



**THE MSUNDUZI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

The Msunduzi Municipality

General Information

Legal form of entity

Municipality

Executive Committee

Mayor - CJ Ndlela

Deputy Mayor - TR Zuma

Member - NP Bhengu

Member - M Chetty

Member - M Inderjit

Member - WF Lambert

Member - NE Majola

Member - JJ Ngubo

The Msunduzi Municipality

General Information

Councillors

Speaker - B Baijoo
Whip - Vacant
NB Ahmed
R Ahmed
RP Ashe
N Atwaru
C Bradley
D Buthelezi
TM Buthelezi
PM Dlamini
T Dlamini
AB Dlomo
SN Govender
SC Gwala
VP Jaca
JM Lawrence
SP Lyne
LL Madlala
IS Madonda
TS Magwaza
TS Majola
FM Makhathini
T Matiwane
M Maphumulo
AL Mbanjwa
FZ Mbatha
GR McArthur
BM Mkhize
MA Mkhize
MH Mkhize
SA Mkhize
VGM Mlete
N Msimang
C Ndawonde
MD Ndlovu
NZ Ndlovu
TP Ndlovu
BB Ngcobo
JM Ngcobo
KM Ngcobo
L Ngcobo
MA Ngcobo
TP Ngcobo
PG Ngidi
DT Ntombela
DB Phungula
FR David
M Schalkwyk
PB Shoji
NS Lungisani

The Msunduzi Municipality

General Information

	J Singh RB Singh P Sithole BC Sokhela MS Sokhela R Soobiah MA Tarr LJ Winterbach TV Xulu PZ Dolo B Zuma BM Zuma NJ Zungu TRF Zungu
Accounting Officer	TS Maseko (Acting)
Grading of local authority	Category - B
Chief Finance Officer (CFO)	N S Sarawan (Acting)
Registered office	The City Hall 260 Church Street Pietermaritzburg 3200
Business address	The City Hall 260 Church Street Pietermaritzburg 3200
Postal address	City Hall Private Bag x321 3200
Controlling entity	Safe City Pietermaritzburg
Bankers	First National Bank
Auditors	The Auditor General
Telephone number:	(033) 392 2006
Facsimile:	(033) 392 2208
Website	www.msunduzi.gov.za

The Msunduzi Municipality

The Annual Financial Statements for the year ended 30 June 2011

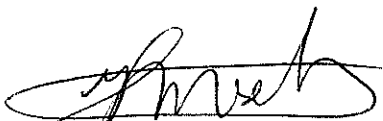
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Abbreviations	
ASB	Accounting Standards Board
CBD	Central Business District
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSB	Development Services Board
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
KZN	Kwazulu Natal
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NATIS	National Traffic Information System
NCT	Natal Co-operative Timber Tree Farming (Pty) Ltd
NJMPPF	Natal Joint Municipal Pension Fund
NPA	Natal Provincial Administration
PAYE	Pay As You Earn
RMB	Rand Merchant Bank
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

**Msunduzi Municipality
Annual Financial Statements
For the year ended June 30, 2011**

I, am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 101, in terms of Section 126(1) of the Municipal Finance Management 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 disclose in Note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearer Act and the Minister of Provincial and Local Governments determination in accordance with this Act.


Mr T Maseko 31/08/2011
Acting Municipal Manager

The Msunduzi Municipality
Statement of Financial Position as at 30 June 2011

	Note(s)	2011	2010
ASSETS			
Current Assets			
Inventories	3	57,922,099	62,078,701
Other financial assets	10	1,487,228	3,368,621
Trade and other receivables from non exchange transactions	4	13,408,066	30,179,340
Trade and receivables from exchange transactions	5	402,476,902	214,803,639
Cash and cash equivalents	6	293,827,145	138,024,193
		769,121,440	448,454,494
Non-Current Assets			
Investment property	9	405,306,365	534,167,000
Property, plant and equipment	7	6,397,646,388	6,221,718,502
Intangible assets	8	7,282,522	6,465,292
Other financial assets	10	6,694,806	4,190,414
		6,816,930,081	6,766,541,208
Total Assets		7,586,051,521	7,214,995,702
LIABILITIES			
Current Liabilities			
Other financial liabilities	11	39,409,376	44,526,158
Finance lease obligation	12	2,861,443	3,442,950
Trade and other payables	13	325,025,603	325,925,442
VAT payable	14	47,648,278	22,512,954
Consumer deposits	15	70,633,354	35,793,963
Unspent conditional grants	16	121,163,591	140,882,033
Current provisions	17	281,850	760,739
		607,023,495	573,844,239
Non-Current Liabilities			
Long-term liabilities	11	514,615,504	562,978,504
Finance lease obligation	12	4,326,449	7,150,234
Retirement benefit obligation	18	211,638,188	151,097,282
Provisions	19	3,623,648	3,623,648
		734,203,789	724,849,668
Total Liabilities		1,341,227,284	1,298,693,907
NET ASSETS		6,244,824,237	5,916,301,795
NET ASSETS			
Housing development fund	20	53,213,896	52,480,002
Accumulated surplus		6,191,610,341	5,863,821,793
Total Net Assets		6,244,824,237	5,916,301,795

The Msunduzi Municipality
Statement of Financial Performance

	Note(s)	2011	2010
Revenue			
Property rates	22	448,256,813	420,030,161
Service charges	23	1,493,213,890	1,159,300,660
Property rates - penalties imposed and collection charges		26,358,475	20,284,950
Rental received		17,312,556	15,571,328
Fees from agency services		576,982	1,435,383
Fines		5,354,278	7,084,343
Licences and permits		88,887	72,254
Government grants & subsidies	24	385,629,804	355,033,160
Other revenue	25	516,908,954	568,909,811
Interest received - investment	26	13,752,046	6,757,205
Interest received - other	26	38,044,138	21,160,808
Total Revenue		<u>2,945,496,823</u>	<u>2,575,640,063</u>
Expenditure			
Employee related costs	27	(634,105,509)	(631,554,862)
Remuneration of councillors	28	(18,417,917)	(19,386,445)
Depreciation and amortisation	29	(252,224,951)	(123,646,386)
Impairment of assets	30	(1,259,776)	(397,381)
Finance costs	31	(71,568,061)	(75,273,070)
Debt impairment	32	(96,000,000)	(250,539,606)
Collection costs		(1,663,830)	(2,460,768)
Repairs and maintenance		(57,394,116)	(65,924,285)
Bulk purchases	33	(994,365,930)	(804,979,363)
Grants and subsidies paid	34	(3,966,665)	(4,342,216)
General Expenses	35	(676,256,002)	(835,254,970)
Total Expenditure		<u>(2,807,222,757)</u>	<u>(2,813,759,352)</u>
Gain or loss on disposal of assets	36	(63,559)	1,937,411
Financial liability amortised cost		241,233	793,323
Financial asset amortised cost		(140,688)	(531,635)
Surplus (deficit) for the year		<u>138,311,052</u>	<u>(235,920,190)</u>

The Msunduzi Municipality

Statement of Changes in Net Assets

	Housing development fund	Accumulated surplus	Total net assets
Balance at 01 July 2009 as previously reported	52,002,719	6,153,197,489	6,205,200,208
Changes in net assets			
Changes in accounting policies	-	(29,919,144)	(29,919,144)
Net income (losses) recognised directly in net assets	-	(29,919,144)	(29,919,144)
Deficit for the year	-	(235,920,191)	(235,920,191)
Total recognised income and expenses for the year	-	(265,839,335)	(265,839,335)
Transfer to / from reserves	-	1,865,658	1,865,658
Net difference of adjustments	-	(8,446,120)	(8,446,120)
Take on of additional servitudes	-	627,160	627,160
Transfer to / from provisions	-	(2,585,766)	(2,585,766)
Contribution to leave pay	-	(7,772,891)	(7,772,891)
Offset depreciation	-	11,175,878	11,175,878
Contribution from accumulated surplus	-	(18,400,280)	(18,400,280)
Transfer to HDF	477,283	-	477,283
Total changes	477,283	(289,375,696)	(288,898,413)
Balance at 01 July 2010	52,480,002	5,863,821,792	5,916,301,794
Changes in net assets	-	(236,915,412)	(236,915,412)
Correction of prior period error	-	385,409,676	385,409,676
Net income (losses) recognised directly in net assets	-	148,494,264	148,494,264
Surplus for the year	-	138,311,054	138,311,054
Total recognised income and expenses for the year	-	286,805,318	286,805,318
Transfer to / from reserves	-	(15,024,339)	(15,024,339)
Net difference of adjustments	-	1,592,591	1,592,591
Transfer to HDF	733,894	-	733,894
Contribution to stated benefits	-	(60,540,906)	(60,540,906)
Contribution to leave pay	-	(6,233,113)	(6,233,113)
Offset depreciation	-	121,188,998	121,188,998
Total changes	733,894	327,788,549	328,522,443
Balance at 30 June 2011	53,213,896	6,191,610,341	6,244,824,237
Note(s)	20		

The Msunduzi Municipality

Cash Flow Statement

	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,356,072,593	1,969,438,279
Interest income		51,796,184	27,918,013
		<u>2,407,868,777</u>	<u>1,997,356,292</u>
Payments			
Suppliers		(1,855,617,586)	(1,885,515,763)
Finance costs		(71,568,061)	(73,753,994)
		<u>(1,927,185,647)</u>	<u>(1,959,269,757)</u>
Net cash flows from operating activities	37	<u>480,683,130</u>	<u>38,086,535</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(111,994,175)	(154,961,519)
Proceeds from sale of property, plant and equipment	7	11,071,616	1,937,411
Movement in non current receivables		(2,505,476)	502,769
Non cash item		(199,406,459)	-
Net cash flows from investing activities		<u>(302,834,494)</u>	<u>(152,521,339)</u>
Cash flows from financing activities			
Net movement in long - term liabilities/financial leases		(56,885,075)	(37,489,581)
Movement in short term liability		-	(50,000,000)
Movement in consumer deposits		34,839,391	985,925
Long term loans received		-	226,095,421
Net cash flows from financing activities		<u>(22,045,684)</u>	<u>139,591,765</u>
Net increase/(decrease) in cash and cash equivalents		155,802,952	25,156,961
Cash and cash equivalents at the beginning of the year		<u>138,024,193</u>	<u>112,867,232</u>
Cash and cash equivalents at the end of the year	6	<u>293,827,145</u>	<u>138,024,193</u>

The Msunduzi Municipality

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

The Msunduzi Municipality

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of Currency

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

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under serious threat. To address the threat under which the municipality find's itself, the Provincial MEC for Department of Corporate Governance and Traditional Affairs, in terms of Section 139 (1) (c) of the Constitution, intervened and appointed an administrator together with a Provincial Intervention Team to ensure that the financial and administrative turn-around of the municipality is put in place and sustained. It is estimated that it may take more than one financial period to bring the municipality's financial position to a favourable one.

The Msunduzi Municipality

Accounting Policies

1.4 Housing development fund

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

1.5 Investment property

Initial Recognition :

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

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

Subsequent Measurement :

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item Useful life

Property - land indefinite
Property - buildings 5 - 50 years

1.6 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, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The Msunduzi Municipality

Accounting Policies

1.6 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impaired costs.

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item	Average useful life
Land	Infinite
Furniture and fixtures	7 - 10 years
Other items of plant and equipment	2- 5 years
Office equipment	3 - 7 years

The Msunduzi Municipality

Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure	
• Roads and paving	5 - 100 years
• Pedestrian malls	30 years
• Electricity	10 - 50 years
• Sewerage	10 - 100 years
• Water	10 - 100 years
• Housing	3 - 30 years
• Storm Water	20 years
Community	
• Buildings	10 - 50 years
• Recreational facilities	10 - 100 years
• Security	5 years
• Watercraft	15 years
Other	
• Other vehicles	5 years
Bins and containers	5 years
Landfill Sites	15 years
Specialised vehicles	10 years
Specialised property, plant and equipment	10 - 15 years

The residual value, 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 from the derecognition of an item of Intangible assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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.

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.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

The Msunduzi Municipality

Accounting Policies

1.8 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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Accounting Policies

1.8 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

The Msunduzi Municipality

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The Msunduzi Municipality

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The Msunduzi Municipality

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The Msunduzi Municipality

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipality has transferred to the purchaser 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 or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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Accounting Policies

1.9 Revenue from exchange transactions (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

The Msunduzi Municipality

Accounting Policies

1.11 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue 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.

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.14 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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

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Accounting Policies

1.17 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When 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.

1.18 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.19 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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1.19 Intangible assets (continued)

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as 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.

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.
- 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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	3 - 5 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.20 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.21 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The Msunduzi Municipality

Accounting Policies

1.21 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

The Msunduzi Municipality

Accounting Policies

1.21 Impairment of cash-generating assets (continued)

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The Msunduzi Municipality

Accounting Policies

1.21 Impairment of cash-generating assets (continued)

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.22 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The Msunduzi Municipality

Accounting Policies

1.22 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

The Msunduzi Municipality

Accounting Policies

1.22 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; 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. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The Msunduzi Municipality

Accounting Policies

1.22 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

The Msunduzi Municipality

Accounting Policies

1.22 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Pension Obligations

The municipality and its employees contribute to 7 different Pension Funds, of which 2 (The Natal Joint Provident and Retirement Pension Fund) cater for the majority of the staff.

Natal Joint Retirement Funds, Government Employee Pension Fund and Associated Institution Pension Fund are defined benefit funds.

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

The schemes are funded through payments to financial consultant 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.

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

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

The Msunduzi Municipality

Accounting Policies

1.24 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.28 Grants in aid

The Msunduzi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not:

Receive any goods or services directly in return, as would be expected in a purchase or sale transaction

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.29 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Msunduzi Municipality

Accounting Policies

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

The Msunduzi Municipality

Accounting Policies

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011

2010

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting - Issued March 2005

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers) - Issued February 2008

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements - Issued November 2007

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

The impact of the standard is not material.

GRAP 103: Heritage Assets - Issued July 2008

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

The impact of the standard is not material.

GRAP 25: Employee benefits - Issued November 2009

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
3. Inventories		
Forestry	39,570,937	36,924,471
Consumable stores	19,486,764	25,500,851
Workshop stores	674,292	674,531
Unused water	1,642,923	1,596,249
Fuel - diesel & petrol	1,085,509	893,152
	62,460,425	65,589,254
Impairment of inventories	(4,538,326)	(3,510,553)
	57,922,099	62,078,701
Carrying value of inventories carried at fair value less costs to sell	57,922,099	62,078,701
Inventory has been recorded using the First in First out (FIFO) method. Impairment of inventory includes redundant and obsolete stock of R1,027,774 -2011 : (R397,381 - 2010).		
Inventory is carried at lower of cost or net realisable value.		
Inventory pledged as security		
Inventory was not pledged as security for overdraft facilities.		
Cost of inventories recognised as an expense		
Consumable / workshop stores	14,660,161	23,822,729
Fuel- diesel and petrol	13,397,861	16,085,067
Forestry	7,695,124	6,677,655
Unused water	265,040,887	236,743,218
	300,794,033	283,328,669
4. Trade and other receivables from non exchange transactions		
Other debtors - discounted interest	(850,063)	(324,061)
Other debtors	11,927,399	28,172,671
Land sale debtors	2,330,730	2,330,730
	13,408,066	30,179,340
Trade and other receivables pledged as security		
Trade and other receivables were not pledged as security for overdraft facilities.		
Credit quality of trade and other receivables		
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Fair value of other receivables from non-exchange transactions		
Other receivables from non-exchange transactions	13,408,066	30,179,340
Interest rate of 18 % has been applied in calculating the fair value adjustment to trade and other receivables from non exchange transactions.		

The Msunduzi Municipality
Notes to the Annual Financial Statements

	2011	2010
5. Trade and receivables from exchange transactions		
Gross balances		
Rates	207,280,469	163,532,979
Electricity	468,485,739	318,311,324
Water	123,933,193	84,544,334
Sewerage	29,462,314	13,863,228
Refuse	47,662,196	25,480,536
Housing rental	14,737,856	11,592,514
Financial instruments - discounted interest	36,905,378	28,056,855
	928,467,145	645,381,770
Less: Allowance for debt impairment		
Rates & General - sewerage, refuse	(124,382,089)	(86,870,383)
Electricity	(332,782,625)	(285,956,125)
Water	(68,825,529)	(57,751,623)
	(525,990,243)	(430,578,131)
Net balance		
Rates	82,898,380	76,662,596
Electricity	135,703,114	32,355,199
Water	55,107,664	26,792,711
Sewerage	29,462,314	13,863,228
Refuse	47,662,196	25,480,536
Housing rental	14,737,856	11,592,514
Financial instruments - discounted interest	36,905,378	28,056,855
	402,476,902	214,803,639
Rates		
Current (0 -30 days)	41,821,917	35,893,975
31 - 60 days	12,215,390	6,727,860
61 - 90 days	6,449,690	5,160,111
91 - 120 days	6,214,069	4,824,242
121 - 365 days	6,076,992	4,525,559
> 365 days	134,502,411	106,401,232
	207,280,469	163,532,979
Electricity, refuse, sewerage, water & housing rentals		
Current (0 -30 days)	242,595,756	162,614,432
31 - 60 days	26,980,949	18,239,279
61 - 90 days	26,489,009	12,041,789
91 - 120 days	25,073,160	12,916,884
121 - 365 days	22,175,628	12,139,114
> 365 days	340,966,796	235,840,439
	684,281,298	453,791,937
Other (specify)		
Financial instruments - discounted interest	36,905,378	28,056,855

The Msunduzi Municipality
Notes to the Annual Financial Statements

	2011	2010
5. Trade and receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	114,780,079	77,678,797
31 - 60 days	25,617,438	16,382,650
61 - 90 days	25,252,134	11,740,804
91 - 120 days	23,793,360	13,161,413
121 - 365 days	20,828,787	11,458,980
> 365 days	347,645,709	234,936,595
	<u>557,917,507</u>	<u>365,359,239</u>
Less: Allowance for debt impairment	(442,688,014)	(324,175,080)
	<u>115,229,493</u>	<u>41,184,159</u>
Industrial/ commercial		
Current (0 -30 days)	157,688,008	99,264,188
31 - 60 days	8,914,320	5,068,377
61 - 90 days	4,165,689	2,651,792
91 - 120 days	4,090,627	2,533,601
121 - 365 days	4,068,421	2,546,927
> 365 days	62,680,589	46,966,584
	<u>241,607,654</u>	<u>159,031,469</u>
Less: Allowance for debt impairment	(83,302,229)	(106,403,052)
	<u>158,305,425</u>	<u>52,628,417</u>
National and provincial government		
Current (0 -30 days)	4,360,393	14,313,229
31 - 60 days	5,641,772	3,569,294
61 - 90 days	3,145,634	3,074,803
91 - 120 days	3,074,328	2,102,902
121 - 365 days	3,204,410	2,709,506
> 365 days	72,708,404	67,250,943
	<u>92,134,941</u>	<u>93,020,677</u>
Less: Provision for debt impairment		
31 - 60 days	(33,464,927)	(104,581,436)
61 - 90 days	(29,417,823)	(14,392,596)
91 - 120 days	(27,883,987)	(15,695,013)
121 - 365 days	(24,897,208)	(14,005,907)
> 365 days	(410,326,298)	(281,903,179)
	<u>(525,990,243)</u>	<u>(430,578,131)</u>
Reconciliation of debt impairment provision		
Balance at beginning of the year	(430,578,131)	(182,000,434)
Contributions to provision	(96,000,000)	(250,539,606)
Bad debts written off against provision	587,888	1,961,909
	<u>(525,990,243)</u>	<u>(430,578,131)</u>

The Msunduzi Municipality

Notes to the Annual Financial Statements

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5. Trade and receivables from exchange transactions (continued)

Consumer debtors pledged as security

Consumer debtors were not pledged as security for overdraft facilities.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Consumer debtors impaired

The amount of the provision was 525,990,243 as of 30 June 2011 (2010: 430,578,131).

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	44,985	44,585
Bank balances	12,174,159	20,058,725
Short-term deposits	281,608,001	117,920,883
	293,827,145	138,024,193

Average rate of return

6.02

7.09

Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed. Fair value is taken at face value.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the Municipality did not apply any methods to evaluate the credit quality.

