



THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

**CONSOLIDATED ANNUAL FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010**



The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Municipality
Executive Committee	Mayor - MA Tarr Deputy Mayor - JJ Ngubo Member - G Meyer Member - TI Dlamini Member - RP Ashe Member - WF Lambert Member - DP Zondi Member - SI Madonda Member - N Ahmed Member - NE Majola
Councillors	Speaker - B Baijoo Whip - VT Magubane RS Ntuli RT Zuma PB Shoji SEM Ngcobo EB Zuma TD Ntombela Z Magubane M Mchunu TS Majola VS Radebe AS Mkhize CS Gabela BF Zuma A Shelembe KV Khambule BR Mazibuko BM Mkhize VP Jaca SA Sibisi LM Msimang D Ryder GR McArthur MJ Lawrence SN Naidoo HD Ngubane M Chetty I Manilal PW Moon JEP Green MJ Diadla I Ngubane SP Lyne H Zondi D Buthelezi TU Zondi

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General Information

	V Ntshangase
	L Ngcobo
	N Duze
	MEZ Dlamini
	Z Mbatha
	FR Zungu
	R Singh
	B Ndlovu
	S Mkhize
	S Ngubane
	K Chetty
	MM Thebola
	AH Kadir
	S Majola
	C Bradley
	N Atwaru
	K Oliver
	P Bengu
	ND Hlongwane
	PT Kanyile
	M Maphumulo
	SJ Seymour
	BS Sokhela
	E Mzila
	RB Singh
	M Mlaba
Accounting Officer (Acting)	TS Maseko
Chief Finance Officer (CFO) (Acting)	MB Sahibdeen
Grading of local authority	Category - B
Registered office	The City Hall 260 Church Street Pietermaritzburg 3201
Business address	The City Hall 260 Church Street Pietermaritzburg 3201
Postal address	The City Hall Private Bag x321 Pietermaritzburg 3200
Municipality	Safe City Pietermaritzburg

The Msunduzi Municipality and its Municipal Entity

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General Information

Bankers	First National Bank
Auditors	The Auditor General
Telephone number:	(033) 392 2006
Facsimile:	(033) 392 2208
Website	www.msunduzi.gov.za

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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

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for the year ended 30 June 2010

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 of 82, in terms of Section 126(1) of the Municipal Finance Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Officer Bearer s Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TS. Maseko

Municipal Manager (Acting)

Date

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	Group		Municipality	
		2010	2009	2010	2009
Assets					
Current Assets					
Inventories	3	63,567,100	64,304,960	63,567,100	64,304,960
Current portion - other financial assets	11	1,860,000	1,860,000	1,860,000	1,860,000
Trade and other receivables from non exchange transactions	4	28,689,626	18,935,560	28,689,626	18,935,560
VAT receivable		8,332	27,080	-	-
Consumer debtors	5	214,803,637	320,310,480	214,803,639	320,310,484
Current portion of long - term receivables	10	1,444,570	1,492,047	1,444,570	1,492,047
Cash and cash equivalents	6	138,810,885	113,666,687	138,024,193	112,867,232
		449,184,150	520,596,814	448,389,128	519,770,283
Non-Current Assets					
Investment property	9	534,167,000	534,167,000	534,167,000	534,167,000
Property, plant and equipment	7	6,221,807,029	6,193,149,884	6,221,718,502	6,193,098,558
Intangible assets	8	6,465,292	3,770,102	6,465,292	3,770,102
Long - term receivables	10	4,190,414	4,686,392	4,190,414	4,686,392
Current portion - other financial assets	11	64,051	70,842	64,051	70,842
		6,766,693,786	6,735,844,220	6,766,605,259	6,735,792,894
Total Assets		7,215,877,936	7,256,441,034	7,214,994,387	7,255,563,177
Liabilities					
Current Liabilities					
Long - term liabilities	12	47,969,108	47,105,411	47,969,108	47,105,411
Trade and other payables 14		325,953,689	301,975,340	325,924,128	301,965,906
VAT payable	15	22,512,954	5,040,704	22,512,954	5,040,704
Consumer deposits	16	35,793,963	34,808,038	35,793,963	34,808,038
Unspent conditional grants and receipts	17	140,882,033	113,470,182	140,882,033	113,470,182
Short term - liability		-	50,000,000	-	50,000,000
Current provision	18	760,739	625,167	760,739	625,167
		573,872,486	553,024,842	573,842,925	553,015,408
Non-Current Liabilities					
Long - term liabilities	12	562,978,504	371,716,196	562,978,504	371,716,196
Finance lease obligation	13	7,150,234	10,670,399	7,150,234	10,670,399
Retirement benefit obligation	19	151,097,282	98,089,800	151,097,282	98,089,800
Provisions	20	3,623,648	16,871,166	3,623,648	16,871,166
		724,849,668	497,347,561	724,849,668	497,347,561
Total Liabilities		1,298,722,154	1,050,372,403	1,298,692,593	1,050,362,969
Net Assets		5,917,155,782	6,206,068,631	5,916,301,794	6,205,200,208
Net Assets					
Housing development fund	21	52,480,002	52,002,719	52,480,002	52,002,719
Accumulated surplus		5,864,675,780	6,154,065,912	5,863,821,792	6,153,197,489
Total Net Assets		5,917,155,782	6,206,068,631	5,916,301,794	6,205,200,208

