045	-	-	2,191	(1,580)	-	(261)	21,394	385,184	-		
Finance and Major Projects	958	-	-	-	29	-	(0)	40	1,027	692	-	-	120	(0)	0	0	0	813	215	-	
Int Control and Business Systems	187,088	-	33,281	-	4,290	(2,987)	(98)	(98)	221,219	57,325	-	-	7,126	(324)	-	-	(330)	63,796	157,423	-	
SDB	11,834	-	-	-	-	-	(1)	(1)	11,833	1,642	-	-	281	-	-	(17)	-	1,906	9,927	-	
ABM INK	29,659	-	-	-	101	-	(0)	-	29,760	6,921	-	-	1,453	(0)	3	-	8,377	21,383	-		
Performance Management	605	-	-	-	185	-	(35)	122	877	230	-	-	154	(28)	-	(66)	290	567	-		
Risk Management	-	-	-	-	366	521	-	(20)	868	-	-	-	1	-	-	-	1	867	-	-	
Moses Mabhida Stadium	2,994,535	-	35,848	-	8,339	-	-	-	3,038,723	409,392	-	-	112,886	-	-	-	-	522,277	2,516,446	-	
Electricity Service	6,625,290	-	445,404	-	465,800	58,466	(9,401)	-	7,585,559	2,271,054	-	(3,741)	239,675	(9,227)	1,396	-	-	2,499,157	5,086,4		

eThekweni Municipality

Annual Financial Statements for the year ended 30 June 2014

Figures in Rand thousand

APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2013 Actual Income <u>R'000</u>	2013 Actual Expenditure <u>R'000</u>	2013 Surplus/ (Deficit) <u>R'000</u>		2014 Actual Income <u>R'000</u>	2014 Actual Expenditure <u>R'000</u>	2014 Surplus/ (Deficit) <u>R'000</u>
34,228	284,808	(250,580)	Executive & Council	32,951	351,902	(318,951)
8,373,220	2,489,283	5,883,937	Finance & Admin	8,803,106	1,832,338	6,970,768
247,121	716,958	(469,837)	Planning & Development	245,918	761,103	(515,185)
74,189	337,867	(263,678)	Health	98,288	380,418	(282,130)
75,476	639,932	(564,456)	Community & Social Services	64,971	705,086	(640,115)
306,528	724,113	(417,585)	Housing	265,788	1,582,146	(1,316,358)
134,331	1,176,902	(1,042,571)	Public Safety	266,618	1,463,608	(1,196,990)
98,417	1,128,651	(1,030,234)	Sport & Recreation	92,469	1,184,580	(1,092,111)
2,054	129,426	(127,372)	Environmental Protection	3,224	145,024	(141,800)
2,445,964	2,221,571	224,393	Waste Management	2,839,819	2,403,827	435,992
1,079,523	1,784,355	(704,832)	Road Transport	1,286,595	2,128,008	(841,413)
3,526,936	3,564,011	(37,075)	Water	4,068,678	4,153,853	(85,175)
10,200,547	8,792,591	1,407,956	Electricity	10,554,315	9,034,999	1,519,316
88,232	164,539	(76,307)	Other	98,454	183,342	(84,888)
26,686,766	24,155,007	2,531,759	Sub Total	28,721,194	26,310,234	2,410,960
			Share of Income from Joint	15,083		15,083
1,231		1,231	Venture			
(2,261,582)	(2,261,582)	0	Less Inter-Dep charges	(2,487,740)	(2,487,740)	0
24,426,415	21,893,425	2,532,990	Total	26,248,537	23,822,494	2,426,043