The Msunduzi Municipality

Notes to the Annual Financial Statements

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6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Bank / Account number	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
FNB - No: 5094187782 (Primary)	46,852,653	52,922,539	17,564,736	33,054,016	(17,645,903)	11,586,616
FNB - No: 5090058750 (Electronic transfers)	-	-	-	(22,606,439)	-	1,000
FNB - No: 5094187774 (Unpaid cheques)	(199,649)	(106,205)	(34,906)	(199,649)	(106,205)	(34,906)
FNB - No: 62058007264 (Slum clearance)	24,298,267	31,200,807	25,581,036	24,298,267	31,200,807	26,652,854
FNB - No: 62065528930 (Library extension)	3,056,897	2,643,263	5,671,854	3,056,897	2,643,263	5,688,294
FNB - No: 62045272143 (Traffic fines)	-	(100)	28,853	-	-	-
FNB - No: 50941840627 (Market)	2,234,989	2,009,212	2,119,320	1,942,258	-	-
FNB - No: 62069378539 (Oribi airport)	10,485	(321,325)	143,935	10,485	(541,280)	(529,356)
FNB - No: 50930082248 (Forestry)	90,882	292,967	123,752	-	292,967	123,752
ABSA - No: 9076022706 (Forestry)	-	483,343	1,109,330	-	488,343	1,109,330
FNB - No: 50941847029 (Salaries main)	223,323	584,435	405,837	172,683	542,965	405,837
FNB - No: 62003432846 (Salaries PACs no.1)	1,082,635	1,962	-	-	-	-
FNB - No: 62003433414 (Salaries PACs no.2)	36,348	973,284	606,023	-	-	-
Total	<u>77,686,830</u>	<u>90,684,182</u>	<u>53,319,770</u>	<u>39,728,518</u>	<u>16,874,957</u>	<u>45,003,421</u>

The Msunduzi Municipality

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	559,857,243	(73,917,080)	485,940,163	462,135,146	(66,333,849)	395,801,297
Infrastructure	5,520,173,084	(539,394,078)	4,980,779,006	5,467,477,266	(602,329,946)	4,865,147,320
Community	652,138,073	(154,079,523)	498,058,550	661,506,710	(133,179,674)	528,327,036
Other	410,973,691	(108,079,800)	302,893,891	491,997,098	(126,439,772)	365,557,326
Movables	288,056,133	(158,686,735)	129,369,398	316,857,467	(250,514,840)	66,342,627
Biological assets	605,380	-	605,380	542,896	-	542,896
Total	7,431,803,604	(1,034,157,216)	6,397,646,388	7,400,516,583	(1,178,798,081)	6,221,718,502

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Adjustments-cost	Disposals	Capital under construction	Depreciation	Impairment loss	Adjustments - Depreciation	Total
Land and Buildings	395,801,297	3,368,655	94,329,647	(12,000)	35,796	(18,575,417)	-	10,992,185	485,940,163
Infrastructure	4,865,147,320	4,518,203	(48,743,020)	(34,733)	96,970,640	(137,096,099)	(156,028)	200,172,723	4,980,779,006
Community	528,327,036	245,256	(6,975,748)	(5,601,150)	4,165,004	(38,751,191)	-	16,649,343	498,058,550
Other	365,557,326	744,680	(82,513,602)	-	745,515	(27,229,953)	-	45,589,925	302,893,891
Movables	66,342,627	847,259	(19,524,318)	(328,056)	-	(26,222,116)	-	108,254,002	129,369,398
Biological assets	542,896	62,484	-	-	-	-	-	-	605,380
Total	6,221,718,502	9,786,537	(63,427,041)	(5,975,939)	101,916,955	(247,874,776)	(156,028)	381,658,178	6,397,646,388

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Capital under construction	Depreciation	Total
Land and Buildings	393,048,071	6,022,539	(5,180)	989,609	(4,253,742)	395,801,297
Infrastructure	4,831,273,448	60,812,670	-	63,103,364	(90,042,162)	4,865,147,320
Community	527,434,646	7,666,770	-	2,240,546	(9,014,926)	528,327,036
Other	382,743,765	6,061,426	(18,240,705)	2,359,962	(7,367,122)	365,557,326
Movables	57,910,249	20,673,943	(2,098,240)	172,694	(10,316,019)	66,342,627
Biological assets	688,383	78,040	(223,527)	-	-	542,896
	6,193,098,562	101,315,388	(20,567,652)	68,866,175	(120,993,971)	6,221,718,502

Pledged as security

No property, plant and equipment were pledged as security for any financial liabilities.

Refer Appendix B for the detailed property, plant and equipment schedules.

Fully Depreciated Assets

All assets that were fully depreciated in the asset register had their useful lives reviewed in the 2010/2011 financial year. This was processed retrospectively and in terms of GRAP 3 was treated as a prior period error.

Other information

During the financial year useful life of property, plant and equipment has been reviewed, the estimated useful life for certain assets has been adjusted. Further certain assets that were previously recognised as expenditure were capitalised during the financial year. Certain properties were recognised on the land and building were transferred to investment properties. Retrospective adjustments made to property, plant and equipment in respect of depreciation calculated assets under construction.

The Msunduzi Municipality
Notes to the Annual Financial Statements

2011 2010

8. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	21,260,844	(14,782,168)	6,478,676	21,968,210	(16,306,764)	5,661,446
Servitudes	803,846	-	803,846	803,846	-	803,846
Total	22,064,690	(14,782,168)	7,282,522	22,772,056	(16,306,764)	6,465,292

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Adjustments - cost	Amortisation	Adjustments - amortisation	Total
Computer software, other	5,661,446	305,293	(1,012,659)	(4,364,785)	5,889,381	6,478,676
Servitudes	803,846	-	-	-	-	803,846
	6,465,292	305,293	(1,012,659)	(4,364,785)	5,889,381	7,282,522

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,593,416	4,700,840	(2,632,810)	5,661,446
Servitudes	176,686	627,160	-	803,846
	3,770,102	5,328,000	(2,632,810)	6,465,292

9. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	405,306,365	-	405,306,365	534,167,000	-	534,167,000

Reconciliation of investment property - 2011

	Opening balance	Adjustments - cost	Disposals	Total
Investment property	534,167,000	(122,674,756)	(6,185,879)	405,306,365

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	534,167,000	534,167,000

Pledged as security

No investment property has been pledged as security for any financial liabilities.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011

2010

9. Investment property (continued)

Other disclosures

Details of valuation

Investment property has been accounted for in terms of GRAP 16 and comprises of both land and buildings owned by the Msunduzi Municipality. Investment property will not be depreciated but will be annually valued on balance sheet date to determine their fair value as prescribed in GRAP 16.

Siyazama Consulting was awarded the tender for the valuation and identification of all investment property of the Msunduzi Municipality on 14 September 2010. Dianne De Wet from Siyazama Consulting is registered with the South African Council for the property valuers profession in terms of section 20 (2) (a) of the Property Valuers Profession Act, 2000. The deliverables of the project included:

- A comprehensive deed search
- Providing separate land and building values
- Identifying Investment property
- Providing a data fact sheet for each property identified with information on the street address, SG 21 digit key (Erf, stand, portion), property description, GIS information and a photograph of the property.

The project was completed in April 2011 and the asset register was updated with the data on investment property in April 2011.

The method applied in updating the investment property data in the asset register was:

- All existing records of investment property in the asset register was written off
- All buildings previously classified as property, plant and equipment in the asset register have been identified and reclassified as investment property.
- All depreciation for these assets was reversed and in terms of GRAP 3 treated as a prior period error.
- New data for investment property was written in.

10. Other financial assets

At fair value through surplus or deficit - designated

Fixed deposits - long to medium term investment	65,135	1,924,051
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Loans and receivables

Housing	7,776,938	5,262,081
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These long term debtors refer to housing rent schemes that were purchased by the existing owners. These loans are repayable over a period of 20 to 30 years.

Educational facilities and sporting bodies	339,961	372,903
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Funding provided to public institutions. These loans do not attract any interest and is repayable over a period of 15 to 40 years.

	8,116,899	5,634,984
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Total other financial assets

	8,182,034	7,559,035
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Non-current assets

Loans and receivables	6,694,806	4,190,414
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Current assets

At fair value through surplus or deficit	65,135	1,924,051
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Loans and receivables	1,422,093	1,444,570
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	1,487,228	3,368,621
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	8,182,034	7,559,035
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Fair value information

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011

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10. Other financial assets (continued)

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

Fair value through surplus and deficit - impaired

Other financial assets at fair value through surplus and deficit are not considered to be impaired.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Loans and receivables impaired

No portion of these loans were impaired as of 30 June 2011.

Credit quality of other financial assets

The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion of the long term receivables was pledged as security for any financial liabilities.

No long term receivables defaulted and no terms of any of the long term receivables were re-negotiated.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancement.

11. Other financial liabilities

Held at amortised cost

External loans	554,024,880	607,504,662
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DBSA - funding required for capital expenditure. Loans bear an interest rate between 6.75% and 16.50%. Loans are repayable over a period between 12 to 30 years.

RMB - funding required for capital expenditure. Loans bear an interest rate between 11.38% and 14.18%. Loans are repayable over a period between 10 to 12 years.

INCA - funding required for capital expenditure. Loans bear an interest rate at 11.38%. Loan is repayable over a period of 10 years.

Non-current liabilities

At amortised cost	514,615,504	562,978,504
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Current liabilities

At amortised cost	39,409,376	44,526,158
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	554,024,880	607,504,662
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Refer to Appendix A for further details on long term liabilities.

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
12. Finance lease obligation		
Minimum lease payments due		
- within one year	3,574,809	4,489,147
- in second to fifth year inclusive	4,799,203	7,775,730
- later than five years	348,401	667,882
	8,722,413	12,932,759
less: future finance charges	(819,725)	(1,488,741)
Present value of minimum lease payments	7,902,688	11,444,018
 Present value of minimum lease payments due		
- within one year	3,357,202	4,211,231
- in second to fifth year inclusive	4,216,553	6,631,806
- later than five years	328,933	600,981
	7,902,688	11,444,018
 Non-current liabilities	4,326,449	7,150,234
Current liabilities	2,861,443	3,442,950
	7,187,892	10,593,184
 The average lease term was 5 years and the average effective borrowing rate was 12 % for 2011 (2010: 12%).		
The entity did not default on any of the interest or capital repayments of the finance leases.		
No terms and conditions of the finance leases were re-negotiated.		
13. Trade and other payables		
Trade payables	24,966,703	28,247,531
Other payables	47,379,602	45,559,584
Other deposits	2,772,795	3,197,119
Accrued leave pay	47,925,583	43,990,395
Operating lease payables	-	170,715
Retentions	9,223,301	12,579,039
Other payables accrued	199,226,560	198,408,767
Other payables - discounted interest	(6,468,941)	(6,227,708)
	325,025,603	325,925,442
14. VAT payable		
VAT payable	47,648,278	22,512,954
VAT is payable on the receipt basis. VAT is only declared to SARS on receipt of payment from consumers. During the financial year all VAT returns were submitted to SARS on due date.		
15. Consumer deposits		
Electricity	54,862,020	28,278,355
Water	10,281,607	4,899,556
Refuse	1,900,801	905,800
Sewer	3,588,926	1,710,252
	70,633,354	35,793,963

Included in deposits is an accrual of interest at an effective interest of 4% per annum

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
15. Consumer deposits (continued)		
Balance on the interest reserve: R10 548 954 as at 30 June 2011 and R 8 401 971 as at the 30 June 2010.		
Guarantees in lieu of electricity and water deposit	6,926,700	8,856,716
16. Unspent conditional grants		
Movement during the year		
Balance at the beginning of the year	140,882,033	113,470,183
Additions during the year	130,449,052	153,249,496
Income recognition during the year	(105,930,966)	(125,837,646)
Prior year adjustment - income recognised	(44,236,528)	-
	121,163,591	140,882,033
The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been fulfilled.		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position.		
Refer to Appendix G for details of unspent conditional grants, receipts and transfers from National/Provincial Government and Other .		
These amounts are invested in a ring-fenced investment account until utilised.		
National grants	44,580,697	81,028,290
Provincial grants & subsidies	36,162,498	24,065,042
Other conditional grant receipts	40,420,396	35,788,701
	121,163,591	140,882,033
17. Current provisions		
Performance bonus	281,850	760,739
The movement in the current provision is reconciled as follows		
Opening Balance	760,739	625,167
Reversal of prior year contributions	(478,889)	-
Contributions	-	135,572
	281,850	760,739

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employee at the reporting date. Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

18. Employee benefit obligations

Defined contribution and benefit plan

The Council provides retirement benefits to employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all permanent employees.

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011

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18. Employee benefit obligations (continued)

The majority members and Council contribute to the Natal Joint Retirement and Provident Funds (NJMP), employees contributing to SALA, AIPF, Pietermaritzburg Provident Fund and GEPF. Employees contributing to SALA, AIPF, Pietermaritzburg Provident Fund and GEPF make up a small number of the total members of pension funds. Msunduzi Municipality liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financial's being compiled for each fund and not for each employer.

The majority of personnel are members of the following pension funds:

Kwa-Zulu-Natal Joint Municipal Provident Fund.

Actuarial Valuation as at 31 March 2010.

Results of valuation.

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R12,779,000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the liabilities by R17,651,000 or about 2,34% of the Share Account at the valuation date. At the previous valuation date it was a deficit.

The Investment Reserve Account far exceeds the deficit, so that the Fund is financially sound as at the valuation date.

Benefits:

- : Pension age 65 years
- : Earliest retirement age 58 years
- : Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.
- : Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses
- : Benefit on retirement after earliest retirement age or pension age - Full benefit.
- : Benefit on retirement because of ill health - Full benefit
- : Benefit on death in service - Full benefit plus 0.7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

Contributions:

- : Members may choose to contribute at a rate of 5%, 7% or 9.25% of their pensionable emoluments in terms of regulation 14(a)
- : Participating employers contribute at a rate of 1.95 times of the rate of members contribution in terms of regulation 17(1)(b)

Benchmark: The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below :

Domestic Investments:	753,288,000
International Investments	52,730,000
Risk Reserve Account	12,779,000
Unallocated Assets (deficit)	17,651,000
Membership	8,837

Natal Joint Pension Fund:

Natal Joint Municipal Pension Fund: (Retirement) Interim actuarial valuation

An interim actuarial valuation was performed on 31 March 2010.

The market value of the Fund's assets was R 1,835,990 at 31 March 2010.

The DCF method of valuation has been applied for the purposes of determining the Fund's financial condition.

The Msunduzi Municipality

Notes to the Annual Financial Statements

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18. Employee benefit obligations (continued)

The funding level in respect of contributory members has deteriorated slightly reducing from 79,5% to 79.0%. The primary reason for this is that salary increases were higher than expected.

On the DCF funding level has improved and the overall shortfall has decreased. The valuation disclosed a surplus of R114.3 million in respect of pensioners and a shortfall of R243.2 million in respect of members.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

Thus, once the surcharge ceases, the underlying rate of contribution will not be sufficient to meet the cost of the benefits. It is necessary to set aside a reserve to hold assets equal to the expected shortfall. For this reason a "Contribution Reserve" is held equal to the present value of the shortfall in terms of the Financial Services Board's Circular PF117 for the 5 years to 2015 when it is expected that the surcharge will cease.

Benefits:

: Members Contributions - 7% of Pensionable salaries plus a surcharge of 1,65 % of pensionable salary in respect of members who were members at 30 June 2002.

: Pension age 65 Years

: Final average Salary - Average annual pensionable salaries during the last year of service.

: Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.

: Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.

: Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age.

: Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age.

: Lump sum on retirement because of ill health (less than ten years continuous service) - The greater of the resignation benefit or twice the members contributions.

: Surviving Spouses pension on death in service - 1,05% of final average emoluments per year of continuous service that the member would have had at the pension age.

: Surviving Spouses pension on death of pensioner - 1,05% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.

: Lump sum on death in service - Annual pensionable emoluments.

: Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

18. Employee benefit obligations (continued)

Investments

Domestic	1,563,444,000
International	272,546,000
Membership	4,008

The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:

Natal Joint Pension Fund	89,345,489	83,944,668
Natal Joint Provident Fund	26,699,726	23,112,838
Government Employees Pension Fund	4,259,352	4,196,154
Associated Institution Pension Fund	189,005	187,111
South Africa Local Authorities Pension Fund	634,069	581,969
Councillors Pension Fund	3,152,967	3,106,040
Dynamique Ambrella (Pietermaritzburg Provident Fund)	563,358	575,149
	124,843,966	115,703,929

Post retirement medical aid contributions.

The municipality operates on 6 accredited medical aid schemes, namely Bonitas. Discovery Health, Hosmed, Key-Health, LA Health and SAMWU Medical Aid Scheme, Pensioners continue on the option they belonged to on the day of their retirement.

The last post-employment health care benefits actuarial valuation in terms of IAS19 was done by Delliottte and Touche for the period ending 30 June 2009. For the financial period ending 30 June 2010 Ernst and Young undertook the valuation in accordance with the requirements of Professional Guidance Note (PPN) 301 of the Actuarial Society of South Africa.

For the 2010/2011 financial period there were no actuarial valuation done and is staff benefit provision based on the last valuation that was undertaken by Ernst and Young during the 2009/2010 financial period. A new valuation will be undertaken in the future in terms of IAS 19 or GRAP 25 when effective.

According to the last valuation the accrued liability amounted to R 310.12 million as at 30 June 2010. The estimated projection for 2010/2011 amounted to R 332.72 that needs be recovered over three year period.

A reconciliation of Msunduzi's accrued liability for the year ending 30 June 2011 is set out below:

Year ended 30 June 2011		
Opening balance	310,120,000	290,450,000
Service cost	10,520,000	7,090,000
Interest cost	24,000,000	22,550,000
Expected benefit payment	(11,920,000)	(10,870,000)
Expected closing balance	332,720,000	309,220,000
Actuarial (gain)/loss	-	900,000
Actual closing balance	332,720,000	310,120,000

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(211,638,188)	(151,097,282)

Movements for the year

Opening balance	(151,097,282)	(98,089,800)
Contributions - Current year	(60,540,906)	(53,007,482)
Closing balance	(211,638,188)	(151,097,282)

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

18. Employee benefit obligations (continued)

Reconciliation of obligation to disclose liability

Actuarial liability	332,720,000	310,120,000
Amount disclosed at 30 June 2010	(151,097,282)	(98,089,800)
Straight line contribution on remainder of liability	(60,540,906)	(53,007,482)
Amount to be contributed in the next four years	<u>121,081,812</u>	<u>159,022,718</u>

Key assumptions used

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2009/2010 financial period.

Plan assets were valued at current market value as required by IAS19.

Assumptions used on last valuation on 30 June 2010.

Discount rates used from	6.42 %	6.42 %
to	9.27 %	9.27 %
Medical inflation - lower than discount rate	1.00 %	1.00 %
Medical inflation higher than CPI	1.00 %	1.00 %
Salary inflation- higher than CPI	2.00 %	2.00 %

Other assumptions; Post retirement mortality PA (90). Retirement age 65 years.

Sensitivity analysis

The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.

Sensitivity to medical inflation

Base	290,448,544	290,448,544
-1%	248,825,292	248,825,292
+1%	343,541,221	343,541,221
	<u>882,815,057</u>	<u>882,815,057</u>

The employees of the Council as well as the Council as employer, contribute to municipal medical aids as listed below:

LA Health	14,029,781	10,044,399
Key Health	31,259,032	30,650,727
Samwumed	2,270,705	2,657,965
Discovery	276,494	271,319
Bonitas	13,723,769	11,269,404
Hosmed	967,350	821,175
	<u>62,527,131</u>	<u>55,714,989</u>

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

19. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Total
Landfill rehabilitation provision	3,623,648	3,623,648

Reconciliation of provisions - 2010

	Opening Balance	Reversed during the year	Change in discount factor	Total
Landfill rehabilitation provision	16,871,166	(13,779,153)	531,635	3,623,648

Contract Q50 of 10/11 - Appointment and provisional programme for closure costing of the New England Road landfill site - was awarded to Jeffares and Green in June 2011. For the current financial year no adjustment has been made to the provision account due to late awarding of the contract, the scope of the contract will only being finalised at the end of August 2011. The necessary adjustment to the provision account during the 2011/2012 financial year.

Alien vegetation provision.

According to the National Environmental Management Act, 1998 (Act No. 107 of 1998) the municipality was encouraged to recognise a provision in this regard.

The Department of Agriculture has since 2006 provided considerable support to the Msunduzi Municipality in terms of clearing listed alien invasive plants.

The Msunduzi Municipality's involvement and responsibility is effectively operational support to the Department of Agriculture terms of clearing listed alien invasive plants.