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	Group		Municipality	
		2010	2009	2010	2009
Revenue					
Property rates	23	420,030,161	378,556,015	420,030,161	378,556,015
Service charges	24	1,159,281,895	952,422,683	1,159,300,660	952,438,874
Property rates - penalties imposed and collection charges		20,284,950	20,581,029	20,284,950	20,581,029
Public contributions, donated and contributed property, plant and equipment		60,000	10,000	-	-
Rental received		15,571,328	16,684,449	15,571,328	16,684,449
Fees from agency services		1,435,383	689,431	1,435,383	689,431
Fines		7,084,343	14,299,020	7,084,343	14,299,020
Licences and permits		72,254	53,988	72,254	53,988
Government grants & subsidies	25	355,033,160	324,440,359	355,033,160	324,440,359
Other revenue	26	496,550,663	338,999,138	496,526,273	338,998,135
Interest received	27	28,029,311	35,573,954	27,918,013	35,510,494
Total Revenue		2,503,433,448	2,082,310,066	2,503,256,525	2,082,251,794
Expenditure					
Employee related costs	28	(633,708,157)	(582,395,778)	(631,560,165)	(580,172,076)
Remuneration of councillors	29	(19,383,701)	(19,164,676)	(19,383,701)	(19,164,676)
Depreciation and amortisation	30	(123,669,181)	(96,651,653)	(123,646,386)	(96,625,686)
Impairment loss assets	31	(397,381)	-	(397,381)	-
Finance costs	32	(73,753,994)	(57,421,591)	(73,753,994)	(57,421,392)
Debt impairment	33	(250,539,606)	(10,000,000)	(250,539,606)	(10,000,000)
Collection costs		(2,460,768)	(1,401,737)	(2,460,768)	(1,401,737)
Repairs and maintenance		(66,284,690)	(77,933,252)	(65,924,285)	(77,379,164)
Bulk purchases	34	(804,979,363)	(636,770,849)	(804,979,363)	(636,770,849)
Grants and subsidies paid	35	(1,710,637)	(2,346,757)	(4,342,216)	(4,978,336)
General expenses	36	(764,679,694)	(602,601,989)	(764,387,949)	(602,728,333)
Total Expenditure		(2,741,567,172)	(2,086,688,282)	(2,741,375,814)	(2,086,642,249)
Gain or loss on disposal of assets	37	1,937,411	3,369,276	1,937,411	3,369,276
Financial liability amortised cost		793,323	5,434,385	793,323	5,434,385
Financial asset amortised cost		(531,635)	(385,314)	(531,635)	(385,314)
(Deficit) surplus for the year		(235,934,625)	4,040,131	(235,920,190)	4,027,892