DISCLOSURE OF GRANTS AND SUBSIDIES INTERMS OF SECTION 123 MFMA 56 OF 2003

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS					QUARTERLY PAYMENTS					GRANTS AND SUBSIDIES DELAYED/WITHHELD				REASONS FOR DELAYS OF FUNDS	MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE	REASON FOR NON COMPLIANCE
		SEPT	DEC	MAR	JUN	TOTAL	SEP	DEC	MAR	JUN	TOTAL	Sep	Dec	Mar	Jun			
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000			
EQUITABLE SHARE	NATIONAL TREASURY	779,086	623,235	467,485	0	1,869,806	779,086	623,235	467,485		1,869,806						Yes	N/A
URBAN SETTLEMENT DEVELOPMENT GRANT	HUMAN SETTLEMENTS	158,100	711,450	711,450	0	1,580,999	231,295	524,104	251,893	573,707	1,580,999						Yes	N/A
FINANCIAL MANAGEMENT GRANT	NATIONAL TREASURY	1,250	0	0	0	1,250	1,250	0	0	0	1,250						Yes	N/A
INTEGRATED CITIES DEVELOPMENT	NATIONAL TREASURY	4,770	4,769	0	0	9,539	0	0	556	8,983	9,539						Yes	N/A
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	13,000	0	5,500	0	18,500	2,006	11,220	2,343	2,965	18,534						Yes	N/A
NRF	NATIONAL RESEARCH FOUNDATION	0	0	0	89	89	0	0	0	78	78						Yes	N/A
GOVERNMENT HEALT SUBSIDY	KZN DEPT OF HEALTH	0	0	97,088	0	97,088	24,272	24,272	24,272	24,272	97,088						Yes	N/A
PTIG	NATIONAL DEPARTMENT OF TRANSPORT	150,000	0	357,366	0	507,366	19,543	38,414	88,703	138,638	285,298	0	200,000	0	0	Low Expenditure	Yes	N/A
PTNOG	NATIONAL DEPARTMENT OF TRANSPORT	20,000	20,000	31,395	0	71,395	13,319	20,305	32,757	5,014	71,395							
VUNA AWARDS	NATIONAL TREASURY	0	0	0	0	0	36	0	0	1,000	1,036						Yes	N/A
NEIGHBOUR HOOD DEVELOPMENT GRANT	NATIONAL TREASURY	3,555	0	0	0	3,555	604	1,490	1,216	1,459	4,769					Full over not approved	Yes	N/A
EXPANDED PUBLIC WORKS PROGRAMME	DEPARTMENT OF PUBLIC WORKS	18,952	14,215	14,214	0	47,381	5,449	11,960	22,218	20,090	59,717						Yes	N/A
DEPARTMENT OF HUMAN SETTLEMENTS	DEPARTMENT OF HUMAN SETTLEMENTS	0	1,105	55,963	28,326	85,394	0	18,986	2,044	129,419	150,449						Yes	N/A
DEAT	DEPARTMENT OF ENVIRONMENTAL AFFAIRS	0	0	5,256	2,994	8,250	4,197	923	1,034	1,281	7,435						Yes	N/A
GRANT ACCREDITATION	DEPARTMENT OF HUMAN SETTLEMENTS	0	7,316	7,507		14,823	0	0	0	939	939						Yes	N/A
NATIONAL ELECTRIFICATION PROGRAMME	DEPARTMENT OF MINERALS AND ENERGY	20,000	0	0	0	20,000	13,909	6,091	0	0	20,000						Yes	N/A
ESKOM	DEPARTMENT OF MINERALS AND ENERGY	0	601	0	0	601	0	0	0	0	0						Yes	N/A
DME	DEPARTMENT OF MINERALS AND ENERGY	422	14,578	0	0	15,000	0	0	470	222	692						Yes	N/A
DEPARTMENT OF ARTS AND CULTURE	KZN DEPARTMENT OF ARTS AND CULTURE	154,980	0	3,865	0	158,845	866	1,800	2,081	8,337	13,084						Yes	N/A
KZNPA SUBSIDY	KZN DEPARTMENT OF TRANSPORT	1,215	1,217	1,389	331	4,153	1,191	1,217	1,054	691	4,153							
COGTA	KZN- COGTA		4,000	0	0	4,000	0	3,850	0	2,218	6,068						Yes	N/A
DISASTER FUND	NATIONAL DISASTER FUND	0	0	0	0	0	0	351	192	1	543							
GRAND TOTAL		1,325,330	1,402,485	1,758,478	31,739	4,518,033	1,097,022	1,288,217	898,318	919,313	4,202,871							

eThekwini Municipality

Annual Financial Statements for the year ended 30 June 2014

Figures in Rand thousand

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

	2014 R'000	2013 R'000
REVENUE		
Rental of facilities and equipment	64,303	61,805
Rent Non Bowl Events	11,217	15,254
Rent Bowl Events	36,900	30,578
Rent Shops	11,343	9,661
Suites & Business Clubs	4,161	5,752
Rent Parking Bays	682	560
Interest earned - external investments	0	0
Interest Received	0	0
Government grants and subsidies (Capital)	0	0
Fifa World Cup Stadium	0	0
Other income	13,739	11,773
Adventure Walk	51	55
Donations PPE	0	24
Mobile Kiosks	0	49
People's Park	6,520	5,278
Reversal of loss : PPE	0	49
Skycar	4,777	4,676
Sponsorships	1,805	1,019
Stadium Tours	516	623
Sundry Income	70	0
Total operating revenue	78,042	73,578
EXPENDITURE		
Bad Debts	228	-1,356
Bad Debts Provision	228	-1,356
Depreciation - Property, Plant and Equipment	113,129	116,762
Depreciation	113,129	116,762
Contracted Services	-	4,620
Management Fees	-	4,620
Impairments	-	11
Impairments - Property Plant & Equipment	-	11
General expenses	68,224	104,917
Electricity	13,391	12,796
Fuel & Oil : Vehicles	150	14
Hire of Temporary Seats	-	0
Refuse Removal	954	934
Stadium Operational Costs	50,368	88,541
Hire Of City Fleet	232	57
Water	3,129	2,575
Loss on disposal of property, plant and equipment	-	-
Loss on Disposal of Assets	-	-
Total operating expenditure	181,581	224,954
DEFICIT FOR THE YEAR	-103,539	-151,376