20. Housing development fund

Unappropriated surplus	18,957,004	18,223,110
Loans extinguished by government on 1 April 1998	34,256,892	34,256,892
	53,213,896	52,480,002

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

Property plant and equipment	179,968	179,968
Housing selling scheme loans	6,808,732	4,293,875
Housing rental trade receivables	14,737,901	11,592,558
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892
Bank and cash	(2,766,061)	2,158,990
Less: trade payables	(3,536)	(2,281)
	53,213,896	52,480,002

21. Revenue

Property rates	448,256,813	420,030,161
Property rates – Penalties imposed and collection charges	26,358,475	20,284,950
Service charges	1,493,213,890	1,159,300,660
Rental of facilities & equipment	17,312,556	15,571,328
Income from agency services	576,982	1,435,383
Fines	5,354,278	7,084,343
Licences and permits	88,887	72,254
Government grants & subsidies	385,629,804	355,033,160
	2,376,791,685	1,978,812,239

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
21. Service charges (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1,493,213,890	1,159,300,660
Rental of facilities & equipment	17,312,556	15,571,328
Income from agency services	576,982	1,435,383
Licences and permits	88,887	72,254
	<u>1,511,192,315</u>	<u>1,176,379,625</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	448,256,813	420,030,161
Property rates – Penalties imposed and collection charges	26,358,475	20,284,950
Fines	5,354,278	7,084,343
Transfer revenue		
Government grants and subsidies	385,629,804	355,033,160
	<u>865,599,370</u>	<u>802,432,614</u>
22. Property Rates		
Rates received		
Residential	212,981,912	209,492,142
Industrial/Commercial	222,910,407	187,836,514
Rural Communal land	98,150	-
Agriculture	245,768	1,716,588
Public service infrastructure	385,342	1,055,148
Vacant land	29,695,142	18,404,737
Adjustments processed	(18,059,908)	1,525,032
	<u>448,256,813</u>	<u>420,030,161</u>
Property rates - penalties imposed and collection charges	26,358,475	20,284,950
	<u>474,615,288</u>	<u>440,315,111</u>
Valuations		
Residential	30,487,047,001	30,651,309,401
Industrial/Commercial	12,880,510,000	13,789,137,000
Rural Communal land	26,000,000	26,000,000
Agriculture	493,501,000	493,501,000
Public Service Infrastructure	241,265,000	201,410,001
Vacant land	1,659,693,000	1,880,513,000
Municipal properties	647,991,000	700,530,000
	<u>46,436,007,001</u>	<u>47,742,400,402</u>

General valuations on properties are performed every 4 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2009. Supplementary valuations are take place on an annual basis to take into account building additions, changes, sub divisions and consolidations.

A general rate of 1.78 cents in a rand for 2011 - (2010: 1.65 cents in a rand) is applied to property valuations to determine assessment rates.

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
23. Service charges		
Sale of electricity	1,053,495,460	816,172,839
Sale of water	271,171,917	213,633,343
Solid waste	65,558,726	53,287,411
Sewerage and sanitation charges	102,987,787	76,207,067
	<u>1,493,213,890</u>	<u>1,159,300,660</u>
The above figure is net of revenue foregone.		
24. Government grants and subsidies		
Grants & subsidies - capital	84,654,085	79,011,226
Equitable share	267,210,613	206,177,611
KZN - Health subsidies	12,488,226	10,797,104
Grants & subsidies - operating	21,276,880	59,047,219
	<u>385,629,804</u>	<u>355,033,160</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Refer to Appendix E for the detailed reconciliation on unspent grants and subsidies.		
25. Other revenue		
Airport	2,646,441	1,308,453
Forestry	11,989,359	10,327,267
Market	16,804,430	16,648,041
Burials and cremations	746,824	942,446
Buildings	2,159,628	1,454,763
Re-connections	14,128,313	9,772,804
Training levy recoveries	1,067,365	2,456,370
Discount received	305,847	525,179
Sundry income	14,846,003	13,034,876
Other revenue - foregone	371,382,541	432,622,618
Other revenue - MIG (PMU) operating costs	2,103,120	1,827,026
Other revenue - insurance recoveries	11,270	52,181
Other revenue	9,100	3,220
Unbilled water	70,245,508	72,383,537
Discounting of debtors	8,463,205	5,551,030
	<u>516,908,954</u>	<u>568,909,811</u>
26. Interest received		
Interest received - external investments	12,822,576	5,453,509
Interest received - sundry debtors	929,470	1,303,696
Interest received - service debtors	38,044,138	21,160,808
	<u>51,796,184</u>	<u>27,918,013</u>

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
27. Employee related costs		
Salaries & wages	449,181,101	434,490,045
Contributions for UIF, pensions & medical aid	116,395,687	107,052,719
Travel, motor car, accommodation, subsistence & other allowances	24,162,356	20,754,308
Overtime payments	24,922,468	50,108,001
Long service awards	15,796,260	13,979,025
Housing benefits and allowances	3,647,637	5,170,764
	634,105,509	631,554,862
Remuneration of municipal manager		
Annual Remuneration	-	901,027
Car Allowance	-	50,000
Contributions to UIF, Medical and Pension Funds	-	22,065
Travel claim	-	2,425
Acting allowance	495,153	-
	495,153	975,517
Remuneration of chief finance officer		
Annual Remuneration	542,866	651,440
Car Allowance	78,236	93,883
Contributions to UIF, Medical and Pension Funds	-	185,374
Travel claim	-	6,583
Acting allowance	30,607	-
	651,709	937,280
<p>The Chief financial officer resigned on the 30 April 2011. The acting allowance relates to the Chief financial officer who was acting for the period May 2011 to June 2011.</p>		
Remuneration of executive manager - internal audit		
Annual Remuneration	-	307,046
Car Allowance	-	101,562
Annual Bonuses	-	38,273
Contributions to UIF, Medical and Pension Funds	-	84,107
Acting allowance - March 2010 to June 2010	-	12,626
Travel claim	-	1,618
Acting allowance	67,283	-
	67,283	545,232
Remuneration of deputy municipal manager community services		
Annual Remuneration	716,290	644,592
Car Allowance	200,903	200,903
Performance Bonuses	-	93,144
Contributions to UIF, Medical and Pension Funds	-	1,497
Travel claim	-	68,404
	917,193	1,008,540

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
27. Employee related costs (continued)		
Remuneration of deputy municipal manager corporate services		
Annual Remuneration	855,340	799,338
Car Allowance	66,022	50,000
Performance Bonuses	-	96,428
Contributions to UIF, Medical and Pension Funds	-	1,497
Travel claim	-	93,345
	921,362	1,040,608
Remuneration of deputy municipal infrastructure services		
Annual Remuneration	-	372,327
Car Allowance	-	24,000
Contributions to UIF, Medical and Pension Funds	-	749
Other - Arbitration	-	348,520
Acting allowance	91,237	-
	91,237	745,596
Remuneration of deputy municipal manager development services		
Performance Bonuses	-	47,381
Acting allowance	-	319,400
	-	366,781
28. Remuneration of councillors		
Mayor	691,499	675,011
Deputy mayor	552,167	540,008
Councillors	10,404,670	8,997,745
Speaker	587,022	540,008
Executive committee members	4,204,859	5,568,838
Councillors' pension and medical contribution	1,977,700	3,064,835
	18,417,917	19,386,445
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Executive 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 and Deputy Mayor have security and an official driver at a cost to Council.		
29. Depreciation and amortisation		
Property, plant and equipment	247,860,166	121,013,576
Intangible assets	4,364,785	2,632,810
	252,224,951	123,646,386

The Msunduzi Municipality

Notes to the Annual Financial Statements

	2011	2010
30. Impairment of assets		
Impairments		
Property, plant and equipment	156,028	-
Inventories	1,103,748	397,381
	<u>1,259,776</u>	<u>397,381</u>
<p>The main classes of assets affected by impairment losses are:</p> <p>Property, Plant and Equipment - The useful life of the Municipality's land file site was reviewed and updated.</p> <p>Inventory - Due to technological changes the inventory has become redundant.</p>		
31. Finance costs		
Annuity & finance loans	68,996,706	71,236,781
Finance leases	1,057,616	1,519,076
Other interest paid	1,513,739	2,517,213
	<u>71,568,061</u>	<u>75,273,070</u>
<p>No external funding was borrowed during the 2010/2011 financial year for capital projects. The weighted average cost of funds borrowed for 2009/2010 was 10.84 %.</p>		
32. Debt impairment		
Contributions to debt impairment provision	<u>96,000,000</u>	<u>250,539,606</u>
33. Bulk purchases		
Electricity	729,325,043	568,236,145
Water	265,040,887	236,743,218
	<u>994,365,930</u>	<u>804,979,363</u>
34. Grants and subsidies paid		
Other subsidies		
Community bodies	191,788	845,477
Mayors grants	-	2,000
Arts and culture	-	863,160
Safe city project	3,774,877	2,631,579
	<u>3,966,665</u>	<u>4,342,216</u>

The Msunduzi Municipality
Notes to the Annual Financial Statements

	2011	2010
35. General expenses		
Airport	6,831,547	6,877,867
Contracted services	13,765,577	14,690,414
External services	28,958,513	38,048,023
Extraordinary	1,004,732	7,125,127
Foregone income - discounts to bulk consumers	1,726,059	89,522,003
Foregone income - other rebates	365,778,590	327,744,164
Foregone income - poor relief / indigents	3,877,892	15,988,547
Forestry	10,249,500	8,963,703
Departmental charges - expenditure	420,641,320	439,864,871
Departmental charges - less charge outs	(429,609,307)	(481,966,196)
Government grant expenditure	21,143,435	59,042,381
Provincial Intervention Team expenses	13,761,375	-
Insurance	19,221,742	21,906,126
Mayoral projects	160,264	11,137,530
Other	112,006,884	186,561,031
Pensions payable	11,039,712	10,374,532
Unbilled water	70,245,507	71,768,199
Telephone and fax	5,452,660	7,606,648
	676,256,002	835,254,970
36. Gains or losses on disposal of assets		
Property, plant and equipment	1,350,631	(182,181)
Land sales	(1,267,439)	2,119,592
Housing	(146,751)	-
	(63,559)	1,937,411
37. Cash generated from operations		
Surplus (deficit)	138,311,054	(235,920,191)
Adjustments for:		
Depreciation and amortisation	252,224,951	123,646,386
Surplus on sale of assets and liabilities	63,559	(1,937,411)
Fair asset amortised	140,688	531,635
Financial liability amortised	(241,233)	(793,323)
Impairment deficit	1,259,776	397,381
Movements in retirement benefit assets and liabilities	60,540,906	53,007,482
Movements in provisions	255,005	(12,634,663)
Other non-cash items	145,240,968	(53,455,507)
Changes in working capital:		
Inventories	3,052,854	1,828,878
Trade and other receivables from non exchange transactions	16,630,586	(11,775,415)
Consumer debtors	(187,673,263)	105,506,845
Current portion of long - term receivables	22,477	47,477
Current portion of other financial instruments	1,860,000	-
Trade and other payables	(658,608)	24,752,860
VAT	25,135,324	17,472,250
Unspent conditional grants	24,518,086	27,411,851
	480,683,130	38,086,535
38. Additional disclosure in terms of the municipal finance management act		
Contributions to SALGA/KWANALOGA		
Council subscriptions	3,746,394	2,481,456
Amount paid - current year	(3,746,394)	(2,481,456)
	-	-

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

38. Additional disclosure in terms of the municipal finance management act (continued)

Audit fees

Opening balance	72,604	13,034
Over provision written back	-	59,570
Audit fee invoiced	3,988,122	3,640,303
Amount paid - current year	(3,854,730)	(3,640,303)
	205,996	72,604

PAYE & UIF

Opening balance	(32,915)	(32,915)
Current year payroll deductions	81,139,790	79,809,019
Amount paid - current year	(81,106,875)	(79,809,019)
	-	(32,915)

Note: The difference represents PAYE & UIF deducted from the employees salaries, however payroll was adjusted in July 2009.

Pension & medical aid deductions

Current year payroll deductions & Council contributions	187,398,331	171,418,918
Amount paid - current year	(187,398,331)	(171,418,918)
	-	-

Councillor's Arrear Consumer Accounts.

On the 18th May 2011, Local Government elections were held. This resulted in a change in Councillors.

The following councillors had arrear accounts:

Councillor

TI Dlamini	2,787	-
MB Mkhize	356	-
TRM Zungu	8,411	6,949
M Inderjit	3,893	508
TR Zuma	158	-
M Maphumalo	2,368	51
VGM Mlete	30,938	-
P Sithole	8,974	-
SC Ndawonde	15,186	-
DB Phungula	7,169	-
R Ahmed	12,032	-
T Matiwane	17,789	-
VT Magubane	-	7,095
TI Ndlovu	-	588
BB Zuma	-	14,117
PW Moon	-	72,603
I Inderjit	-	21,066
SR Ntuli	-	1,873
SC Gabela	-	2
MV Ntshangase	-	10,298
H Ngubane (Sekure Afrique Outdoor Advertising)	-	1,194,297
MA Tarr	-	4
CT Dlamini	-	1,397
	110,061	1,330,848

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

38. Additional disclosure in terms of the municipal finance management act (continued)

VAT		
VAT Payables	47,648,278	22,512,954

VAT output payables and VAT input receivables are shown in note 14 as net VAT payable.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers.

Deviation from Supply Chain Management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incidents

Computer expenditure	20,000	-
Repairs to property, plant and equipment	81,172	-
Repairs to motor vehicles	418,896	-
Repairs and maintenance	252,163	-
Water quality testing	15,924	-
Procurement of property, plant and equipment	70,990	-
	859,145	-

39. Prepaid Electricity

Commissions - are calculated on sales from prepaid electricity sales made by vendors on behalf of the Council. The commissions are included in the general expenses category of the statement of financial performance.

In the 2006/2007 financial year two vendors had defaulted in depositing amounts received from prepaid sales. As a result no commission was paid to them. The defaulting vendors are Sweet waters and Phayiphini who had ceased trading in January 2007 and October 2006 respectively.

The amounts of R55 723 and R75 896 respectively are deemed to be irrecoverable for the 2005/2006 financial year. Also the amounts of R13 980 and R15 671 being the movements for the 2006/2007 year are deemed irrecoverable. This matter is being handled by the legal division in conjunction with the SAPS- Commercial branch unit and Venn Nemeth & Hart attorneys.

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	69,047,000	35,350,000
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This committed expenditure relates to infrastructure assets and will be financed by available bank facilities.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	-	2,310,593
- in second to fifth year inclusive	-	1,950,085
	-	4,260,678

Operating lease payments for the 2010 financial year represent rentals payable by the municipality for certain of its office properties. Operating lease payments represents payment for a contract namely H. Collins (Compen Building). No contingent rent is payable.

The Msunduzi Municipality

Notes to the Annual Financial Statements

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41. Contingencies

Refer to appendix H for list of contingent liabilities.

42. Related parties

The NCT tree farming (Pty) Ltd manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to a 5% management fee based on net profit.

Safe City has been formed as a partnership with the business community to combat crime in the city. Council allocates a grant in aid to the entity.

NCT - 5% of management fee	91,571	71,767
Safe City - grant	3,774,877	3,000,000
	3,866,448	3,071,767

43. Prior period errors

During the year ended 30 June 2011, transactions were erroneously expensed in the statement of financial position and statement of financial performance.

The comparative amounts have been re-stated as per attached Appendix J.

44. Events after the reporting date

None to report on.

45. Irregular expenditure

Total irregular expenditure	17,281,518	17,281,518
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Reconciliation of irregular expenditure

Opening balance	17,281,518	4,077,827
Irregular expenditure for current year	-	13,203,691
	17,281,518	17,281,518

Irregular expenditure awaiting Council condonement

2010: Procurement irregularities

Meter reading contract - payment for the following

Data concentrator unit	-	685,847
Computers	-	114,308
Software	-	5,130,000
Other irregularities		
Awards to persons in service of state	-	6,340,203
Extension of contract	-	933,333
	-	13,203,691

The Administrator is currently investigating all procurement procedures.

46. Fruitless and wasteful expenditure

Total fruitless and wasteful expenditure	-	2,560,609
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Reconciliation of fruitless and wasteful expenditure

Opening Balance	2,560,609	15,168
Fruitless and wasteful expenditure current year	163,014	2,545,441
	2,723,623	2,560,609

Fruitless and wasteful expenditure awaiting condonement/repayment

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

46. Fruitless and wasteful expenditure (continued)

Interest on : Late payment of Telkom accounts	46,375	46,949
Interest on : Late payment of Eskom accounts	32,485	-
Interest on : Late payment to Gonal Construction	3,343	-
Interest on : Late payment to H Collins and Sons	8,240	-
Interest on : Late payment to Masakhane Caterers	613	-
Interest on : Late payment to the Sheriff of the High Court	891	-
Advertising costs on tenders withdrawn	71,067	-
Interest on : Late payment of Umgeni Water account	-	157,511
Interest on : Late payment of CBRE Valuation roll account	-	70,670
SAP HR Management System	-	2,270,311
	163,014	2,545,441

A system has been put in place to stream-line the payment process to ensure non occurrence of interest costs. Staff have been advised on possible recovery of costs due negligence.

47. Unauthorised expenditure

Depreciation and asset impairment	136,390,573	-
Finance charges	570,740	-
	136,961,313	-

Depreciation and asset impairment was budgeted for net of offset depreciation. Further at the time of budget preparation the increase in asset valuation was not taken into account.

Finance charges on long term liabilities were under budgeted for.

48. Municipal entity

The Safe City project PMB was declared a municipal entity in terms of the MFMA and was incorporated as a section 21 company and was initiated in partnership with the business sector to create a safer CBD.

49. Electricity, water & inventory losses

Electricity losses		
Units purchased - kWh	1,752,171,161	1,735,836,294
Units sold - kWh	1,552,609,369	1,531,293,203
	199,561,792	204,543,091
Loss - kWh	11	12
Electricity loss as a percentage		
Electricity loss in Rand value	82,413,730	66,483,628

The acceptable norm of electricity loss is 3%. The significant electricity losses of 199,561,792 kWh (2010: 204,543,091 kWh) occurred during the year under review, which resulted material revenue losses to the municipality.

The loss above the norm is due to theft, distribution losses, illegal tampering of electricity meters and can also be attributable to the ageing infrastructure.

The following targets were set for the reduction of electricity losses:

- Physical audits will be carried out on all electricity meters
- Tampered meters will be removed and customers will be required to make good on debt before reinstatement.
- Where meters have been disconnected and reconnections have not been paid for, night checks will be done to ascertain whether customers have illegally reconnected the meter
- Provision has been made in the 2011/2012 capital budget for the acquisition of protected structures for housing the electricity meters.
- Customers will thereafter not have access to the electricity meters and this will assist in combating theft of electricity

The Msunduzi Municipality

Notes to the Annual Financial Statements

2011 2010

49. Electricity, water & inventory losses (continued)

Water losses

Units purchased - KI	61,846,351	58,492,009
Units sold - KI	39,031,160	37,865,504
Losses - KI	22,815,191	20,626,505
Apparent losses - KI	(1,393,188)	(1,393,193)
Real losses - KI	21,422,003	19,233,312
Water loss as a percentage	35	33
Water loss in Rand value	75,459,006	63,066,030

The acceptable norm in developing countries of water loss is 20%. The significant water losses of 21,422,003 kl (2010: 19,233,312 kl) occurred during the year under review, which resulted material revenue losses to the municipality.

The loss above the norm is due to theft, distribution losses, illegal tampering of water meters and can also be attributable to the ageing infrastructure.

The following targets were set for the reduction of water losses:

- Design of 10 new pressure reducing valves
- Commissioning of 8 new pressure reducing valves
- Optimisation of 50 existing PRV zones
- Completion of leak detection and repair activities on approximately 1 350km of reticulation
- Inspection and repair of 10 reservoirs
- Replacement of 5km of existing AC pipelines

Inventory losses

Central Stores - net write up of general ledger	408,486	110,444
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The background to the 2010 adjustment is that during this period there was a lack in management and internal controls were very weak added to this is that there was no segregation of duties. Procedures and processes were not followed and there was a total breakdown of controls. This could have been a combination of theft and gross inefficiency regarding the recording of transactions.

In the 2011 financial year, the following remedy has been implemented to control the movement of stock within the stores environment, the stores unit has created a separate dispatching and receiving bay to restrict the unnecessary cross flow of stock that is being received and stock that is being issued. The results of the implementation of this measure is twofold.

- Firstly there is a check at the dispatch area of the number of items as per the requisition by a storeman and an assistant, the result of this is that we have seen a huge reduction in the number of shortages that have been reported on, as compared to previous years.
- Secondly the creation of the receiving bay were all items that are ordered by council are received except goods that are to be delivered to on-site locations has assisted in the reduction of short receipts on council orders. We have a stock monitor person that is tasked with the monitoring of materials delivered to on-site locations.