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Housing Development fund	Accumulated surplus	Total net assets
Group			
Opening balance - municipality	54,756,079	903,047,196	957,803,275
Opening balance - municipal entity	-	856,184	856,184
Balance at 01 July 2008 as restated	54,756,079	903,903,380	958,659,459
Changes in accounting policies	-	(146,559)	(146,559)
Correction of prior period error	-	(5,610,494)	(5,610,494)
Net income (losses) recognised directly in net assets	-	(5,757,053)	(5,757,053)
Deficit for the year	-	4,040,135	4,040,135
Total recognised income and expenses for the year	-	(1,716,918)	(1,716,918)
Transfer to HDF	(2,753,360)	6,116,773	3,363,413
Net difference of adjustments	-	(31,010,576)	(31,010,576)
Additional other property plant and equipment - biological assets	-	85,716	85,716
Transfer to/from provisions	-	(21,593,591)	(21,593,591)
Transfer to/from creditors (leave pay)	-	(2,520,716)	(2,520,716)
Net take on of infrastructure assets as at 30 June 2009	-	5,294,381,500	5,294,381,500
Insurance claim processed	-	6,420,344	6,420,344
Total changes	(2,753,360)	5,250,162,532	5,247,409,172
Balance at 01 July 2009	52,002,719	6,154,065,912	6,206,068,631
Correction of prior period error	-	(29,919,144)	(29,919,144)
Net income (losses) recognised directly in net assets	-	(29,919,144)	(29,919,144)
Deficit for the year	-	(235,934,625)	(235,934,625)
Total recognised income and expenses for the year	-	(265,853,769)	(265,853,769)
Transfer to / from reserves	-	1,865,658	1,865,658
Net difference on adjustments	-	(8,446,120)	(8,446,120)
Transfer to / from provisions	-	(2,585,766)	(2,585,766)
Transactions HDF	477,283	-	477,283
Take on of additional servitudes	-	627,160	627,160
Contribution to leave pay	-	(7,772,891)	(7,772,891)
Off set depreciation	-	11,175,878	11,175,878
Contribution from accumulated surplus	-	(18,400,282)	(18,400,282)
Total changes	477,283	(289,390,132)	(288,912,849)
Balance at 30 June 2010	52,480,002	5,864,675,780	5,917,155,782
Note(s)	21		

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Municipality			
Balance at 01 July 2008	54,756,079	903,047,196	957,803,275
Changes in accounting policies	-	(146,559)	(146,559)
Correction of prior period error	-	(5,610,494)	(5,610,494)
Net income (losses) recognised directly in net assets	-	(5,757,053)	(5,757,053)
Surplus for the year	-	4,027,896	4,027,896
Total recognised income and expenses for the year	-	(1,729,157)	(1,729,157)
Transfer to HDF	(2,753,360)	6,116,773	3,363,413
Net difference of adjustments	-	(31,010,576)	(31,010,576)
Additional other property plant and equipment - biological assets	-	85,716	85,716
Transfer to / from provisions	-	(21,593,591)	(21,593,591)
Transfer to / from creditors (leave pay)	-	(2,520,716)	(2,520,716)
Insurance claim processed	-	6,420,344	6,420,344
Net take on of infrastructure assets as at 30 June 2009	-	5,294,381,500	5,294,381,500
Total changes	(2,753,360)	5,250,150,293	5,247,396,933
Balance at 01 July 2009	52,002,719	6,153,197,489	6,205,200,208
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	-	(235,920,190)	(235,920,190)
Total recognised income and expenses for the year	-	(265,839,334)	(265,839,334)
Transfer to / from reserves	-	1,865,658	1,865,658
Net difference of adjustments	-	(8,446,120)	(8,446,120)
Transfer to / from provisions	-	(2,585,766)	(2,585,766)
Take on of additional servitudes	-	627,160	627,160
Contribution to leave pay	-	(7,772,891)	(7,772,891)
Off set depreciation	-	11,175,878	11,175,878
Contribution from accumulated surplus	-	(18,400,282)	(18,400,282)
Transactions to HDF	477,283	-	477,283
Total changes	477,283	(289,375,697)	(288,898,414)
Balance at 30 June 2010	52,480,002	5,863,821,792	5,916,301,794
Note(s)	21		

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

Figures in Rand	Note(s)	Group		Municipality	
		2010	2009	2010	2009
Cash flows from operating activities					
Receipts					
Sale of goods and services		1,899,729,460	1,908,680,804	1,897,054,743	1,905,997,342
Interest income		28,029,311	35,573,954	27,918,013	35,510,494
		<u>1,927,758,771</u>	<u>1,944,254,758</u>	<u>1,924,972,756</u>	<u>1,941,507,836</u>
Payments					
Suppliers		(1,819,586,743)	(1,836,909,938)	(1,816,787,965)	(1,833,918,292)
Finance costs		(73,753,994)	(57,421,591)	(73,753,994)	(57,421,392)
		<u>(1,893,340,737)</u>	<u>(1,894,331,529)</u>	<u>(1,890,541,959)</u>	<u>(1,891,339,684)</u>
Net cash flows from operating activities	38	34,418,034	49,923,229	34,430,797	50,168,152
Cash flows from investing activities					
Purchase of property, plant and equipment		(154,961,519)	(298,093,138)	(154,961,519)	(298,093,138)
Proceeds from sale of property, plant and equipment		1,937,411	3,369,276	1,937,411	3,369,276
Movement in non current receivables		502,770	666,953	502,770	666,953
Net cash flows from investing activities		(152,521,338)	(294,064,107)	(152,521,338)	(294,056,909)
Cash flows from financing activities					
Net movement in long - term liabilities/financial leases		(33,969,416)	44,510,125	(33,969,416)	44,510,125
Movement in short term liability		(50,000,000)	50,000,000	(50,000,000)	50,000,000
Movement in current provisions		135,572	(236,098)	135,572	(236,098)
Movement in consumer deposits		985,925	(1,363,464)	985,925	(1,363,464)
Long term loan received		226,095,421	-	226,095,421	-
Net cash flows from financing activities		143,247,502	92,910,563	143,247,502	92,910,563
Net increase/(decrease) in cash and cash equivalents		25,144,198	(151,230,315)	25,156,961	(150,978,194)
Cash and cash equivalents at the beginning of the year		113,666,687	264,897,001	112,867,232	263,845,427
Cash and cash equivalents at the end of the year	6	138,810,885	113,666,686	138,024,193	112,867,233

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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.

The standards are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowings
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for investments in associates
GRAP 8	Financial reporting of interests in joint ventures
GRAP 9	Revenue from exchange transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

GRAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Directives issued and effective:

Directive 1:	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2:	Transitional Provisions for the adoption of Standards of GRAP by entities, Municipal Entities and constitutional Institutions
Directive 3:	Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities
Directive 4:	Transitional Provisions for the adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5:	Determining the GRAP reporting Framework
Directive 7:	The adoption of Deemed Cost on the Adoption of Standards of GRAP

Approved Guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs 15 to 19 of the Directive:

IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non-Cash-Generating Assets

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

IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosure
IAS 12 (AC 102)	Income Taxes

The Msunduzi Municipality and its Municipal Entity

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Accounting Policies

IAS 19 (AC 116) Employees Benefits
IAS 32 (AC 132) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurements
SIC 21 (AC 421) Income Taxes – Recovery of revaluated Non- Depreciable Assets
SIC 25 (AC 425) Income Taxes – Changes in the Tax Status of an entity or its Shareholders
SIC 29 (AC 429) Service Concession Arrangements: Disclosure
IFRIC 2 (AC 435) Members Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437) Determining whether an Arrangement contains a lease
IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes
IFRIC 14 (AC447) IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the municipality and the municipal entity.

The consolidated annual financial statements of the municipality and its municipal entity are used in the preparation of the consolidated consolidated annual financial statements and are prepared as of the same reporting date.

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

The results of the municipal entity are included from the effective date of acquisition. Where necessary adjustments are made to the consolidated annual financial statements of the municipal entity to bring their accounting policies used in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.2 Presentation of currency

These consolidated annual financial statements are presented in South African Rand.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the consolidated 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 position.

1.4 Housing development fund

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

1.5 Investment property

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Investment property (continued)

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 and its municipal entity 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 using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

Item Useful life

Property - land indefinite
Property - buildings 30years

1.6 Property, plant and equipment

Initial Recognition

Property plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful live. Land is not depreciated as it is deemed to have an indefinite life.

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

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

Subsequent Measurement

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

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

Depreciation commences when the assets are ready for their intended use.