Cable stores - net write down of general ledger	(72,491)	(372,587)
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The 2010 variance arose through the theft of cable from the cable yard. Copper is a high value commodity in the scrap metal market place. The thefts took place over a period of time and all have been reported to the South African Police as well to the Municipality's Internal Security division.

The 2011 write down is primarily due to the theft of copper cable at the cable yard. The South African police have been informed and various cases of theft have been opened. The following remedy has been implemented and has since yielded positive results:

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Notes to the Annual Financial Statements

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49. Electricity, water & inventory losses (continued)

- The cable yard though being fenced off is further secured with a security guard a guard dog as well as intruder sensors during the night shift, we have relocated all the copper cable drums and these are being stored in a secure lockable storeroom.
- During the day the gate leading to the cable yard is locked and only when a request for cable is received is the gate unlocked and opened, the number of personnel entering the cable yard are also restricted to the crew that is requesting the cable.

Edendale stores - net write down of general ledger	-	(25,153)
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The 2010 variance was due to the lack of management and internal controls at this store. After the retirement of the senior storeman at Edendale the junior staff were relocated but the stock was left there, We had a break in and all the copper water fittings were stolen. This matter was reported to the South African Police as well to the Municipality's Internal Security division.

For the 2011 financial year the Edendale store has been closed and all stores issues are being made from the central stores department.

In 2011 quarterly inventory counts have been performed. An inventory management plan has been drafted which indicate the procedures that have been implemented with regard to receipts, issuing, safeguarding and physical verification of stores items. Monthly reconciliations are also being performed. A inventory policy is being drafted as part of the Supply Chain Management policies and procedures.

50. Traffic fines outstanding

As per NATIS - traffic department

Notice of intention to prosecute - 341's	892,900	1,270,470
Notice before summons	-	300
Section 54 notices - summons	2,774,150	414,950
Unfinalised fines	92,150	609,300
Warrant of arrests	4,825,150	4,013,650
	8,584,350	6,308,670

51. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Trade and other payables and Inventory

In the 2009/2010 financial year - trade & other payables: Accruals increased & trade and other receivables from non exchange transactions decreased	-	1,315
In the 2009/2010 financial year - inventory decreased & trade and other receivables from non exchange transactions increased	-	(1,488,399)

Statement of Financial Performance

Revenue entry of unbilled water previously classified as foregone income under expenditure - Revenue increased and expenditure decreased.	-	72,383,537
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52. Accumulated surplus/deficit

Implementation of GRAP - Ring fencing of reserves

Accumulated surplus	5,589,723,188	5,253,164,149
Self insurance reserve	50,335,072	43,045,176
Government grant reserve	538,916,363	554,976,749
Capital replacement reserve	12,635,718	12,635,718
	6,191,610,341	5,863,821,792

The Msunduzi Municipality

Notes to the Annual Financial Statements

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53. Going concern

The Msunduzi Municipality during the previous reporting period experienced serious financial challenges which have necessitated Provincial Government intervention in terms of section 139 (1) (b) of the Constitution during the third quarter of 2009/10. The financial crises was the result of poor controls, rampant corruption amongst senior staff, failure to prepare the mid-year adjustments budget and the 2010/11 budget not in time and other issue relating to poor internal control and procedures, which has placed tremendous pressure on the municipality's liquidity ratio and financial sustainability.

During the period started in April 2010, certain strategies have been implementation by the Provincial Intervention Team. It is still the assumption that it will take some time for the municipality to recover. The Administrator appointed by the Provincial Department of Corporate Governance adopted four Strategies consisting of a Financial Strategy, an Infrastructure Development Strategy, a Community Service Strategy and a Good Governance Strategy.

The following financial measures were implemented during 2010/2011 to achieve the turnaround strategy of the municipality:

1. The Municipal Infrastructure Grant funds for the 2010/11 financial year was reprioritised in order to use funds for revenues enhancement projects including proper contract management.
2. A comprehensive Debt Collection strategy has been developed and partially implemented in order to ensure a much more effective debt collection and to increase the collection rate. However this is a medium term solution that will run over more than one financial period.
3. A project of fortifying electricity meters starting with high risk areas is implemented as a way of reducing electricity losses, thefts and illegal connections.
4. A project for installing water district meters in order to establish water losses in the various distribution regions is in the process of implementation in order to cope with the current water losses. The Council also developed a plan to manage water capital outlay and to address backlogs that exists in the water services.
5. A new tariff structure has been developed for electricity so that the correct revenue may be billed and collected in line with Eskom tariffs.
6. The indigent policy will be reviewed so that only those who are legible actually benefit.
7. Priority will be given to the updating of the valuation roll so that the municipality's revenue may be levied accurately, lesser objections and increased collections. A fully fledged exercise to recover debt will be in place from 1 July 2011.
8. Land or other assets as and when identified can be disposed of to generate additional revenue for capital projects.
9. It is still the Council's goal to reduce council funded projects to a minimal and maximize utilization of external funding depending on the availability of funding for the borrowing cost. DBSA has approved the extension of the R200 million loan previously approved which will allow Council address some of its capital projects.
10. The Budget will still focus on service delivery provision and nice to have items is eliminated from the budget.
11. Vehicles will be replaced in the 2011/12 financial that will increase service delivery in certain areas like refuse removal, road maintenance etc and will be financed from the extended DBSA loan.
12. An effective Supply Chain Management has been put in place to eliminate abuse, corruption and theft and faster processing of requests by the various departments.
13. Policies which were draining the council's cash, such as Overtime, has been reviewed, and has resulted in a 50 % reduction in overtime payments.
14. Other financial policies have been drafted or reviewed which will allow for better controls and procedures.

The Msunduzi Municipality

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54. Intervention in terms of section 139 (1) (b) of the Constitution

Expenditure relating to the Provincial Intervention Team (PIT) for the period 1 July 2010 to 30 June 2011.

Salaries	2,379,513	-
Accommodation	295,817	-
Travelling	49,003	-
Subsistence	52,140	-
Car rental	52,268	-
Cellphone	22,977	-
Petrol	1,158	-
Forensic investigations	10,801,211	-
Conference	107,288	-
	13,761,375	-

55. Comparison of budget against actual

Refer to appendix I for the statement of comparative of budget against actual information.

56. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available 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.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

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APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/10	Received during the period	Redeemed written off during the period	Balance at 30/06/11
LONG-TERM LOANS				R	R	R	R
DBSA - 15.5%	PMB8108710930	11158	30-Sep-2018	10,364,928	-	654,003	9,710,925
DBSA - 15.5%	PMB8108710930	11159	31-Mar-2019	12,898,723	-	734,835	12,163,888
DBSA - 15.5%	PMB8108710930	11160	31-Mar-2019	10,993,006	-	626,267	10,366,739
DBSA - 16.5%	PMB8108710930	13446	31-Mar-2020	20,678,255	-	918,207	19,760,048
DBSA - 16.5%	PMB8108710930	13447	31-Mar-2020	8,814,330	-	391,396	8,422,934
DBSA - 16.5%	PMB8108710930	13448	31-Mar-2020	13,050,792	-	579,514	12,471,278
DBSA - 14.27%	PMB8108710930	14039/101	31-Dec-2015	37,147,186	-	8,743,745	28,403,441
DBSA - 14.27%	PMB8108710930	14039/102	11-Feb-2020	1,008,305	-	133,889	874,416
DBSA - 14.27%	PMB8108710930	102091	28-Jun-2021	4,621,647	-	256,867	4,364,780
DBSA - 10.75%	PMB8108710930	102416	30-Jun-2013	42,943,575	-	2,398,935	40,544,640
DBSA - 9.31%	PMB8108710930	102416	30-Jun-2013	21,359	-	8,215	13,143
DBSA - 8.7%	PMB8108710930	102797	30-Sep-2020	21,081,888	-	1,271,446	19,810,442
DBSA - 10.79%	PMB8108710930	103059/1	30-Sep-2022	81,549,912	-	3,821,329	77,728,582
DBSA - 6.75%	PMB8108710930	103059/2	30-Sep-2023	62,147,775	-	3,195,793	58,951,982
DBSA - 12.02%	PMB8108710930	103594/1	31-Dec-2024	15,356,019	-	1,053,727	14,302,292
DBSA - 6.75%	PMB8108710930	103594/2	31-Dec-2024	112,500,000	-	4,590,095	107,909,905
DBSA - 12.10%	PMB8108710930	103721	31-Mar-2025	37,500,000	-	2,312,459	35,187,541
DBSA Total				568,773,121	-	35,178,046	533,595,075
RMB/INCA - 14.18%	PMB8108710929	Pret-00-0001	30-Sep-2012	9,682,259	-	7,681,994	2,000,265
RMB/INCA - 11.55%	PMB8108710929	Msun-00-0001	31-Dec-2011	9,729,904	-	5,913,339	3,816,565
INCA - 11.38%	PMB8108710929	Msun-00-0001	31-Dec-2013	14,534,074	-	3,583,942	10,950,132
RMB/INCA Total				33,946,237	-	17,179,275	16,766,962
RMB/HULETTIS - 8.71%	PMB8108710931	Sub-station	30-Jun-2013	4,785,305	-	1,122,462	3,662,843
RMB/HULETTIS Total				4,785,305	-	1,122,462	3,662,843
Total Long-term Loans				607,504,663	-	53,479,783	554,024,880
LEASE LIABILITY							
Standard Bank - 8.4305%	PMB 810 871 0959	Stannic 17	30-Apr-2010	35,420	-	35,420	-0
Standard Bank - 8.4150%	PMB 810 871 0960	Stannic 18	31-Mar-2010	17,981	-	17,981	-0
Standard Bank - 8.4403%	PMB 810 871 0961	Stannic 19	30-Jun-2010	14,537	-	14,537	-0
Standard Bank - 8.3305%	PMB 810 871 0962	Stannic 20	31-Aug-2010	84,245	-	84,245	0
Standard Bank - 8.3299%	PMB 810 871 0963	Stannic 21	31-Aug-2010	206,095	-	206,095	0
Standard Bank - 8.3750%	PMB 810 871 0964	Stannic 22	31-Aug-2010	172,186	-	172,186	-0
Standard Bank Total				530,464	-	530,464	-0

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EXTERNAL LOANS	ACCOUNT NO	Load Number	Redeemable	Balance at 30/06/10	Received during the period	Redeemed written off during the period	Balance at 30/06/11
Nedbank - 10.000%	PMB 810 871 0965	Nedbank 1	31-Dec-2011	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0966	Nedbank 2	31-Dec-2012	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0967	Nedbank 3	31-Dec-2013	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0968	Nedbank 4	31-Dec-2014	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0969	Nedbank 5	31-Dec-2015	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0970	Nedbank 6	31-Dec-2016	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0971	Nedbank 7	31-Dec-2017	55,518		36,084	19,435
Nedbank - 10.000%	PMB 810 871 0972	Nedbank 8	31-Dec-2018	57,511		37,378	20,132
Nedbank - 10.000%	PMB 810 871 0973	Nedbank 9	31-Dec-2019	57,574		37,419	20,154
Nedbank - 10.000%	PMB 810 871 0974	Nedbank 10	31-Dec-2014	327,103		60,581	266,522
Nedbank - 10.000%	PMB 810 871 0975	Nedbank 11	24-Dec-2014	327,103		60,581	266,522
Nedbank - 10.500%	PMB 810 871 0976	Nedbank 12	31-Dec-2017	1,579,027		161,300	1,417,727
Nedbank - 10.413%	PMB 810 871 0977	Nedbank 13	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0978	Nedbank 14	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0979	Nedbank 15	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0980	Nedbank 16	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0981	Nedbank 17	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0982	Nedbank 18	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0983	Nedbank 19	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0984	Nedbank 20	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0985	Nedbank 21	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0986	Nedbank 22	30-Jun-2012	75,220		35,662	39,558
Nedbank - 10.413%	PMB 810 871 0138	Nedbank 23	1-Oct-2013	170,655		43,516	127,139
Nedbank - 13.369%	PMB 810 871 0139	Nedbank 24	1-Oct-2013	170,655		43,516	127,139
Nedbank - 13.369%	PMB 810 871 0104	Nedbank 27	1-Oct-2013	155,027		39,531	115,497
Nedbank - 13.369%	PMB 810 871 0102	Nedbank 28	1-Oct-2013	155,027		39,531	115,497
Nedbank - 13.369%	PMB 810 871 0103	Nedbank 29	1-Oct-2013	155,027		39,531	115,497
Nedbank - 13.369%	PMB 810 871 0105	Nedbank 30	1-Oct-2013	232,763		59,353	173,410
Nedbank - 13.369%	PMB 810 871 0109	Nedbank 31	1-Oct-2013	112,579		28,707	83,872
Nedbank - 13.369%	PMB 810 871 0110	Nedbank 33	1-Oct-2013	112,579		28,707	83,872
Nedbank - 13.369%	PMB 810 871 0108	Nedbank 34	1-Oct-2013	114,180		29,115	85,065
Nedbank - 13.369%	PMB 810 871 0106	Nedbank 35	1-Oct-2013	230,339		58,735	171,604
Nedbank - 13.369%	PMB 810 871 0128	Nedbank 36	1-Oct-2013	90,509		23,079	67,430
Nedbank - 13.369%	PMB 810 871 0100	Nedbank 37	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0999	Nedbank 38	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0998	Nedbank 39	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0997	Nedbank 40	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0996	Nedbank 41	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0995	Nedbank 42	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0994	Nedbank 43	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0131	Nedbank 44	1-Oct-2013	90,509		23,079	67,430
Nedbank - 13.369%	PMB 810 871 0993	Nedbank 45	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0129	Nedbank 46	1-Oct-2013	90,509		23,079	67,430

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EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/10	Received during the period	Redeemed written off during the period	Balance at 30/06/11
Nedbank - 13.369%	PMB 810 871 0101	Nedbank 47	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0130	Nedbank 48	1-Oct-2013	90,509		23,079	67,430
Nedbank - 13.369%	PMB 810 871 0991	Nedbank 49	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0990	Nedbank 51	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0988	Nedbank 52	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0989	Nedbank 53	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0992	Nedbank 54	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.369%	PMB 810 871 0987	Nedbank 55	1-Oct-2013	51,436		13,116	38,320
Nedbank - 13.556%	PMB 810 871 0133	Nedbank 56	1-Oct-2013	77,216		19,643	57,573
Nedbank - 13.556%	PMB 810 871 0134	Nedbank 57	1-Oct-2013	77,216		19,643	57,573
Nedbank - 13.556%	PMB 810 871 0135	Nedbank 58	1-Oct-2013	77,216		19,643	57,573
Nedbank - 13.556%	PMB 810 871 0132	Nedbank 59	1-Oct-2013	77,216		19,643	57,573
Nedbank - 13.369%	PMB 810 871 0121	Nedbank 60	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0119	Nedbank 62	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0123	Nedbank 63	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0122	Nedbank 64	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0113	Nedbank 65	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0115	Nedbank 66	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0120	Nedbank 67	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0125	Nedbank 68	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0114	Nedbank 69	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0112	Nedbank 70	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0124	Nedbank 71	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0117	Nedbank 72	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0127	Nedbank 73	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0126	Nedbank 74	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0116	Nedbank 75	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.369%	PMB 810 871 0118	Nedbank 76	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.376%	PMB 810 871 0111	Nedbank 77	1-Oct-2013	101,927		25,991	75,937
Nedbank - 13.376%	PMB 810 871 0140	Nedbank 78	1-Oct-2013	207,130		51,218	155,912
Nedbank - 13.376%	PMB 810 871 0141	Nedbank 79	1-Oct-2013	208,345		51,518	156,827
Nedbank - 13.376%	PMB 810 871 0142	Nedbank 80	1-Oct-2013	203,337		50,280	153,057
Nedbank - 13.376%	PMB 810 871 0143	Nedbank 81	1-Oct-2013	208,529		51,564	156,965
Nedbank Total				9,383,753	-	2,502,534	6,881,219
Airport security system	PMB 810 871 0002	Rhomani	31-Mar-2012	678,967		372,294	306,673
Other Finance lease total				678,967		372,294	306,673
Total lease liability				10,593,184		3,405,292	7,187,892
TOTAL EXTERNAL LOANS				618,097,846		56,885,075	561,212,771

THE MSUNDUZI MUNICIPALITY													
APPENDIX B													
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011													
	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Adjustments	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals	Impairment	Closing Balance	
LAND AND BUILDINGS													
Land	180,703,003	93,592,688		35,796	-12,000	274,319,488	-	-	-	-	-	-	274,319,488
Buildings	281,432,143	736,958	3,368,655			285,537,756	66,333,849	-10,992,186	18,575,418	-	-	73,917,081	211,620,675
Investment Property	534,167,000	-122,674,756			-6,185,879	405,306,365	-	-	-	-	-	-	405,306,365
Total Land and Buildings	996,302,146	-28,345,110	3,368,655	35,796	-6,197,879	965,163,608	66,333,849	-10,992,186	18,575,418	-	-	73,917,081	891,246,527
ELECTRICITY													
HV Overhead Lines	48,048,265	7,058,571	-	-	-	55,106,836	4,029,224	-1,094,320	1,064,740	-	-	3,999,644	51,107,192
HV Substations	365,562,666	-152,309,561	-	-	-50,000	213,203,105	40,574,605	-29,503,650	4,299,946	-15,267	-	15,355,635	197,847,471
Power Stations	13,724,309	-13,724,309	-	-	-	-	180,113	-180,113	-	-	-	-	-
HV Underground Cables	15,087,570	-1	-	-	-	15,087,569	2,188,471	-1,318,772	289,949	-	-	1,159,647	13,927,922
Electricity Supply	3,167,623	-3,167,623	-	-	-	-	104,982	-104,982	-	-	-	-	-
LV Street Lighting	37,056,976	1,108,124	-	9,346,516	-	47,511,616	2,674,367	-986,364	741,877	-	-	2,429,880	45,081,736
MV Ground Mounted Transformers	2,768,987	67,145	-	2,990,000	-	5,826,132	116,497	-67,248	56,964	-	-	106,213	5,719,919
Transformer Kiosks	6,496,879	-6,496,879	-	-	-	-	20,114	-20,114	-	-	-	-	-
MV Mini Substations	107,179,585	0	-	-	-	107,179,585	8,966,891	-2,826,342	2,060,461	-	-	8,201,010	98,978,575
MV Overhead Lines	21,707,533	1,698,626	-	-	-	23,406,159	1,290,237	14,441	450,586	-	-	1,755,263	21,650,895
MV Substations	120,839,898	718,561	-	-	-	121,558,459	12,517,197	-5,129,533	2,511,307	-	-	9,898,970	111,659,489
MV Underground Cables	707,337,837	2,153,469	-	-	-	709,491,306	59,662,361	-18,796,178	13,635,695	-	-	54,501,877	654,989,429
MV Pole Mounted Transformers	14,351,650	1	-	-	-	14,351,651	1,228,302	-456,469	276,668	-	-	1,048,501	13,303,150
MV Ring Main Unit	9,511,833	4,530,546	-	-	-	14,042,379	696,850	-6,311	303,821	-	-	994,360	13,048,019
Streetlighting	960,471	-960,471	-	-	-	-	25,466	-25,466	-	-	-	-	-
	1,473,802,082	-159,323,800	-	12,336,516	-50,000	1,326,764,798	134,275,677	-60,501,421	25,692,012	-15,267	-	99,451,001	1,227,313,797
ROADS													
Overhead Gantry	130,000	-	-	-	-	130,000	6,250	-2,425	1,274	-	-	5,098	124,902
Concrete Roads	26,225,077	-1	-	-	-	26,225,076	1,886,610	-402,858	494,141	-	-	1,977,893	24,247,184
Flexible Roads	1,368,544,785	8,059,717	3,970,442	40,414,650	-	1,420,989,594	152,167,125	-7,606,140	49,146,843	-	-	193,707,829	1,227,281,766
Roads Other	91,220,659	-91,220,659	-	-	-	-	6,885,005	-6,885,005	-	-	-	-	-
Unpaved Roads	131,646,775	194,230	-	-	-	131,841,005	33,114,566	-3,723,526	9,789,601	-	-	39,180,640	92,660,365
Other Roads	372,879	135,615,540	-	-	-	135,988,419	42,215	2,864,367	3,406,728	-	-	6,313,310	129,675,108
Structures	217,218,963	18,905,580	-	-	-	236,124,543	-9,973,531	16,838,683	2,316,720	-	-	9,181,872	226,942,671
Bridges	184,212	-184,212	-	-	-	-	4,070	-4,070	-	-	-	-	-
Signalized Intersections	31,747,128	8,730,061	498,208	3,756,830	-	44,732,227	698,563	6,186,827	2,393,171	-	-	9,278,561	35,453,666
Traffic Lights	1,281,658	-1,281,658	-	-	-	-	42,477	-42,477	-	-	-	-	-
Airport Runway	50,309,066	-1,765,549	-	10,917,036	-	59,460,553	6,086,454	-2,588,610	1,164,278	-	-	4,662,122	54,798,431
	1,918,881,202	77,053,049	4,468,650	55,088,516	-	2,055,491,417	190,959,804	4,634,766	68,712,755	-	-	264,307,324	1,791,184,093
SANITATION													
Sewer Treatment Works	2,760,618	-0	-	-	-	2,760,618	462,048	-177,433	94,789	-	-	379,404	2,381,213
Pump Stations	8,721,807	-0	49,553	2,299,541	-	11,070,901	1,495,311	-312,736	405,555	-	-	1,588,130	9,482,771
Bulk Sewers	61,788,243	2,102,864	-	-	-	63,891,107	5,612,916	-2,577,249	1,023,562	-	-	4,059,229	59,831,878
Sewer Reticulation	402,214,090	95,170,778	-	14,119,650	-	511,504,518	40,755,804	-13,313,183	10,221,758	-	-	37,664,379	473,840,138
Sewers	61,365,575	-61,365,575	-	-	-	-	217,259	-217,259	-	-	-	-	-
	536,850,333	35,908,066	49,553	16,419,191	-	589,227,143	48,543,338	-16,597,860	11,745,665	-	-	43,691,143	545,536,000
WATER													
Water Reticulation	354,615,261	7,377,114	-	12,665,036	-	374,657,412	59,874,059	-37,924,585	7,791,449	-	-	29,740,923	344,916,488
Water Mains	7,153,169	-7,153,169	-	-	-	-	158,386	-158,386	-	-	-	-	-
Pump Stations	9,809,887	1	-	-	-	9,809,888	1,586,841	-106,115	493,151	-	-	1,973,877	7,836,011
Reservoirs	120,655,588	5,120,586	-	461,380	-	126,237,554	12,338,229	-7,560,586	1,644,219	-	-	6,421,862	119,815,692
Water Reservoirs	4,090,222	-4,090,222	-	-	-	-	83,810	-83,810	-	-	-	-	-
Water Supply Bulk Water Pipelines	441,855,086	2,866,699	-	-	-	444,721,785	28,365,864	-13,357,687	5,048,949	-	-	20,057,126	424,664,660
Water Supply Pressure Reduce Valves	2,312,016	1,452,684	-	-	-	3,764,700	-420,911	1,085,303	221,274	-	-	885,666	2,879,034
Water Meters	-1,249,697	1,480,637	-	-	-	230,940	-1,379,026	1,419,783	13,574	-	-	54,331	176,609
	939,241,532	7,054,331	-	13,126,416	-	959,422,279	100,607,251	-56,686,082	15,212,616	-	-	59,133,785	900,288,494

THE MSUNDUZI MUNICIPALITY													
APPENDIX B													
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011													
	Cost						Accumulated Depreciation						
	Opening Balance	Adjustments	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals	Impairment	Closing Balance	Carrying Value
SECURITY													
Fencing	6,474,172	-2,072,671	-	-	-	4,401,501	4,836,811	-3,612,842	875,787	-	-	2,099,756	2,301,745
Security Systems	40,661,176	-16,407,010	-	-	-	24,254,166	38,991,798	-24,443,932	1,264,812	-	-	15,812,678	8,441,488
Access Control	225,705	-51,937	-	-	-	173,768	117,006	-68,059	25,042	-	-	73,988	99,780
	47,361,053	-18,531,617	-	-	-	28,829,436	43,945,615	-28,124,833	2,165,641	-	-	17,986,423	10,843,013
STORMWATER													
Rivers	2,754,682	-2,754,682	-	-	-	-	1,152,611	-1,152,611	-	-	-	-	-
Major Culverts	41,382,991	-0	-	-	-	41,382,991	3,256,523	-946,794	788,236	-	-	3,097,965	38,285,026
Minor Culverts	662,608	0	-	-	-	662,608	158,367	-120,630	12,568	-	-	50,306	612,302
Kerb Inlets	87,562,342	-409,123	-	-	-	87,153,219	19,037,768	-9,386,573	3,226,448	-	-	12,877,642	74,275,576
Manholes	56,558,788	-	-	-	-	56,558,788	12,134,115	-5,849,080	2,093,168	-	-	8,378,203	48,180,585
Open Channels	13,309,316	-0	-	-	-	13,309,316	1,247,414	-514,694	256,270	-	-	988,990	12,320,326
Stormwater Drains	473,418	-473,418	-	-	-	-	15,690	-15,690	-	-	-	-	-
Reticulation	332,086,073	14,776,239	-	-	-	346,862,312	39,185,137	-19,558,935	6,693,465	-	-	26,319,666	320,542,646
Head and Wingwalls	5,549,544	-	-	-	-	5,549,544	1,190,599	-573,911	205,382	-	-	822,069	4,727,475
	540,339,762	11,139,016	-	-	-	551,478,778	77,378,223	-38,118,920	13,275,537	-	-	52,534,841	498,943,937
RAILWAY LINES													
Railway Lines	5,551,550	-2,042,070	-	-	-	3,509,480	5,754,815	-4,325,307	102,643	-	-	1,532,151	1,977,329
	5,551,550	-2,042,070	-	-	-	3,509,480	5,754,815	-4,325,307	102,643	-	-	1,532,151	1,977,329
SOLID WASTE													
Garden Refuse	1,886,197	-0	-	-	-	1,886,197	342,906	-147,606	77,907	-	38,621	311,828	1,574,368
Landfill Site	2,693,156	1	-	-	-	2,693,157	353,147	-227,115	81,076	-	117,408	324,515	2,368,642
Sorting Stations	870,400	-	-	-	-	870,400	169,168	-78,349	30,247	-	-	121,066	749,334
	5,449,753	1	-	-	-	5,449,754	865,221	-453,070	189,230	-	156,028	757,410	4,692,343
Total Infrastructure Assets	5,467,477,267	-48,743,025	4,518,203	96,970,640	-50,000	5,520,173,085	602,329,945	-200,172,727	137,096,100	-15,267	156,028	539,394,079	4,980,779,006
COMMUNITY ASSETS													
Community Buildings													
Fire Stations	22,679,294	-3,540,309	-	-	-	19,138,985	4,299,561	-748,402	1,218,177	-	-	4,769,335	14,369,650
Stadiums	48,364,275	0	-	-	-	48,364,275	11,062,012	-1,394,086	3,253,697	-	-	12,921,623	35,442,652
Public Conveniences	67,038,897	-2,836,318	-	-	-6,107,774	58,094,804	12,613,876	-286,879	3,582,355	-1,140,254	-	14,769,098	43,325,707
Clinincs	27,868,994	-3,954,131	-	-	-	23,914,863	7,659,649	-2,136,999	1,854,007	-	-	7,376,657	16,538,206
Libraries	78,457,891	3,630,475	160,578	-	-	82,248,944	17,695,448	-1,824,141	5,426,118	-	-	21,297,425	60,951,519
Community Centres	143,439,190	315,717	84,679	3,768,904	-	147,608,489	36,999,713	-7,301,250	10,063,007	-	-	39,761,470	107,847,019
Museums and Art Galleries	13,724,570	2,179,170	-	245,698	-	16,149,438	-2,368,772	5,739,579	1,133,735	-	-	4,504,542	11,644,896
Beer halls	4,571,603	-4,571,603	-	-	-	-	396,037	-396,037	-	-	-	-	-
Cemeteries	1,324,795	0	-	150,402	-	1,475,197	132,753	-23,439	36,410	-	-	145,724	1,329,474
Parks	5,752,830	223,503	-	-	-	5,976,333	1,707,061	-377,699	444,642	-	-	1,774,003	4,202,330
Civic Theatres	41,073,860	169,606	-	-	-	41,243,466	10,023,098	-822,624	3,067,887	-	-	12,268,361	28,975,105
	454,296,199	-8,383,889	245,256	4,165,004	-6,107,774	444,214,795	100,220,434	-9,571,978	30,080,036	-1,140,254	-	119,588,238	324,626,557
Community Recreational Facilities													
Swimming Pools	14,900,504	-1,592,841	-	-	-	13,307,663	3,536,245	-419,333	1,041,894	-	-	4,158,806	9,148,857
Sports Facilities	9,420,232	-2,486,205	-	-	-	6,934,027	2,515,382	-1,054,552	503,630	-	-	1,964,460	4,969,567
Squash Courts	5,882,858	-1,278,559	-	-	-	4,604,299	1,273,810	-225,241	349,251	-	-	1,397,820	3,206,479
Cemeteries	2,921,435	2,739,729	-	-	-	5,661,164	29,209	452,066	206,214	-	-	687,489	4,973,675
Parks	31,885,958	-22,352,667	-	-	-	9,533,291	24,182,841	-23,493,285	231,183	-	-	920,740	8,612,551
Sports Grounds	142,199,524	26,378,684	-	-	-695,374	167,882,835	1,421,752	17,662,979	6,338,982	-61,743	-	25,361,970	142,520,865
	207,210,511	1,408,141	-	-	-695,374	207,923,279	32,959,240	-7,077,366	8,671,155	-61,743	-	34,491,285	173,431,994
Total Community Assets	661,506,710	-6,975,748	245,256	4,165,004	-6,803,148	652,138,074	133,179,674	-16,649,344	38,751,191	-1,201,998	-	154,079,523	498,058,550

THE MSUNDUZI MUNICIPALITY													
APPENDIX B													
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011													
	Cost						Accumulated Depreciation						
	Opening Balance	Adjustments	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals	Impairment	Closing Balance	Carrying Value
OTHER ASSETS													
Other Properties													
Housing Schemes	134,009,081	-58,748,048	-	-	-	75,261,033	36,640,859	-21,468,744	5,120,618	-	-	20,292,733	54,968,300
Markets	227,964,823	-1,500,001	-	-	-	226,464,822	48,295,650	-2,469,201	15,277,633	-	-	61,104,082	165,360,740
Sewerage works and Dump Site	515,501	281,153	-	-	-	796,654	14,206	182,356	65,470	-	-	262,032	534,622
Workshops and Depots	29,144,250	450,402	-	-	-	29,594,652	6,984,199	-174,787	2,278,843	-	-	9,088,255	20,506,397
Hostels	387,236	-1	-	-	-	387,235	90,628	-5,228	28,445	-	-	113,845	273,390
Training Centre	9,374,235	-6,042,678	-	-	-	3,331,557	2,707,317	-1,948,040	255,462	-	-	1,014,739	2,316,819
Landfill Site	24,637,701	-19,086,563	-	471,059	-	6,022,197	19,451,257	-19,086,460	181,868	-	-	546,665	5,475,532
Old Age Homes	924,086	-0	-	-	-	924,086	370,746	-136,464	78,034	-	-	312,317	611,768
Transport Facility	17,997,094	11,720,562	744,680	7,988	-	30,470,324	2,997,729	523,128	1,275,233	-	-	4,796,090	25,674,234
Crematoriums	6,316,014	1,000,000	-	-	-	7,316,014	1,365,813	-28,375	459,009	-	-	1,796,447	5,519,566
Nurseries	9,811,035	0	-	-	-	9,811,035	2,495,339	-268,911	741,822	-	-	2,968,250	6,842,785
Airport Buildings	14,083,824	2,572,754	-	266,469	-	16,923,047	259,350	3,187,627	1,177,790	-	-	4,624,767	12,298,280
Creches	15,717,654	-12,046,618	-	-	-	3,671,036	4,521,897	-3,652,044	289,726	-	-	1,159,578	2,511,457
Substations	1,114,564	-1,114,564	-	-	-	-	244,782	-244,782	-	-	-	-	-
	491,997,098	-82,513,603	744,680	745,515	-	410,973,691	126,439,772	-45,589,925	27,229,953	-	-	108,079,800	302,893,891
Total Other Assets	491,997,098	-82,513,603	744,680	745,515	-	410,973,691	126,439,772	-45,589,925	27,229,953	-	-	108,079,800	302,893,891
Plant and Equipment													
Graders	6,118,266	3,515,458	-	-	-1,326,451	8,307,273	4,033,189	1,145,467	566,584	-1,326,451	-	4,418,789	3,888,484
Tractors	6,393,902	2,603,448	-	-	-	8,997,350	5,833,380	-352,233	614,319	-	-	6,095,466	2,901,884
Farm Equipment	103,323	-19,875	-	-	-	83,448	73,499	-11,027	14,676	-	-	77,148	6,300
Lawnmowers	2,399,961	14,854	-	-	-27,068	2,387,746	2,292,032	-950,066	511,484	-27,068	-	1,826,382	561,364
Compressors	138,950	0	-	-	-	138,950	138,950	-63,159	11,439	-	-	87,230	51,721
Laboratory Equipment	1,509,303	30,565	-	-	-	1,539,868	797,844	-14,663	273,324	-	-	1,056,504	483,364
Radio Equipment	1,474,438	-6,266	-	-	-	1,468,172	1,313,341	-539,934	144,604	-	-	918,011	550,161
Firearms	31,800	-	-	-	-	31,800	17	0	6,356	-	-	6,373	25,427
Telecommunication	5,627,343	91,575	179,054	-	-107,579	5,790,393	4,840,127	-1,003,959	669,211	-86,064	-	4,419,315	1,371,078
Plant and Equipment	18,269,845	583,976	6,069	-	-190,464	18,669,426	13,169,881	-4,870,695	2,373,167	-190,464	-	10,481,889	8,187,537
Cremators	1,767,178	-0	-	-	-	1,767,178	594,827	-86,549	107,926	-	-	616,204	1,150,973
	43,834,309	6,813,735	185,122	-	-1,651,562	49,181,604	33,087,088	-6,746,818	5,293,087	-1,630,046	-	30,003,311	19,178,293
Office Equipment													
Computer Hardware	34,600,114	-129,271	167,355	-	-595,864	34,042,334	28,204,214	-10,012,602	3,567,610	-481,197	-	21,278,025	12,764,309
Office Machines	4,154,830	568,867	-	-	-37,805	4,685,891	3,649,248	-1,398,776	749,957	-26,771	-	2,973,659	1,712,233
Airconditioners	11,582,995	21,000	-	-	-	11,603,995	10,147,938	-4,398,570	1,217,180	-	-	6,966,548	4,637,447
	50,337,939	460,596	167,355	-	-633,669	50,332,220	42,001,401	-15,809,948	5,534,747	-507,968	-	31,218,231	19,113,989
Furniture and Fittings													
Chairs	9,981,110	-2,815	-	-	-109,013	9,869,282	9,731,596	-4,502,869	590,648	-67,939	-	5,751,436	4,117,846
Tables and Desks	8,519,134	16,260	-	-	-8,572	8,526,822	8,360,883	-4,277,902	494,105	-5,505	-	4,571,581	3,955,242
Cabinets and Cupboards	8,889,860	1,473,371	96,283	-	-88,875	10,370,639	7,711,575	-3,239,688	714,714	-50,787	-	5,135,814	5,234,825
Furniture and Fittings Other	7,489,761	-1,901,948	-	-	-7,128	5,580,685	6,949,716	-3,855,597	431,286	-6,393	-	3,519,012	2,061,673
	34,879,865	-415,132	96,283	-	-213,588	34,347,428	32,753,769	-15,876,055	2,230,753	-130,624	-	18,977,842	15,369,586
Containers													
Household Refuse Bins	256,014	-139,991	-	-	-	116,023	220,014	-163,285	21,313	-	-	78,042	37,981
Bulk Containers	1,463,835	-205,200	-	-	-	1,258,635	654,307	-172,843	111,405	-	-	592,869	665,766
	1,719,849	-345,191	-	-	-	1,374,658	874,321	-336,128	132,718	-	-	670,911	703,747
Fire and Medical Equipment													
Fire Equipment	8,928,541	37,526	-	-	-	8,966,067	6,949,953	-3,394,598	578,676	-	-	4,134,031	4,832,036
Medical Equipment Clinics	1,315,462	63,649	-	-	-	1,379,111	1,090,586	-360,763	166,760	-	-	896,583	482,528
	10,244,003	101,175	-	-	-	10,345,178	8,040,538	-3,755,361	745,436	-	-	5,030,613	5,314,565

THE MSUNDUZI MUNICIPALITY													
APPENDIX B													
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011													
	Cost						Accumulated Depreciation						
	Opening Balance	Adjustments	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals	Impairment	Closing Balance	Carrying Value
Motor Vehicles													
Fire Engines	29,377,575	52,499	-	-	-	29,430,074	4,591,092	-2,091,814	1,455,758	-	-	3,955,035	25,475,039
Buses	-	55,750	-	-	-	55,750	-35,855	69,305	1,528	-	-	34,978	20,772
Motor Vehicles	21,246,296	-3,012,365	-	-	-946,388	17,287,543	16,417,145	-6,638,070	2,465,374	-848,512	-	11,395,935	5,891,607
Motor Cycles	696,111	371,315	-	-	-56,986	1,010,440	696,111	-42,856	142,746	-56,986	-	739,016	271,424
Trucks and Bakkies	86,907,302	10,137,603	244,499	-	-6,576,275	90,713,129	84,262,833	-30,169,153	8,045,139	-6,576,275	-	55,562,545	35,150,584
Trailers	1,259,278	526,607	74,000	-	-45,808	1,814,077	1,082,618	-174,547	166,092	-45,808	-	1,028,355	785,721
Vehicle Corrections	33,938,343	-33,938,343	-	-	-	-	26,317,689	-26,317,689	-	-	-	-	-
	173,424,905	-25,806,935	318,499	-	-7,625,457	140,311,013	133,331,633	-65,364,824	12,276,636	-7,527,581	-	72,715,864	67,595,148
General													
Aircraft	367,564	-367,564	-	-	-	-	294,913	-294,913	-	-	-	-	-
Water Craft	131,177	0	-	-	-	131,177	131,177	-69,955	8,739	-	-	69,961	61,216
artworks	1,917,853	35,000	80,000	-	-	2,032,853	-	-	-	-	-	-	2,032,853
	2,416,594	-332,563	80,000	-	-	2,164,031	426,090	-364,869	8,739	-	-	69,961	2,094,069
Total Movable Assets	316,857,464	-19,524,315	847,259	-	-10,124,276	288,056,133	250,514,841	-108,254,002	26,222,116	-9,796,220	-	158,686,735	129,369,398
Intangible Assets													
Computer Software	8,965,359	-605,555	-	-	-	8,359,804	10,748,810	-7,013,519	2,168,429	-	-	5,903,721	2,456,083
Intangible Assets/software	13,002,851	-407,104	305,293	-	-	12,901,040	5,557,954	1,124,138	2,196,355	-	-	8,878,447	4,022,593
Total Intangible Assets	21,968,210	-1,012,659	305,293	-	-	21,260,844	16,306,764	-5,889,381	4,364,785	-	-	14,782,168	6,478,676
Servitudes	803,847	-1	-	-	-	803,846	-	-	-	-	-	-	803,846
	803,847	-1	-	-	-	803,846	-	-	-	-	-	-	803,846
Biological assets													
Agricultural /Biological Assets	542,897	-1	62,484	-	-	605,380	-	-	-	-	-	-	605,380
	542,897	-1	62,484	-	-	605,380	-	-	-	-	-	-	605,380
Grand Total Assets	7,957,455,639	-187,114,461	10,091,831	101,916,955	-23,175,303	7,859,174,660	1,195,104,846	-387,547,565	252,239,562	-11,013,485	156,028	1,048,939,386	6,810,235,274

The Msunduzi Municipality
Appendix C
Analysis Of Property, Plant and Equipment as at 30 June 2011