Depreciation and Impairment:-

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives :-

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

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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
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Bins and containers 5 years

Landfill Sites 15 years

Specialised vehicles 10 years

Specialised property, plant and equipment 10 - 15 years

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

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 property, plant and equipment 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 group 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 on a weighted average cost basis. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

The Msunduzi Municipality and its Municipal Entity

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Accounting Policies

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the group assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

The Msunduzi Municipality and its Municipal Entity

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Accounting Policies

1.8 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method if material. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

Cash and cash equivalents are classified as loans and receivables

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any

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Accounting Policies

1.8 Financial instruments (continued)

impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit,
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset

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Accounting Policies

1.8 Financial instruments (continued)

shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

1.11 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality and its municipal entity 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 group 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 group 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.

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Accounting Policies

1.12 Provisions and contingencies (continued)

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 group 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 42.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- 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 restatement of expenditure iro 2007/08 during 2009/10 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 restatement of expenditure iro 2007/08 during 2009/10.

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 restatement of expenditure iro 2007/08 during 2009/10 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 restatement of expenditure iro 2007/08 during 2009/10.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, 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 consolidated annual financial statements are recognised in surplus or deficit in the period in which they arise.

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Accounting Policies

1.16 Comparative figures (continued)

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. 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 Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

Current year comparatives

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

Prior year comparatives

When presentation or classification of items in the consolidated 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 - 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 in which they are incurred.

1.19 Value Added Taxation/TAX

The Msunduzi Municipality accounts for Value Added Tax on the payment basis.

The municipality is exempted from Tax in terms of Section 10(1)(a) of the Income Tax Act.

1.20 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

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

The group assesses its trade receivables for impairment at each statement of financial position date. In determining whether

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.20 Significant judgements and sources of estimation uncertainty (continued)

An impairment loss should be recorded in the statement of financial performance, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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 group 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 group for similar financial instruments.

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 20 - Provisions.

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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

1.21 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 group 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.

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.

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

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Accounting Policies

1.21 Intangible assets (continued)

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised:

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

1.22 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 not depreciated (or amortised) while it is classified as "held for sale" asset.

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

1.23 Impairment of cash-generating assets

Cash-generating assets are those assets held by the group 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).

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 group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

1.24 Employee benefits

Short-term employee benefits

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

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

The Msunduzi Municipality and its Municipal Entity

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Accounting Policies

1.24 Employee benefits (continued)

Defined contribution plans

The municipality and its municipal entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on a three year basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the group is demonstrably committed to curtailment or settlement.

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 planned assets. In the restatement of expenditure iro 2007/08 during 2009/10, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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

The municipality and its municipal entity does not apply the "Corridor method" and recognise all actuarial gains or losses in the statement of financial performance as they occur.

Retirement benefits

The municipality and its municipal entity and its employees contribute to seven pension funds of which the Natal Joint Municipal Pension Fund cater for the majority of the staff. The Pension Funds has a combination of a defined contribution fund and defined benefit plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.24 Employee benefits (continued)

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.

1.25 Investment income

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

1.26 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 group 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 1.23 . 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.

1.27 Use of estimates

The preparation of consolidated annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the relevant sections of the consolidated 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.

1.28 Offsetting

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

1.29 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.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.30 Grants in aid

The Msunduzi Municipality and its municipal entity 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 consolidated annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.31 Unspent conditional grants

Unspent conditional grants are reflected on the Statement of Financial Position as a Creditor - Unspent Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors

The unspent portion of the grant is invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is The Msunduzi Municipality's and its municipal entity's interest it is recognised as interest earned in the Statement of Financial Performance.

Whenever an item of property, plant and equipment is purchased from a Creditor – Unspent Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unspent Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

Whenever an item of property, plant and equipment is purchased from a Creditor - Unspent Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Deferred Income - Government Grants or the Accumulated Surplus account in the case of non government grants. The deferred income account is used to offset depreciation charged on the property, plant and equipment financed from unspent government grant capital receipts and equals the remaining depreciable value (carrying value) of property, plant and equipment financed from unspent government grant capital receipts.