Fixed Assets	Historical Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Adjustments	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustment	Additions	Disposals	Impairment	Closing Balance	
Executive and Council	10,312,466	-1,130,679	291,053	-		9,472,840	9,073,847	-4,362,049				4,711,798	4,761,042
Finance and Administration	1,191,712,460	-50,137,401	3,216,039	3,768,904	-16,295,087	1,132,264,916	235,300,648	-84,790,510	38,887,802	-9,591,460		179,806,479	952,458,436
Planning and Development	10,312,466	-1,130,679	-	281,495		9,463,282	9,073,847	-4,362,049				4,711,798	4,751,485
Health	41,006,225	-4,990,596	-	-		36,015,630	18,621,925	-6,874,475	3,110,426			14,857,877	21,157,753
Community and Social Services	293,497,433	627,687	285,314	150,402		294,560,837	71,819,370	-8,966,522	20,507,083			83,359,932	211,200,905
Housing	144,321,547	-59,878,727	11,270	-		84,454,090	45,714,706	-25,830,793	5,936,954			25,820,866	58,633,224
Public Safety	71,460,853	-4,580,963	165,239	-		67,045,129	25,045,646	-10,666,818	4,084,040			18,462,867	48,582,262
Sport and Recreation	300,379,457	-576,727	62,484	-	-722,442	299,142,772	65,998,407	-18,192,408	15,932,942	-148,042		63,590,898	235,551,874
Road Transport	2,493,082,074	96,739,878	4,715,122	41,667,008		2,636,204,082	286,164,418	-41,648,381	84,182,503			328,698,539	2,307,505,542
Environmental Protection	10,312,466	-1,130,679	-	-		9,181,787	9,073,847	-4,362,049				4,711,798	4,469,990
Water	951,028,436	5,917,385	-	12,859,968		969,805,790	110,994,439	-61,588,065	16,173,556			65,579,929	904,225,861
Waste Water Management	646,524,500	12,790,468	49,553	15,912,328	-6,107,774	669,169,075	92,310,388	-40,940,091	16,713,642	-1,199,485	156,028	67,040,482	602,128,593
Electricity	1,484,114,548	-160,454,479	498,208	16,093,346	-50,000	1,340,201,624	143,349,524	-64,863,470	26,508,347	-74,498		104,919,903	1,235,281,721
Other	309,390,702	-19,178,949	797,548	11,183,505		302,192,807	72,563,835	-10,099,883	20,202,268			82,666,220	219,526,586
TOTALS	7,957,455,639	-187,114,461	10,091,831	101,916,955	-23,175,303	7,859,174,660	1,195,104,846	-387,547,565	252,239,562	-11,013,485	156,028	1,048,939,386	6,810,235,274

THE MSUNDUZI MUNICIPALITY

APPENDIX D

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY , PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2011 Budget R	2011 Actual R	2011 Under construction R	2011 Additions R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	434,507	234,507	-	291,053	200,000	46%	
Finance and Administration	38,186,872	7,041,488	3,768,904	3,216,039	31,145,384	82%	
Planning and Development	16,610,890	281,495	281,495	-	16,329,395	98%	
Public Safety	5,770,000	165,239	-	165,239	5,604,761	97%	
Community and Social Services	7,486,651	435,716	150,402	285,314	7,050,935	94%	
Health	3,081,638	-	-	-	3,081,638	100%	
Sport and Recreation	9,920,000	-	-	62,484	9,920,000	100%	
Road Transport	102,704,928	46,382,130	41,667,008	4,715,122	56,322,798	55%	
Water	33,543,261	12,859,968	12,859,968	-	20,683,293	62%	
Waste Water Management	63,350,743	15,961,881	15,912,328	49,553	47,388,862	75%	
Electricity	30,717,708	16,591,555	16,093,346	498,208	14,126,153	46%	
Housing	11,270	11,270	-	11,270	-	0%	
Other	34,691,507	11,183,505	11,183,505	797,548	23,508,002	68%	
Environment Protection	-	-	-	-	-	0%	
TOTALS	346,509,975	111,148,753	101,916,955	10,091,831	235,361,222	68%	

THE MSUNDUZI MUNICIPALITY

APPENDIX E

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2011

<u>Account Number</u>	<u>Account Description</u>	<u>Unspent Balance @ 1 July 2010</u>	<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30 June 2011</u>	<u>Source Code</u>
0108960001	GRANT COMMUNITY DEVELOPMENT WORKERS	-7,818	-	-	-7,818	UNSPENT CG - NATIONAL GOVERNMENT
0108960002	NATIONAL GRANT - MSIG	-11,927	272,892	-750,000	-489,035	UNSPENT CG - NATIONAL GOVERNMENT
0118960002	GRANT DPLG AMENDMENT IDP	-42,420	10,029	-	-32,391	UNSPENT CG - NATIONAL GOVERNMENT
0358980801	GRANT - FMG	-	164,842	-1,200,000	-1,035,158	UNSPENT CG - NATIONAL GOVERNMENT
0608960012	UNSPENT CONDITIONAL GRANT - MIG	-24,834,088	96,589,482	-74,871,991	-3,116,596	UNSPENT CG - NATIONAL GOVERNMENT
5308960003	UNSPENT COND.GRANT - HRD/LGSETA	-1,005,000	1,042,688	-37,688	-	UNSPENT CG - NATIONAL GOVERNMENT
5608960001	STORM DAMAGE - DOH FUNDING	-915,846	-	-	-915,846	UNSPENT CG - NATIONAL GOVERNMENT
5608960010	UNSPENT CONDITIONAL GRANT - PHB	-43,062,459	13,117,803	-6,264,940	-36,209,596	UNSPENT CG - NATIONAL GOVERNMENT
7138960005	ELECT.DEMAND SIDE MGT GRANT - NT	-10,908,470	12,374,476	-4,000,000	-2,533,993	UNSPENT CG - NATIONAL GOVERNMENT
7878960001	EDN S - UPGRADE WATER SUPPLY	-240,263	-	-	-240,263	UNSPENT CG - NATIONAL GOVERNMENT
		-81,028,290	123,572,212	-87,124,618	-44,580,697	
0138960002	PG:COMMUNITY COMMUNICATION INITIATIVE	-50,000	-	-	-50,000	UNSPENT CG - PROVINCIAL GOVERNMENT
0608960013	UNSPENT CONDITIONAL GRANT - PROVINCE	-501,615	877,065	-923,866	-548,416	UNSPENT CG - PROVINCIAL GOVERNMENT
1318960001	PROVINCE - TRANSPORT GRANT	-20,394,364	24,867,317	-36,415,859	-31,942,905	UNSPENT CG - PROVINCIAL GOVERNMENT
2028960003	DWA LINCOLN MEADE CENTRE	-	3,795,681	-4,031,818	-236,137	UNSPENT CG - PROVINCIAL GOVERNMENT
2848960001	COGTA - EPW PROJECT	-	1,353,039	-1,355,673	-2,634	UNSPENT CG - PROVINCIAL GOVERNMENT
2858960004	PROV - URBAN RENEWAL PROJECT	-2,349,351	253,233	-117,316	-2,213,434	UNSPENT CG - PROVINCIAL GOVERNMENT
3458970006	FOOD AID PROGRAMME	-7,468	-	-	-7,468	UNSPENT CG - PROVINCIAL GOVERNMENT
4808980001	RETENTION - INTRUDER ALARM	-	83,000	-83,000	-	UNSPENT CG - PROVINCIAL GOVERNMENT
5088960006	PROV GRANT AIRPORT	-	11,370,450	-11,370,450	-	UNSPENT CG - PROVINCIAL GOVERNMENT
5118960004	COGTA ASHBURTON FEASIBILITY STUDY	-	-	-500,000	-500,000	UNSPENT CG - PROVINCIAL GOVERNMENT
5278980001	I.D.P. FUND FROM DEPT. OF LG&H	-679,259	100,740	-	-578,519	UNSPENT CG - PROVINCIAL GOVERNMENT
7878980801	GRANT - WATER SERVICE DELIVERY PLANNING	-82,984	-	-	-82,984	UNSPENT CG - PROVINCIAL GOVERNMENT
		-24,065,042	42,700,525	-54,797,981	-36,162,498	

THE MSUNDUZI MUNICIPALITY

APPENDIX E

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2011

<u>Account Number</u>	<u>Account Description</u>	<u>Unspent Balance @ 1 July 2010</u>	<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30 June 2011</u>	<u>Source Code</u>
0218970001	SPECIAL FUNDS - CASH SUSPENSE ACCOUNTS	-	19,888,668	-21,645,339	-1,756,671	UNSPENT CG - OTHER
0218970002	SPECIAL FUNDS CLEARING AC - VAT ZERO	-	46,564,801	-48,777,809	-2,213,008	UNSPENT CG - OTHER
0608960014	UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL	-2,251,974	2,462,053	-2,330,370	-2,120,291	UNSPENT CG - OTHER
1258960001	UNSPENT GRANT - DEVELOPER CONTRIBUTION	-868,182	-	-	-868,182	UNSPENT CG - OTHER
2028960002	RETENTION - MIG - VULINDLELA VIP CONSTR.	-32,811	-	-	-32,811	UNSPENT CG - OTHER
2858960001	GEDI - GIJIMA FUNDS	-17,970	83,648	-84,732	-19,053	UNSPENT CG - OTHER
2858960002	E/DALE LAND LEGAL	-191,481	85,860	-8,101	-113,721	UNSPENT CG - OTHER
2858960003	E/DALE PVT LAND LEGAL	-13,911,809	4,455,809	-633,609	-10,089,609	UNSPENT CG - OTHER
4808960001	GRANT DEPT OF ARTS & CULTURE	-	80,000	-83,000	-3,000	UNSPENT CG - OTHER
5108980101	GRANT - YOUTH ADVISORY COUNCIL	-125,000	-	-	-125,000	UNSPENT CG - OTHER
5118960002	UDM - LOCAL TOURISM DEVELOPMENT	-12,432,891	974,218	-5,400,000	-16,858,673	UNSPENT CG - OTHER
5118960003	GRANT - WARD 3 5 6	-40,123	-	-	-40,123	UNSPENT CG - OTHER
5538960001	GRANT - SPOORNET	-314,996	-	-	-314,996	UNSPENT CG - OTHER
8328760903	TRUST - CEMETERY TRUST ACCOUNT	-15,456	-	-386	-15,843	UNSPENT CG - OTHER
8358760909	TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT	-47,090	-	-1,177	-48,267	UNSPENT CG - OTHER
8368760911	TRUST - PEARSE TRUST ACCOUNT	-1,474,965	-	-50,874	-1,525,839	UNSPENT CG - OTHER
8378760913	TRUST - WELCH TRUST ACCOUNT	-371,754	-	-9,294	-381,048	UNSPENT CG - OTHER
8388760916	TRUST - MARIA KINSMAN TRUST ACCOUNT	-591,488	-	-	-591,488	UNSPENT CG - OTHER
8388760920	TRUST - MARIA KINSMAN TRUST - NET INCOME	-55,632	-	-16,178	-71,810	UNSPENT CG - OTHER
8398760908	TRUST - MAYORESS NECESSITY FUND	-79,777	-	-2,296	-82,073	UNSPENT CG - OTHER
8408760915	TRUST - CEMETERY TRUST ACCOUNT (M/RISE)	-2,316,948	-	-106,786	-2,423,734	UNSPENT CG - OTHER
8408760922	TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST	-420,292	-	-71,101	-491,392	UNSPENT CG - OTHER
8418760906	TRUST - FLEMING TRUST ACCOUNT	-75,612	-	-1,890	-77,502	UNSPENT CG - OTHER
8428010001	TRUST - CONT IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS	-60,858	-	-1,521	-62,379	UNSPENT CG - OTHER
8428760842	TRUST - PMB FLOOD DISASTER	-30,989	-	-775	-31,764	UNSPENT CG - OTHER
8438760925	TRUST - REFUGEES TRUST ACCOUNT	-60,604	-	-1,515	-62,119	UNSPENT CG - OTHER
		-35,788,701	74,595,057	-79,226,752	-40,420,396	
		-140,882,033	240,867,793	-221,149,351	-121,163,591	

THE MSUNDUZI MUNICIPALITY

APPENDIX F

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2011

	<u>Unspent Balance @ 1 July 2010</u>	<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30 June 2011</u>
<u>NATIONAL GOVERNMENT</u>				
Various as per Appendix G	(81,028,290)	123,572,212	(87,124,618)	(44,580,697)
<u>PROVINCIAL GOVERNMENT</u>				
Various as per Appendix G	(24,065,042)	42,700,525	(54,797,981)	(36,162,498)
<u>OTHER GRANTS</u>				
Various as per Appendix G	(35,788,701)	74,595,057	(79,226,752)	(40,420,396)
	(140,882,033)	240,867,793	(221,149,351)	(121,163,591)

THE MSUNDUZI MUNICIPALITY
APPENDIX G
DISCLOSURE OF GRANTS AND RECEIPTS AT 30 JUNE 2011

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	PUBLIC SAFETY	CORPORATE SERVICES	COMMUNITY & SOCIAL SERVICES	HEALTH	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	AIRPORT	ELECTRICITY	PLANNING & DEVELOPMENT	TOTAL
TRANSFER TO REVENUE - CAPITAL EXPENDITURE													
NATIONAL GOVERNMENT													
Municipal Infrastructure Grant					80,000		15,441,269	12,859,968	15,250,299			3,853,582	47,485,118
Municipal Systems Improvement Grant	234,507												234,507
Electricity Side Demand Management Grant											13,601,555		13,601,555
	234,507	-	-	-	80,000	-	15,441,269	12,859,968	15,250,299	-	13,601,555	3,853,582	61,321,180
PROVINCIAL GOVERNMENT													
Department of Transport									11,662,591				11,662,591
Greater Edendale Development Initiative - Urban Renewal												281,495	281,495
Airport development										11,183,505			11,183,505
	-	-	-	-	-	-	-	-	11,662,591	11,183,505	-	281,495	23,127,591
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	234,507	-	-	-	80,000	-	15,441,269	12,859,968	26,912,890	11,183,505	13,601,555	4,135,077	84,448,770
DONATIONS AND PUBLIC CONTRIBUTIONS													
Msunduzi Library - Carnegie Corporation of New York					205,314								205,314
TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS	-	-	-	-	205,314	-	-	-	-	-	-	-	205,314
TOTAL CONDITIONAL GRANTS & RECEIPTS	234,507	-	-	-	285,314	-	15,441,269	12,859,968	26,912,890	11,183,505	13,601,555	4,135,077	84,654,085

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	PUBLIC SAFETY	CORPORATE SERVICES	COMMUNITY SERVICES	HEALTH	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	AIRPORT	ELECTRICITY	PLANNING & DEVELOPMENT	TOTAL
TRANSFER TO REVENUE - OPERATING EXPENDITURE													
NATIONAL GOVERNMENT													
Equitable Share		147,981,237					19,613,259	88,740,645			10,875,472		267,210,613
Financial Management Grant		164,842											164,842
Municipal Infrastructure Grant				33,000			6,853,592	2,912,549	7,535				9,773,676
Local Government SETA													33,000
Municipal Systems Improvement Grant	149,154												149,154
	149,154	148,146,080	-	33,000	-	-	26,466,851	91,653,193	7,535	-	10,875,472	-	277,331,285
PROVINCIAL GOVERNMENT													
Expanded Public Works Programme			1,350,405										1,350,405
Land Use Management Grant												124,915	124,915
Health subsidy						12,488,226							12,488,226
Department of Transport									788,867				788,867
Airport Development										186,945			186,945
	-	-	1,350,405	-	-	12,488,226	-	-	788,867	186,945	-	124,915	14,939,358
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	149,154	148,146,080	1,350,405	33,000	-	12,488,226	26,466,851	91,653,193	796,402	186,945	10,875,472	124,915	292,270,643
DONATIONS AND PUBLIC CONTRIBUTIONS													
Freedom Square Tourism Hub												974,218	974,218
Msunduzi Library - Carnegie Corporation of New York					3,133,803								3,133,803
Greater Edendale Land Initiative												4,597,055	4,597,055
	-	-	-	-	3,133,803	-	-	-	-	-	-	5,571,273	8,705,076
TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS	-	-	-	-	3,133,803	-	-	-	-	-	-	5,571,273	8,705,076
TOTAL CONDITIONAL GRANTS & RECEIPTS	149,154	148,146,080	1,350,405	33,000	3,133,803	12,488,226	26,466,851	91,653,193	796,402	186,945	10,875,472	5,696,188	300,975,719
	383,661	148,146,080	1,350,405	33,000	3,419,118	12,488,226	41,908,121	104,513,161	27,709,292	11,370,450	24,477,027	9,831,265	385,629,804

THE MSUNDUZI MUNICIPALITY
APPENDIX H
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2011

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2011	Risk to the municipality as at 30 June 2010	COMMENTS
1	R.Sulaiman v Msunduzi Municipality	Delictual Claim	1998	Internal	R 50 000, 00	R 50 000, 00	
2	Roelofse v Msunduzi Municipality	Delictual Claim	2002	Internal	R 41 032, 58 plus interest at 15, 5 % per annum.	R 41 032, 58 plus interest at 15, 5 % per annum.	
3	MA Jewitt	Counter Claim	2003	Mr Bev Nicholson: TMJ Attorneys 033-341900 fax 0866169749 email tmj@tmj.co.za	R 9 279 625.00	R11 000 000.00	
4	Premier of KZN v Msunduzi Municipality	Delictual Claim	2003	Internal	R 11 340, 00	R 11 340, 00	
5	R.B.Ngcobo v Msunduzi Municipality	Delictual Claim	2003	Internal	R 11 375, 27 plus interest at 15, 5 % per annum.	R 11 375, 27 plus interest at 15, 5 % per annum.	
6	R.Haffejee v Msunduzi Municipality	Delictual Claim	2004	Internal	R 98 800, 00 plus interest at 15, 5 % per annum.	R 98 800, 00 plus interest at 15, 5 % per annum.	
7	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2004	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlister@listerandlister.co.za	R 32 585, 78 plus interest at 15, 5 % per annum.	R 32 585, 78 plus interest at 15, 5 % per annum.	
82	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2004	Richard Lister: Lister & Lister Attorneys 033-3454530	R 22 541, 11 plus interest at 15, 5 %.	R 22 541, 11 plus interest at 15, 5 %.	
8	M.Omarjee v Msunduzi Municipality	Delictual Claim	2005	Internal	R 31 000, 00	R 31 000, 00	
9	S.Makhaya v Msunduzi Municipality	Delictual Claim	2005	Internal	R 42 704, 96 plus interest	R 42 704, 96 plus interest	
10	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2005	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlister@listerandlister.co.za	R 34 806, 17 plus interest at 15, 5 % per annum.	R 34 806, 17 plus interest at 15, 5 % per annum.	
11	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2005	Internal	R 8 071, 64 plus interest at 15, 5 % per annum.	R 8 071, 64 plus interest at 15, 5 % per annum.	
12	Woodley v Msunduzi Municipality	Delictual Claim	2005	Mr Forrester: Savage Jooste & Adams Attorneys 0124528200	R 600 000, 00	R 600 000, 00	
13	Zeedim Investment v Msunduzi Municipality	Delictual Claim	2006	Mr Afzal Akoo: Afzal Akoo & Partners 033-3947272	Matter settled	Matter settled in May 2010, Council to pay R200 000 and costs of R117 047	
14	I. Ogilvie	Delictual Claim	2006	Insurance	R 166 160.54 plus interest at 15% per annum	R 166 160.54 plus interest at 15% per annum	
15	K.Chetty v Msunduzi Municipality	Delictual Claim	2006	Internal	R 26 169, 86.	R 26 169, 86.	
16	Painter v Msunduzi Municipality	Delictual Claim	2006	Internal	R 45 361, 38 plus interest at 15, 5 % per annum.	R 45 361, 38 plus interest at 15, 5 % per annum.	
17	G.Dladla v Msunduzi Municipality	Delictual Claim	2006	Internal	R 20 000, 00 plus interest at 15, 5 % per annum.	R 20 000, 00 plus interest at 15, 5 % per annum.	
18	Plexoto v Msunduzi Municipality	Delictual Claim	2006	Internal	R 39 822, 89 plus interest at 15, 5 % per annum.	R 39 822, 89 plus interest at 15, 5 % per annum.	
19	M.Zondi v Msunduzi Municipality	Delictual Claim	2006	Internal	R 50 000, 00 plus interest at 15, 5 % per annum.	R 50 000, 00 plus interest at 15, 5 % per annum.	
20	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2006	Richard Lister: Lister & Lister Attorneys 033-3454530	R 13 283, 82 plus interest at 15, 5 % per annum.	R 13 283, 82 plus interest at 15, 5 % per annum.	
21	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2006	Richard Lister: Lister & Lister Attorneys 033-3454530	R 21 697, 25 plus interest at 15, 5 % per annum.	R 21 697, 25 plus interest at 15, 5 % per annum.	
22	F.Osman V Msunduzi Municipality	Delictual Claim	2007	Internal	R 306 666, 45	R 306 666, 45	
23	T.E.Zulu v Msunduzi Municipality	Delictual Claim	2007	Internal	R 8 709, 23	R 8 709, 23	
24	D.V. Ngcobo	Delictual Claim	2007	Insurance	R1800 000.00 plus interest at 15% Per annum	R1800 000.00 plus interest at 15% Per annum	
25	Orion Telecon v Msunduzi Municipality	Delictual Claim	2007	Internal	R92189.52+23047.38	Filed moved from external service provider to internal.	
26	Thuthugisa Contracting Enterprise	Memorandum of Agreement	2007	Internal	R 210 749, 00 plus vat at 14 %.	R 210 749, 00 plus vat at 14 %.	
27	Hampton College v Msunduzi Municipality	Delictual Claim	2007	Ms Maharaj: Kruger Ngcobo Inc 0313064352	R 85 470, 00 plus interest at 15, 5 %.	R 85 470, 00 plus interest at 15, 5 %.	
28	R.Terry v Msunduzi Municipality	Delictual Claim	2007	Insurance	R 50 000, 00.	R 50 000, 00.	
29	A& F.Mall v Msunduzi Municipality	Delictual Claim	2007	Internal	R 17 181, 33	R 17 181, 33	
30	E.Makungisa v Msunduzi Municipality	Delictual Claim	2007	Internal	R 6 213, 00	R 6 213, 00	
31	R.Rabikisson v Msunduzi Municipality	Delictual Claim	2007	Internal	R 20 000, 00	R 20 000, 00	
32	N.V.Majazi v Msunduzi Municipality	Delictual Claim	2007	Internal	R 110 046, 28	R 110 046, 28	

THE MSUNDUZI MUNICIPALITY
APPENDIX H
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2011

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2011	Risk to the municipality as at 30 June 2010	COMMENTS
33	P.S.Zondi V Msunduzi Municipality	Delictual Claim	2007	Internal	R 15 080, 00	R 15 080, 00	
34	Mamusa Marketing v Msunduzi Municipality	Delictual Claim	2007	Internal	R 9 823, 48 plus interest at 15, 5 % per annum.	R 9 823, 48 plus interest at 15, 5 % per annum.	
35	Willowgardens Flats	Debt recovery and Evictions	2007	Mr Y Bhamjee: Y Bhamjee Attorneys 033-3942008	Unable to be estimated at this point in time matter ongoing		This matter was before the KZN Housing Tribunal in June 2010. It is incorrect to say that the matter was not reported before, as it has been on our quarterly reports as submitted to the Human Resources Committee, since 2007 and in the Annual Report to the Auditor General. The residents of Willowgardens Flats originally brought an application against the Municipality in 2007. This complaint by the residents at the last hearing earlier in 2011 was withdrawn. It is hoped that the matter of debt recovery and evictions will proceed in the current financial year (2010/2011). The Council has no liability in the matter at present. Attorney Y Bhamjee and Advocate R Padayachee SC represented the Council in this matter.
36	Willowgardens Flats	Debt recovery and Evictions	2007	Advocate Padayachee SC 033-8453570	Unable to be estimated at this point in time matter ongoing		This matter was before the KZN Housing Tribunal in June 2010. It is incorrect to say that the matter was not reported before, as it has been on our quarterly reports as submitted to the Human Resources Committee, since 2007 and in the Annual Report to the Auditor General. The residents of Willowgardens Flats originally brought an application against the Municipality in 2007. This complaint by the residents at the last hearing earlier in 2011 was withdrawn. It is hoped that the matter of debt recovery and evictions will proceed in the current financial year (2010/2011). The Council has no liability in the matter at present. Attorney Y Bhamjee and Advocate R Padayachee SC represented the Council in this matter.
37	South African Local Authorities Pension Fund v Msunduzi Municipality	Pension Surcharge	2008	Internal	R 217 184, 13 plus interest at 15, 5 % per annum.	R 217 184, 13 plus interest at 15, 5 % per annum.	
38	Msunduzi Municipality v D.L. Petersen	Delictual Claim	2008	Internal			Please note that in this matter the municipality applied for an interdict to prevent Mr. Peterson from building illegal structures. There is no monetary liability to the municipality. It is therefore not a contingent liability in terms of the definition hence it was removed.
39	Mkhumbuzi v Msunduzi Municipality	Delictual Claim	2008	Internal	R 100 000, 00	R 100 000, 00	
40	Nzaba v Msunduzi Municipality	Delictual Claim	2008	Internal	R 73 500, 01	R 73 500, 01	
41	P.J. Terwolbeek v Msunduzi Municipality	Delictual Claim	2008	Insurance	R 1 121 620, 01	R 1 121 620, 01	
42	Mouton v Msunduzi Municipality	Delictual Claim	2008	Mr Y Bhamjee: Y Bhamjee Attorneys 033-3942008	R 14,000.00	R 14,000.00	
43	Telkom v Msunduzi Municipality	Delictual Claim	2008	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlist@liststandlister.co.za	R 45 979, 87 plus interest at 15, 5 % per annum.	R 45 979, 87 plus interest at 15, 5 % per annum.	
44	R.S.Govender v Msunduzi Municipality	Delictual Claim	2008	Internal	R 75 000, 00	R 75 000, 00	
45	N.G.Zuma v Msunduzi Municipality	Delictual Claim	2008	Internal	R 100 000, 00 plus interest at 15, 5 % per annum.	R 100 000, 00 plus interest at 15, 5 % per annum.	
46	Motor Accident-NP 3238 Dr W Van Straaten	Delictual Claim	2008	Internal	R 96 401, 43	R 96 401, 43	
47	Ayoob Moosa	Interdict by municipality against owner for unauthorised town planning use of property.	2008	R. Lister :033-3454530 Advocate Mike Southwood 031 -3048054 fax 031-3076899 southwood@yebo.co.za	Before Court in August 2011.	Risk of costs if we lose case.	It is incorrect to state that the matter was not reported before, see email dated 1 April 2011, from Mr J van der Merwe, Legal Advisor (Annexure E). The matter is a town planning interdict prohibiting the unauthorized use of a property. The municipality originally brought an application to stop the unauthorized use in 2008. That matter was finalized and the judgement given against the municipality. It took a long period to re-investigate the matter, get authority to launch a new application and actually get the papers served. A new application, therefore strictly speaking a separate and new case, was launched under case number 9587/2010, during the 2010/2011 financial year.
48	NT Dlomo / N.Cele	Interdict against municipality: to set aside building plan approval	2008	Ngcobo, Poyo & Diedricks:033-3419240: Adv.P. Buzuidenhout SC 033-8453522 fax 0333943734	Case not finalised. Costs if lost.	Case not finalised. Costs if lost.	

THE MSUNDUZI MUNICIPALITY
APPENDIX H
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2011

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2011	Risk to the municipality as at 30 June 2010	COMMENTS
49	PMB & District Indian Funeral	Re-transfer of Council Property	2008	Mr Aubrey Ncgobo, Ncgobo, Poyo and Diedricks phone 033-3943952 fax 033 3943961 email ndp@sai.co.za	Unable to be estimated at this point in time		It is incorrect to say that this matter has not been reported before, as it has been mentioned in the quarterly reports submitted to the Human Resources Committee, since it was first initiated in 2008. The matter raised the possibility of liability in terms of the Deed of Grant originally made by the Council. A court order has been obtained to re-transfer the property to the Council. The amounts outstanding to the Council in terms of rates and services charges are still outstanding and are the subject of further dispute. The matter is being handled by Mr Ncgobo, of Ncgobo, Poyo and Diedricks and Advocate Seggie SC.
50	PMB & District Indian Funeral	Re-transfer of Council Property	2008	Advocate Rob Seggie 033-8453509 fax number 033-3453062 seggie@worldonline.co.za	Matter ongoing as at 30 June 2011		It is incorrect to say that this matter has not been reported before, as it has been mentioned in the quarterly reports submitted to the Human Resources Committee, since it was first initiated in 2008. The matter raised the possibility of liability in terms of the Deed of Grant originally made by the Council. A court order has been obtained to re-transfer the property to the Council. The amounts outstanding to the Council in terms of rates and services charges are still outstanding and are the subject of further dispute. The matter is being handled by Mr Ncgobo, of Ncgobo, Poyo and Diedricks and Advocate Seggie SC.
51	T Gonasilan v Msunduzi Municipality	Delictual Claim	2009	Internal	R 100 000, 00 plus interest at 15, 5% per annum.	R 100 000, 00 plus interest at 15, 5% per annum.	
52	F.B.I. Khan v Msunduzi Municipality	Delictual Claim	2009	Internal	R 63 280, 39 plus interest at 15, 5 % per annum	R 63 280, 39 plus interest at 15, 5 % per annum	
53	S.Mthimkulu v Msunduzi Municipality	Delictual Claim	2009	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz Attorneys 0313046063	R 204 650, 00 plus interest at 15, 5 % per annum.	R 204 650, 00 plus interest at 15, 5 % per annum.	
54	Blue Thunder Trading CC/ TA Khanyisa Energy Management and Services	Delictual Claim	2009	Vather Attorneys	R223 576.00 plus interest at 15% per annum	R223 576.00 plus interest at 15% per annum	
55	Stand 2436 PMB (pty) Ltd.	Delictual Claim	2009	Cajee Setsubi Chetty Inc. & Adv Dickson		Matter settled	
56	SAPPI	Delictual Claim	2009	Insurance	R25000 000.00	R25000 000.00	
57	Keshwa v Msunduzi Municipality	Delictual Claim	2009	Internal	R 30 470, 12 plus interest at 11, 5 % per annum.	R 30 470, 12 plus interest at 11, 5 % per annum.	
58	B.A.Clark v Msunduzi Municipality	Delictual Claim	March 2009	Mr Logan Chetty: Vather Attorneys Phone 033-3	R379 975.84	R379 975.84	
59	Shortts Retreat	Interdict by land owners against illegal occupiers, municipality ordered to provide temporary housing & basic services	Municipality joined as party in July 2009	Adv. Dickson SC, TEL:033-8453542 adickson@law.co.za	(1) Costs of application	(1) Costs of application. Unknown at this time. (2) Cost of relocation: unknown. Costs of temporary services. Housing to provide	It is incorrect to say this matter was not reported (See attached email dated 1 April 2010 from Legal Advisor, Mr. Johan van der Merwe, Annexure E). An application was brought by private landowners to remove illegal occupiers from their properties in the Shortts Retreat area. The municipality was not a party to these proceedings. The application was successful in the Provincial Division of the High Court. The occupiers took the matter on appeal and the Supreme Court of Appeal ordered that the matter be referred back to the Provincial Court and that the municipality be added as a party. It also ordered the municipality to file a report on its plans and abilities to deal with housing for the illegal occupiers. During the 2010/11 financial year, the municipality was ordered to provide temporary housing services to the occupiers who were evicted.
60	Bishop's Roadworks	Contractual Claim	Nov 2009	Internal	R120 000-00	R120 000-00	
61	Chadya: 69 Railway Street	Interdict for reconnection of electricity. Matter not finalized.	Nov 2009	Adv. P. Bezuidenhout: 0824433836: K Tytherleigh withdrew	Case not decided. Costs if case is lost.	Case not decided. Costs if case is lost.	It is incorrect to say this matter was not reported (See attached email dated 1 April 2010 from Legal Advisor, Mr. Johan van der Merwe, Annexure E). An urgent application was brought for the supply of water to the aforementioned property after the supply was interrupted. We are confident of success but the matter is still in Court.
62	Billboards	Township Road order obtained by municipality for removal of billboards.	Dec 2009	Adv Ganie 033-8453517 email hoosen@iafrica	Possibility that costs of removal be incurred by the municipality/ not fully recovered. Building Survey to facilitate. Legal costs.	Possibility that costs of removal be incurred by the municipality/ not fully recovered. Building Survey to facilitate. Legal costs.	It is incorrect to say this matter was not reported (See attached email dated 1 April 2010 from Legal Advisor, Mr. Johan van der Merwe, Annexure E). The municipality obtained an order for the removal of two huge illegal billboards. Although we have been awarded costs and the right to remove the boards and the cost of removal, storage is still a possible liability.
63	RY Khan v Msunduzi Municipality	Delictual Claim	2010	Internal	R 1267,00 plus interest at 15,5 per annum.	R 1267,00 plus interest at 15,5 per annum.	
64	Gavin's Panel Shop	Contractual Claim	2010	Internal	R2424-50	R2424-50	
65	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5519-06	R5519-06	

THE MSUNDUZI MUNICIPALITY
APPENDIX H
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2011

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2011	Risk to the municipality as at 30 June 2010	COMMENTS
66	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5586-00	R5586-00	
67	Gavin's Panel Shop	Contractual Claim	2010	Internal	R1721-40	R1721-40	
68	Gavin's Panel Shop	Contractual Claim	2010	Internal	R4902-00	R4902-00	
69	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5163-06	R5163-06	
70	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5506-20	R5506-20	
71	Ressler Investment	Interdict for reconnection of electricity. Matter not finalized.	Feb 2010	Adv. Snyman: 033-8453524 email snyman@pmblaw.co.za K Tytherleigh withdrew	Case not decided. Costs if lost.	Case not decided. Costs if case is lost. (Adv Snyman predicts a risk of R50 000 in the event of us being unsuccessful)Case not decided. Costs if case is lost. (Adv Snyman predicts a risk of R50 000 in the event of us being unsuccessful)	Adv Snyman predicts a risk of R50 000 in the event of us being unsuccessful)Case not decided. Costs if case is lost. (Adv Snyman predicts a risk of R50 000 in the event of us being unsuccessful)
72	Exalon 6 CC	Interdict for reconnection of electricity. Matter not finalized.	Feb 2010	Adv. Snyman:033-8453524; email snyman@pmblaw.co.za	Case not decided. Costs if lost.	Case not decided. Costs if lost. Adv Snyman predicts a risk of R 50 000 in the event of us being unsuccessful	It is incorrect to say this matter was not reported (See attached email dated 1 April 2010 from Legal Advisor, Mr. Johan van der Merwe, Annexure E). An application was brought against the Municipality for the re-instatement of electricity supply. The matter is still in Court.
73	Kogulan Naidoo	Delictual Claim	Mar 2010	Internal	R100 000-00	R100 000-00	
74	HS Majazi	Delictual Claim	Mar 2010	Internal	R95 000-00	R95 000-00	
75	BM Dlamini	Delictual Claim	Mar 2010	Internal	R 300 000.00	R 300 000.00	
76	Daljeeth Daljeeth	Delictual Claim	2010	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz Attorneys 0313046063	R200 000.00	R200 000.00	
77	MS Singh	Delictual Claim	2010	Internal	R69 224.62	R69 224.62	
78	TT Ngubane	Delictual Claim	2010	Internal/Insurance	R118 490.00	R118 490.00	
79	GP Bayeni	Delictual Claim	2010	R 97 430.00	R 97 430.00	R 97 430.00	
80	VD Ramdeen	Delictual Claim	2010	Mr Afzal Akoo, Afzal Akoo & Partners phone 0333947274 Fax 0866149242 & Adv. Fleming phone 033-8453576 fax 033-3948374	R100 000.00 & R4438.00	R100 000.00 & R4438.00	
81	M Mlaba	Delictual Claim	2010	Internal	R100 000.00	R100 000.00	
82	Thuthugisa Contracting Enterprises	Contractual Claim	April 2010	Internal	R8 051 632.79		The matter came to Legal Services attention after June 2010.
83	J Mahlaba	Delictual Claim	June 2010	Internal	R21406-36	R21406-36	
84	Longlife tyres (PTY) LTD	Contractual Claim	July 2010	Internal	R592 589-77		
85	Gail Gayer	Delictual Claim	July 2010	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz	R262 473-98		
86	M. C. Mncwabe	Delictual Claim	Aug 2010	Internal	R71 500.00		
87	H. Selepe	Delictual Claim	Sept 2010	Internal	R5 189.35		
88	B. Mahlaba o.b.o. AY Mahlaba	Delictual Claim	Sept 2010	Internal/ Insurance	R 1000 000.00		
89	N Mans	Delictual Claim	Sept 2010	Internal	R7 045.75		
90	Mutual and federal	Delictual Claim	Sept 2010	Internal	R22 829.59		
91	Ronald Reddy	Contractual Claim	Sept 2010	Internal	R 282 818.08		
92	AB Mavundla	Delictual Claim	Oct 2010	Internal	R100 000.00		
93	SS Nqidi	Delictual Claim	Oct 2010	Internal/ Insurance	R2200 000.00		
94	N Raqhu	Delictual Claim	Dec 2010	Internal/ Insurance	R500 000.00		
95	R Bhoodram	Delictual Claim	Dec 2010	Internal	R32 552.00		
96	BC Mbatha	Delictual Claim	Nov 2010	Internal	R16 794.48		
97	EW de Lange	interdict	2010	Richard Lister; Lister & Lister Attorneys 033-3454530/ Adv Snyman 033-8453524 email snyman@pmblaw.co.za	R 50 000 plus 15% pa	R 50 000 plus 15% pa	Application for leave to appeal withdrawn by applicant. Risk mitigated.
98	NK Mponqose	Delictual Claim	Jan 2011	Internal	R23 946.42		
99	Y Ahren	Delictual Claim	Feb 2011	Internal	R14 845.71		
100	NN Pandaram	Delictual Claim	Feb 2011	Internal	R 11 267.11		
101	TR Nxumalo	Delictual Claim	April 2011	Internal	R 21 791.04		
102	Mkhize Majola & Associates	Delictual Claim	April 2011	Internal	R 14,966.98		
103	Crescent Motor Brokers and Agents CC	Delictual Claim	April 2011	Internal	R 100 000.00		
104	3 DM Contractors	Contractual Claim	May 2011	Internal	R 66 930.35		
105	Z. Nondzanga	Delictual Claim	May 2011	Internal	R 22 232.97		

THE MSUNDUZI MUNICIPALITY
APPENDIX H
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2011

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2011	Risk to the municipality as at 30 June 2010	COMMENTS
106	Roy Hesketh Racing Track	Land sold to developer. Did not develop as per agreement. Possibility of municipality having to purchase back at R3,5 million. Another developer indicated possible purchaser from current developer with benefits to municipality. Economic Development to advise.	N/A	N/A	Economic Development to advise. Another developer indicated possible purchase from current developer with benefits to municipality.	Economic Development to advise. Another developer indicated possible purchase from current developer with benefits to municipality.	In terms of the new definition provided, this matter raises the possibility of liability. There is no current court case and therefore no external attorney provided. Indeed, it is not even a certainty that the matter will ever turn into a legal dispute. As such there is not a specific date.
107	Planet Waves 399	Council withholding payment to contractor that built sludge dams. Possibility of eventual liability.	N/A	N/A	Risk of having to pay outstanding payment partially or in full. Amount withheld is currently +- R1,2 million. Costs of repairing estimated at +/- R2, 4 million.	Risk of having to pay outstanding payment partially or in full. Amount withheld is currently +- R1,2 million. Costs of repairing estimated at +/- R2, 4 million.	the matter is being handled internally. There is no formal dispute yet.
108	Union Risk Management Alliance (Pty)Ltd.	Delictual Claim	May 2011	Internal	R 152 948.84		
109	N.B. Dladla	Delictual Claim	June 2011	Internal	R 109 038.97		
110	Khuselani Security	Contract	June 2011	Internal	R 1830 532.00		
111	Impress Services (Pty) Limited	Delictual Claim	June 2011	Internal	R29 238.27 & R 1638.70		
112	P.G. Vather	Delictual Claim	June 2011	Internal	R 12 659.99		
113	Kwenzokuhle Construction	Contract	June 2011	Internal	R2 178 000.00		
114	Relief Interio and Joinery CC	Delictual Claim	June 2011	Internal	R 45 080.00		
115	Derby Supermarket	Delictual Claim	June 2011	Internal	R444 400.00		
116	Ds Cremators	Delictual Claim	June 2011	Internal	R 27 789.37		

THE MSUNDUZI MUNICIPALITY
APPENDIX I
STATEMENT OF COMPARATIVE OF BUDGET AGAINST ACTUAL

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance

	Note	
Net surplus/deficit per the statement of financial performance		138,311,052
Adjusted for:		
Revenue variances		121,398,160
Fair value adjustments Income		-241,233
Surplus on the sale of assets		-5,563,124
Add : Revenue variances	1	127,202,516
Adjusted for:		
Expenditure variances		-259,596,513
Loss on sale of asset		5,626,682
Financial asset discounted		140,688
Less : Expenditure variances	2	-265,363,883
Net surplus/deficit per approved budget		112,699