Whenever a non-asset is purchased from a Creditor - Unspent Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unspent Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The group has not applied the following standards and interpretations, which have been issued but are not yet effective

GRAP 18: Segment Reporting

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

GRAP 23: Revenue from Non-exchange Transactions

Non-exchange transactions in which the entity receives services without directly giving equal value in exchange, has not been accounted for as revenue. The reason being is that this type of transaction is presently non applicable and therefore considered immaterial.

GRAP 24: Presentation of Budget Information in the Financial Statements

Compliance with this standard would have had an effect on the presentation only. The budget information is disclosed in the appendices of the consolidated annual financial statements.

GRAP 103: Heritage Assets

Compliance to the standard would have no impact on the current information due to the fact that there are no heritage assets disclosed in the consolidated annual financial statements. Notwithstanding the above are the recognition and measurements requirements of the standards already adopted.

GRAP 25: Employee benefits

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in the notes to the consolidated annual financial statements and statement of performance. The disclosure of this information will assist users of the financial statements to evaluate the nature of the entity defined plans and the financial effect in those plans during the reporting period.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
3. Inventories				
Forestry	38,412,870	37,475,123	38,412,870	37,475,123
Consumable stores	25,500,851	27,346,448	25,500,851	27,346,448
Workshop stores	674,531	674,292	674,531	674,292
Unused water	1,596,249	1,451,267	1,596,249	1,451,267
Fuel - diesel & petrol	893,152	471,002	893,152	471,002
	67,077,653	67,418,132	67,077,653	67,418,132
Impairment of inventories	(3,510,553)	(3,113,172)	(3,510,553)	(3,113,172)
	63,567,100	64,304,960	63,567,100	64,304,960
Cost of inventories recognised as an expense				
Consumables / workshop stores	23,822,729	32,243,152	23,822,729	32,243,152
Fuel - diesel and petrol	16,085,067	20,675,287	16,085,067	20,675,287
Forestry	6,677,655	5,590,029	6,677,655	5,590,029
Unused water	236,743,218	216,651,627	236,743,218	216,651,627
	283,328,669	275,160,095	283,328,669	275,160,095
4. Trade and other receivables from non exchange transactions				
Other debtors - discounted interest	(324,061)	(385,314)	(324,061)	(385,314)
Other debtors	26,682,957	16,955,403	26,682,957	16,955,403
Land sale debtors	2,330,730	2,365,471	2,330,730	2,365,471
	28,689,626	18,935,560	28,689,626	18,935,560

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
5. Consumer debtors				
Gross balances				
Rates 163,532,979		137,934,216	163,532,979	137,934,216
Electricity	318,311,324	217,951,333	318,311,324	217,951,333
Water	84,544,334	77,166,555	84,544,334	77,166,555
Sewerage	13,863,228	11,774,192	13,863,228	11,774,192
Refuse	25,480,536	23,155,762	25,480,536	23,155,762
Housing rental	11,592,514	11,437,719	11,592,514	11,437,719
Other (specify)	28,056,855	22,891,141	28,056,855	22,891,141
	645,381,770	502,310,918	645,381,770	502,310,918
Less: Provision for debt impairment				
Rates	(86,870,383)	(36,769,018)	(86,870,383)	(36,769,018)
Electricity	(285,956,125)	(121,224,104)	(285,956,125)	(121,224,104)
Water	(57,751,623)	(24,007,312)	(57,751,623)	(24,007,312)
	(430,578,131)	(182,000,434)	(430,578,131)	(182,000,434)
Net balance				
Rates 76,662,596		101,165,198	76,662,596	101,165,198
Electricity	32,355,199	96,727,229	32,355,199	96,727,229
Water	26,792,711	53,159,243	26,792,711	53,159,243
Sewerage	13,863,228	11,774,192	13,863,228	11,774,192
Refuse	25,480,536	23,155,762	25,480,536	23,155,762
Housing rental	11,592,514	11,437,719	11,592,514	11,437,719
Other (specify)	28,056,853	22,891,137	28,056,855	22,891,141
	214,803,637	320,310,480	214,803,639	320,310,484
Rates				
Current (0 -30 days)	35,893,975	32,322,279	35,893,975	32,322,279
31 - 60 days	6,727,860	4,600,076	6,727,860	4,600,076
61 - 90 days	5,160,111	4,022,221	5,160,111	4,022,221
91 - 120 days	4,824,242	3,467,448	4,824,242	3,467,448
121 - 365 days	4,525,559	3,137,053	4,525,559	3,137,053
> 365 days	106,401,232	90,385,139	106,401,232	90,385,139
	163,532,979	137,934,216	163,532,979	137,934,216
Electricity, refuse, sewerage, water & housing rentals				
Current (0 -30 days)	162,614,432	116,141,788	162,614,432	116,141,788
31 - 60 days	18,239,279	17,232,177	18,239,279	17,232,177
61 - 90 days	12,041,789	14,520,339	12,041,789	14,520,339
91 - 120 days	12,916,884	10,866,079	12,916,884	10,866,079
121 - 365 days	12,139,114	10,893,474	12,139,114	10,893,474
> 365 days	235,840,439	171,831,704	235,840,439	171,831,704
	453,791,937	341,485,561	453,791,937	341,485,561
Other				
Financial instruments - discounted interest	28,056,855	22,891,141	28,056,855	22,891,141
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	77,678,797	63,315,544	77,678,797	63,315,544

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
5. Consumer debtors (continued)				
31 - 60 days	16,382,650	12,593,391	16,382,650	12,593,391
61 - 90 days	11,740,804	11,310,589	11,740,804	11,310,589
91 - 120 days	13,161,413	9,632,243	13,161,413	9,632,243
121 - 365 days	11,458,980	9,325,122	11,458,980	9,325,122
> 365 days	234,936,595	163,370,417	234,936,565	163,370,417
	365,359,239	269,547,306	365,359,209	269,547,306
Less: Provision for debt impairment	(324,175,080)	(154,700,369)	(324,175,080)	(154,700,369)
	41,184,159	114,846,937	41,184,129	114,846,937
Industrial/ commercial				
Current (0 -30 days)	99,264,188	71,772,015	99,264,188	71,772,015
31 - 60 days	5,068,377	4,138,520	5,068,377	4,138,520
61 - 90 days	2,651,792	2,667,417	2,651,792	2,667,417
91 - 120 days	2,533,601	2,060,958	2,533,601	2,060,958
121 - 365 days	2,546,927	1,739,901	2,546,927	1,739,901
> 365 days	46,966,584	40,777,711	46,966,584	40,777,711
	159,031,469	123,156,522	159,031,469	123,156,522
Less: Provision for debt impairment	(106,403,052)	(27,300,065)	(106,403,052)	(27,300,065)
	52,628,417	95,856,457	52,628,417	95,856,457
National and provincial government				
Current (0 -30 days)	14,313,229	10,153,493	14,313,229	10,153,493
31 - 60 days	3,569,294	4,578,913	3,569,294	4,578,913
61 - 90 days	3,074,803	4,157,454	3,074,803	4,157,454
91 - 120 days	2,102,902	2,436,751	2,102,902	2,436,751
121 - 365 days	2,709,506	2,686,489	2,709,506	2,686,489
> 365 days	67,250,943	62,704,221	67,250,943	62,704,221
	93,020,677	86,717,321	93,020,677	86,717,321
Reconciliation of debt impairment provision				
Balance at beginning of the year	(182,000,434)	(178,592,418)	(182,000,434)	(178,592,418)
Contributions to provision	(250,539,606)	(10,000,000)	(250,539,606)	(10,000,000)
Debt impairment written off against provision	1,961,909	6,591,984	1,961,909	6,591,984
	(430,578,131)	(182,000,434)	(430,578,131)	(182,000,434)

Credit quality of consumer debtors

Trade receivables comprise of a widespread customer base consisting of domestic, commercial and government consumers.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	48,479	46,746	44,585	45,590
Bank balances	20,073,746	19,258,293	20,058,725	19,246,950
Short-term deposits	118,688,660	93,761,648	117,920,883	93,574,692
Other cash and cash equivalents	-	600,000	-	-
	138,810,885	113,666,687	138,024,193	112,867,232

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.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
6. Cash and cash equivalents (continued)				
The total amount of undrawn facilities available for future operating activities and commitments	-	10,000,000	-	10,000,000
Average rate of return				
For each year	7.09	7.25	7.09	7.25