REVENUE VARIANCES - NOTE 1

property rates	-453,235,521	-448,256,813	-4,978,708
Free basic services - rates	-374,599,582	-362,181,889	-12,417,693
Property rates - penalties & collection chrgs	-5,966,490	-26,358,475	20,391,985
Service charges - sale of electricity	-1,038,567,014	-1,053,495,460	14,928,446
Free basic services - electricity	-2,117,331	-2,401,479	284,148
Service charges - sale of water	-270,989,956	-271,171,917	181,961
Free basic services - water	-7,048,561	-3,405,119	-3,643,442
Service charges - sewerage	-104,217,250	-102,987,787	-1,229,463
Free basic services - sewer	-9,934,511	-3,375,571	-6,558,940
Service charges - refuse	-64,421,733	-65,558,726	1,136,993
Free basic services - refuse	-3,863,342	-18,483	-3,844,859
Unbilled water	-78,174,220	-70,245,508	-7,928,712
Rentals received	-17,445,686	-17,312,556	-133,130
Interest earned - external investments	-4,076,994	-12,822,576	8,745,582
Interest earned - outstanding debtors	-935,559	-929,470	-6,089
Other interest	-24,005,655	-46,507,345	22,501,690
Fines	-6,702,179	-5,354,278	-1,347,901
Licences & permits	-90,584	-88,887	-1,697
Income for agency services	-649,130	-576,982	-72,148
GG&S conditional grants - income	-65,894,241	-21,276,880	-44,617,361
GG&S grants & subsidies - capital	-173,473,055	-84,654,085	-88,818,970
GG&S equitable share	-267,210,613	-267,210,613	-
Provincial grant - health subsidy	-	-12,488,226	12,488,226
Other income - airport	-1,265,138	-2,646,441	1,381,303
Other income - forestry	-11,600,952	-11,989,359	388,407
Other income - market	-16,705,550	-16,804,430	98,880
Other income - burials & cremations	-849,351	-746,824	-102,527
Other income - buildings	-1,464,538	-2,159,628	695,090
Other income - re-connections	-10,912,650	-14,128,313	3,215,663
Other income - training levy recoveries	-1,030,012	-1,067,365	37,353
Other income - discount received	-475,766	-305,847	-169,919
Other income - sundry income	-15,589,027	-14,846,003	-743,024
Other income - other income	-28,011,270	-2,123,490	-25,887,780
Non cash - offset depreciation	-11,175,879	-	-11,175,879
	-3,072,699,340	-2,945,496,824	-127,202,516

EXPENDITURE VARIANCES - NOTE 2

ERC - Salaries & wages	450,295,578	449,181,101	1,114,477
ERC - Contributions to uif,pension & med.aid	116,806,576	116,395,687	410,889
ERC - Travel,motor car,accom.,s&t allownaces	22,588,304	24,162,356	-1,574,052
ERC - Housing benefits & allowances	3,972,099	3,647,637	324,462
ERC - Overtime payments	28,424,315	24,922,468	3,501,847
ERC - Long service awards	15,732,812	15,796,260	-63,448
Rem.of councillors - councillors	17,630,760	16,772,891	857,869
Rem.of councillors - pension & medical contri	1,725,024	1,645,026	79,998
Non cash - Doubtful debts	96,000,000	96,000,000	-
Collection costs	3,197,396	1,663,830	1,533,566
Non cash - Depreciation	115,834,378	252,224,951	-136,390,573
Repairs & maintenance	72,110,649	57,394,116	14,716,533
Interest paid - annuity loans	69,939,706	68,996,706	943,000
Interest paid - other	-	1,513,739	-1,513,739
Bulk purchases - Electricity	730,600,000	729,325,043	1,274,957
Bulk purchases - Water	272,383,616	265,040,887	7,342,729
Grants & subsidies paid - Community bodies	-	191,788	-191,788
Grants & subsidies paid - Safe city project	4,300,000	3,774,877	525,123
GE - Extraordinary	2,474,950	1,004,732	1,470,218
GE - Pension payable	10,525,123	11,039,712	-514,589
GE - Insurance	7,610,640	19,221,742	-11,611,102
GE - Impairment of inventory	1,074,000	1,103,748	-29,748
GE - Impairment of assets	-	156,028	-156,028
GE - Mayoral projects	3,066,100	160,264	2,905,837
GE - Telephones	6,221,721	5,452,660	769,061
GE - Conditional grant expenditure	39,882,257	21,143,435	18,738,822
GE - External services	62,931,524	28,958,513	33,973,011
GE - Other	265,725,369	142,849,307	122,876,062
GE - Contracted services	14,039,650	13,765,577	274,073
Non cash - Departmental charges	420,026,528	420,641,320	-614,792
Non cash - Less charge-outs	-432,821,190	-429,609,307	-3,211,883
Lease charges	1,078,154	1,057,616	20,538
Grants capital expenditure	173,473,055	-	173,473,055
Income foregone - Rates	374,806,558	362,181,889	12,624,669
Income foregone - Refuse	3,863,342	18,482	3,844,860
Income foregone - Sewer	9,934,511	3,375,571	6,558,940
Income foregone - Electricity	1,910,355	2,401,479	-491,124
Income foregone - Water	13,626,829	20,553,283	-6,926,454
Unbilled water	71,595,952	53,097,343	18,498,609
	3,072,586,641	2,807,222,758	265,363,883

THE MSUNDUZI MUNICIPALITY

ANNEXURE I: Statement of comparative and actual information

Description	2010/11								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
		<i>(i.t.o. s28 and s31 of the MFMA)</i>	<i>(i.t.o. Council approved by-law)</i>						
R thousands or R	1	2	3	4	5	6	7	8	9
Financial Performance									
Property rates	453,161,733	73,788		453,235,521	448,256,813		(4,978,708)	99	99
Service charges	1,120,426,886	357,769,067		1,478,195,953	1,493,213,890		15,017,937	101	133
Investment revenue	4,076,994	-		4,076,994	12,822,576		8,745,582	315	315
Transfers recognised -operational	299,333,889	33,770,965		333,104,854	300,975,719		(32,129,135)	90	101
Other own revenue	641,965,320	(22,528,236)		619,437,084	611,378,096		(8,058,988)	99	95
Total Revenue (excluding capital transfers and contributions)	2,518,964,822	369,085,584		2,888,050,406	2,866,647,094		(21,403,312)	99	114
Employee costs	595,745,611	42,074,073		637,819,684	634,105,509		(3,714,175)	99	106
Remuneration of councillors	19,355,784	-		19,355,784	18,417,917		(937,867)	95	95
Debt impairment	219,817,113	(123,817,113)		96,000,000	96,000,000		-	100	44
Depreciation & asset impairment	115,834,378	-		115,834,378	252,224,951		136,390,573	218	218
Finance charges	69,096,888	842,818		69,939,706	70,510,446		570,740	101	102
Materials and bulk purchases	891,254,044	111,729,572		1,002,983,616	994,365,930		(8,617,686)	99	112
Transfers and grants	4,300,000	-		4,300,000	3,966,666		(333,334)	92	92
Other expenditure	739,961,371	375,216,023		1,115,177,394	743,398,708		(371,778,686)	67	100
Total Expenditure	2,655,365,189	406,045,373		3,061,410,562	2,812,990,127		(248,420,435)	92	106
Surplus/(Deficit)	(136,400,367)	(36,959,789)		(173,360,156)	53,656,967		227,017,123	(31)	(39)
Transfers recognised -capital	136,513,266	36,959,789		173,473,055	84,654,085		(88,818,970)	49	62
Contributions recognised -capital & contributed assets									
Surplus/(Deficit) after capital transfers & contributions	112,899	-	-	112,899	138,311,052	-	138,198,153	122,509	122,509
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	112,899	-	-	112,899	138,311,052	-	138,198,153	122,509	122,509
Capital expenditure & funds sources									
Capital expenditure									
Transfers recognised -capital	136,513,266	50,561,439		187,074,705	84,654,085		(102,420,620)	45	62
Public contributions & donations	-								
Borrowing	159,424,000	11,270		159,435,270	26,494,668		(132,940,602)	17	17
Internally generated funds	-								
Total sources of capital funds	295,937,266	50,572,709		346,509,975	111,148,753		(235,361,222)	32	38
Cash flows									
Cash/cash equivalents at the beginning of the year	276,439,080	112,866,705		112,866,705	138,024,193		25,157,488	122	50
Net cash from (used) operating	164,790,505	182,896,649		182,896,649	478,338,234		295,441,585	262	290
Net cash from (used) investing	(327,794,152)	(262,509,799)		(262,509,799)	(302,834,495)		(40,324,696)	115	92
Net cash from (used) financing	156,475,380	131,996,661		131,996,661	(19,700,787)		(151,697,448)	(15)	(13)
Cash/cash equivalents at the year end	269,910,813	165,250,216		165,250,216	293,827,145		128,576,929	178	109

THE MSUNDUZI MUNICIPALITY

APPENDIX J

DISCLOSURE OF PRIOR PERIOD ERRORS AS AT 30 JUNE 2011

PRIOR PERIOD ERRORS FOR 2010/2011							
VOTE 060 875 0002							
JOB	DESCRIPTION	Element	Total	09/10	08/09	07/08	06/07 and Prior
<u>Transaction affecting the Statement of Financial Position</u>							
02POS002	Clearing of control votes	Restatement of trade and other payables	-1,978,987.70	-1,978,987.70	-	-	-
02POS003	Closing entries market	Restatement of trade and other payables	2,052,150.39	2,052,150.39	-	-	-
02POS007	Under accrual of expenditure	Restatement of trade and other payables	44,712.84	27,091.78	17,621.06	-	-
02POS008	Over accrual of expenditure	Restatement of trade and other payables	-341,995.80	-237,103.92	-32,253.44	-72,638.44	-
02POS009	Clearing gl balances with CR balances	Restatement of trade and other receivables from non exchange transactions	-14,204.88	-786.76	-	-	-13,418.12
02POS010	Clearing gl balances with DR balances	Restatement of PPE	8,055.36	-	-	-	8,055.36
02POS018	Interest on late payment of vat to sars	Restatement of trade and other payables	13,672.50	13,672.50	-	-	-
02POS019	Write back of pmb chamber of business debtors as monies paid back to council	Restatement of trade and other receivables from non exchange transactions	83,604.09	83,604.09	-	-	-
02POS020	Write back of retention due to contractor defaulting	Restatement of trade and other payables	-15,009.49	-15,009.49	-	-	-
02POS021	Retrospective adjustment to tie up assets in terms of baud asset register.	Restatement of PPE	46,372,943.54	-	-	46,372,943.54	-
02POS022	Refund of sewer connection fee	Restatement of trade and other receivables from non exchange transactions	1,750.00	1,750.00	-	-	-
02POS023	Prior period error clearing unknown deposits	Restatement of trade and other receivables from non exchange transactions	-34,848.00	-6,266.29	-28,581.71	-	-
02POS024	Write back of investment - absa bank/lease back - eastwood reservior	Restatement of investments	1,860,000.00	1,860,000.00	-	-	-
<u>Transaction affecting the Statement of Financial Position</u>			TOTAL	1,800,114.60	-43,214.09	46,300,305.10	-5,362.76
<u>Transaction affecting the Statement of Financial Performance</u>							
02PER001	Under accrual of expenditure	Restatement of expenditure	0.03	0.03	-	-	-
02PER002	Over accrual of expenditure	Restatement of expenditure	-122,725.02	-122,725.02	-	-	-
02PER004	Expenditure recovered from grant	Restatement of expenditure	-44,762,239.21	-525,711.30	-44,236,527.91	-	-
02PER006	Credit received to l.r.o of charges to a stolen copier	Restatement of expenditure	-19,077.60	-19,077.60	-	-	-
02PER011	Prepaid electricity sales 07/08 vendors under investigation	Restatement of revenue	500.00	500.00	-	-	-
02PER017	Cancelling goods received notes created but not processed for payment	Restatement of expenditure	-364,156.90	-364,156.90	-	-	-
02PER019	Refund of a payment for road subdivision as the supplier will perform duties	Restatement of revenue	195,000.00	-	195,000.00	-	-
02PER020	Purchase of consumer electricity meters supplier partially delivered componets beginning in 09/10	Restatement of expenditure	254,850.00	254,850.00	-	-	-
02PER024	Interest for late payment of creditors	Restatement of expenditure	-157,511.39	-157,511.39	-	-	-
02PER025	Basic charge industrial/commercial/domestic connections	Restatement of revenue	-510,898.35	-160,450.82	-59,704.88	-217,309.15	-73,433.50
02PER026	Accrual for planet waves - legal battle being instituted	Restatement of expenditure	-644,509.03	-644,509.03	-	-	-

THE MSUNDUZI MUNICIPALITY

APPENDIX J

DISCLOSURE OF PRIOR PERIOD ERRORS AS AT 30 JUNE 2011

PRIOR PERIOD ERRORS FOR 2010/2011								
VOTE 060 875 0002								
JOB	DESCRIPTION	Element	Total	09/10	08/09	07/08	06/07 and Prior	
Transaction affecting the Statement of Financial Performance (continued)								
02PER027	Billing for interest due to faulty water meter's and on overdue accounts	Restatement of revenue	1,112,338.85	1,112,338.85	-	-	-	
02PER028	Reversal of straight lining payment on compen building operating lease	Restatement of expenditure	-170,714.55	-170,714.55	-	-	-	
02PER029	Repairs and maintenance to lease security equipment at airport allocated incorrectly to lease charges	Restatement of expenditure	10,900.00	10,900.00	-	-	-	
02PER030	Consumer billed for refuse skip that was not provided, interest and charges reversed	Restatement of revenue	62,027.76	15,097.06	14,106.00	13,688.30	19,136.40	
02PER031	Retrospective adjustment to depreciation tie up in terms of baud asset register.	Restatement of expenditure	-254,087,206.77	-	-	-254,087,206.77	-	
02PER032	Transfer of assets in non capital votes to capital	Restatement of expenditure	-468,973.74	76,939.89	76,809.60	-622,723.23	-	
02PER033	Adjustment to depreciation due to review of useful life of movable assets.	Restatement of expenditure	-107,088,967.38	-35,696,322.45	-35,696,322.45	-35,696,322.48	-	
02PER034	Overcharge on electricity to agent at market	Restatement of revenue	50,175.94	25,496.30	14,473.50	10,206.14	-	
02PER035	Understatemnt of revenue - in respect of rental for shoprte checkers	Restatement of revenue	-2,025,480.06	-662,425.50	-529,940.40	-336,458.64	-496,655.52	
02PER036	Credit note for expenditure paid in prior year	Restatement of expenditure	-17,080.00	-17,080.00	-	-	-	
02PER037	Consumer billed for trade effluent charges that was disputed, interest and charges reversed	Restatement of revenue	457,581.50	101,207.95	101,085.21	85,443.89	169,844.45	
02PER038	Reversal of interest charges on consumer service accounts	Restatement of revenue	113,286.33	23,261.40	23,127.30	22,993.20	43,904.43	
02PER039	Write back of stock from satelite stores	Restatement of expenditure	1,470,656.05	1,470,656.05	-	-	-	
02PER040	Housing debtors over statement of insurance - entries duplicated	Restatement of revenue	96,655.39	34,544.52	34,024.27	28,086.60	-	
02PER041	Housing debtors under statement of interest - entries not put through	Restatement of revenue	-2,255,833.55	-833,805.82	-816,711.30	-605,316.43	-	
02PER042	Overcharge on income - agency agreement with umgungundlovu dm	Restatement of revenue	929,473.49	929,473.49	-	-	-	
02PER043	Write back of depreciation on investment properties	Restatement of expenditure	-25,519,590.71	-8,506,530.23	-8,506,530.24	-8,506,530.24	-	
Transaction affecting the Statement of Financial Performance			TOTAL	-433,461,518.92	-43,825,755.07	-89,387,111.30	-299,911,448.81	-337,203.74
GRAND TOTAL			-385,409,676.07	-42,025,640.47	-89,430,325.39	-253,611,143.71	-342,566.50	

THE MSUNDUZI MUNICIPALITY

APPENDIX J

DISCLOSURE OF PRIOR PERIOD ERRORS AS AT 30 JUNE 2010

PRIOR PERIOD ERRORS FOR 2009/ 2010						
VOTE 060 875 0002						
JOB	DESCRIPTION	Element	Total	08/09	07/08	06/07 and Prior
<u>Transaction affecting the Statement of Financial Position</u>						
02POS002	Clearing of control votes	Restatement of trade and other payables	-2,250,477.72	-2,250,477.72		
02POS003	Closing entries market	Restatement of trade and other payables	387,655.34	387,655.34		
02POS004	Stale cheques re-issued for deposit refunds	Restatement of trade and other payables	346,857.09	358,624.09	-12,148.00	381.00
02POS005	Payment of surety receipted into incorrect vote	Restatement of trade and other payables	30,000.00	30,000.00		
02POS006	Payment of objections receipted into incorrect vote	Restatement of trade and other payables	2,000.00	2,000.00		
02POS007	Under accrual of expenditure	Restatement of trade and other payables	112,770.00	112,770.00		
02POS008	Over accrual of expenditure	Restatement of trade and other payables	-121,666.02	-121,666.02		
02POS009	Clearing gl balances with CR balances	Restatement of trade and other payables	-364,165.58	-15,203.00	-2,908.00	-346,054.58
02POS010	Clearing gl balances with DR balances	Restatement of trade and other receivables from non exchange transactions	157,987.05	173,335.17		-15,348.12
02POS010	Correction of landfill site assets	Restatement of PPE	36,713,408.07		36,713,408.07	
02POS011	Correction of calculation error on operating leases	Restatement of finance lease obligation	-10,000.00	-10,000.00		
02POS012	Input vat not claimed from SARS	Restatement of trade and other payables	-49,577.02	-49,577.02		
02POS013	Reversal of a bad write off on government account	Restatement of trade and other receivables from non exchange transactions	1,808,752.34	1,808,752.34		
02POS014	Corrections on debi market development and maintenance reserve	Restatement of reserves	126,887.20		126,887.20	
02POS016	Plant, equipment and vehicles incorrectly classified as non capital items	Restatement of PPE	-33,938,342.02			-33,938,342.02
02POS017	Retrospective depreciation on take on of immovables assets	Restatement of PPE	769,249,414.00		769,249,414.00	
<u>Transaction affecting the Statement of Financial Position</u>			TOTAL	772,201,502.73	426,213.18	806,074,653.27
						-34,299,363.72

THE MSUNDUZI MUNICIPALITY

APPENDIX J

DISCLOSURE OF PRIOR PERIOD ERRORS AS AT 30 JUNE 2010

PRIOR PERIOD ERRORS FOR 2009/ 2010							
VOTE 060 875 0002							
JOB	DESCRIPTION	Element	Total	08/09	07/08	06/07 and Prior	
<u>Transaction affecting the Statement of Financial Performance</u>							
02PER001	Under accrual of expenditure	Restatement of expenditure	270,710.95	270,710.95			
02PER002	Over accrual of expenditure	Restatement of expenditure	-289,020.00	-289,020.00			
02PER004	Expenditure recovered from grant	Restatement of expenditure	-605,190.00	-605,190.00			
02PER007	Recoveries of over charge for security cash in transit - contract 30 of 2007	Restatement of expenditure	-847,180.00	-508,308.00	-338,872.00		
02PER008	Non payment of commision on prepaid electricity sales in 2008/2009	Restatement of expenditure	-86,461.68	-86,461.68			
02PER010	Adjusting GL to match stores report in over/under account	Restatement of expenditure	5,949.09		5,949.09		
02PER011	Prepaid electricity sales 07/08 vendors under investigation	Restatement of revenue	1,429,822.80	-41,317.00	1,471,139.80		
02PER012	Billing for water consumption for vulindlela receipted by umgeni water	Restatement of revenue	-6,344,482.58		-6,344,482.58		
02PER013	Prepayment of electricity meters i.r.o. installations and related costs	Restatement of revenue	3,454,294.96			3,454,294.96	
02PER014	Restatement of power supply i.r.o illegal tampering of meters	Restatement of revenue	-747,468.26	-747,468.26			
02PER015	Payments & interest received on funds advanced to pmb chamber of business	Restatement of revenue	-8,276.07		-8,276.07		
02PER016	Timing difference of receipting in 08/09	Restatement of revenue	-2,235,943.83		-2,235,943.83		
02PER017	Cancelling goods received notes created but not processed for payment	Restatement of expenditure	-970,550.60	-970,550.60			
02PER018	Property rates revenue corrections	Restatement of revenue	2,508.51	2,508.51			
02PER023	Depreciation plant, equipment and vehicles incorrect classified as non capital items	Restatement of expenditure	23,378,721.17	2,938,968.05	2,938,968.06	17,500,785.06	
<u>Transaction affecting the Statement of Financial Performance</u>			TOTAL	16,407,434.46	-36,128.03	-4,511,517.53	20,955,080.02
GRAND TOTAL			788,608,937.19	390,085.15	801,563,135.74	-13,344,283.70	