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
FNB - No: 5094187782 (Primary)	52,922,539	17,564,736	8,816,824	(17,645,903)	11,586,616	1,280,210
FNB - No: 5090058750 (Electronic transfers)	-	-	69,867	-	1,000	-
FNB - No: 62006041157 (Post office)	-	-	-	-	-	(700)
FNB - No: 5094187774 (Unpaid cheques)	(106,205)	(34,906)	(39,321)	(106,205)	(34,906)	(39,321)
FNB - No: 62058007264 (Slum clearance)	31,200,807	25,581,036	12,882,783	31,200,807	26,652,854	12,966,982
FNB - No: 62065528930 (Library extension)	2,643,263	5,671,854	6,241,291	2,643,263	5,688,294	6,282,327
FNB - No: 62052319756 (Restructuring grant)	-	-	4,642,437	-	-	4,642,437
FNB - No: 62045272143 (Traffic fines)	(100)	28,853	29,250	-	-	-
FNB - No: 50941840627 (Market)	2,009,212	2,119,320	1,387,910	-	-	-
FNB - No: 62069378539 (Oribi airport)	(321,325)	143,935	(325,444)	(541,280)	(529,356)	(548,330)
FNB - No: 50930082248 (Forestry)	292,967	123,752	314,972	292,967	123,752	314,972
ABSA - No: 9076022706 (Forestry)	483,343	1,109,330	1,221,371	488,343	1,109,330	1,221,371
Forestry service operations (Ledger account)	-	-	-	(18,945,389)	(18,945,289)	(18,945,289)
FNB - No: 50941849512 (Metro transport)	-	-	964,563	-	-	964,563
FNB - No: 50941847029 (Salaries main)	584,435	405,837	307,040	542,965	405,837	98,671
FNB - No: 62003432846 (Salaries PACs no.1)	1,962	-	-	-	-	-
FNB - No: 62003433414 (Salaries PACs no.2)	973,284	606,023	388,588	-	-	-
FNB - No: 62035467978 (Safe City)	15,021	11,343	62,083	22,676	27,337	87,963
Total	90,699,203	53,331,113	36,964,214	(2,047,756)	26,085,469	8,325,856

The Msunduzi Municipality and its Municipal Entity
Notes to the Consolidated Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

Group	2010			2009 Restated			2008 Restated		
	Cost/Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value
IMMOVABLE ASSETS	7,083,116,220	(928,283,241)	6,154,832,979	6,952,105,219	(817,605,289)	6,134,499,930	6,675,396,141	(367,332,341)	6,308,063,800
Buildings	462,135,146	(66,333,849)	395,801,297	455,128,178	(62,080,107)	393,048,071	454,645,104	(30,364,099)	424,281,005
Infrastructure	5,467,477,266	(602,329,946)	4,865,147,320	5,343,561,232	(512,287,784)	4,831,273,448	5,111,100,000	(235,377,531)	4,875,722,469
Community	661,506,710	(133,179,674)	528,327,036	651,599,394	(124,164,748)	527,434,646	636,989,505	(54,608,032)	582,381,473
Other	491,997,098	(126,439,772)	365,557,326	501,816,415	(119,072,650)	382,743,765	472,661,532	(46,982,679)	425,678,853
MOVABLE ASSETS	317,570,777	(250,596,727)	66,974,050	298,907,867	(240,257,913)	58,649,954	291,403,703	(224,836,983)	66,566,720
Movables	316,857,467	(250,514,840)	66,342,627	298,109,070	(240,198,821)	57,910,249	290,801,033	(224,836,983)	65,964,050
Furniture and Fittings	64,615	(37,777)	26,838	64,615	(24,854)	39,761	-	-	-
Motor vehicles	60,000	(2,000)	58,000	-	-	-	-	-	-
Office Equipment	7,000	(7,000)	-	7,000	(5,852)	1,148	-	-	-
IT Equipment	38,799	(35,110)	3,689	38,799	(28,386)	10,413	-	-	-
Biological assets	542,896	-	542,896	688,383	-	688,383	602,670	-	602,670
TOTALS	7,400,686,997	(1,178,879,968)	6,221,807,029	7,251,013,086	(1,057,863,202)	6,193,149,884	6,966,799,844	(592,169,324)	6,374,630,520

Municipality	2010			2009 Restated			2008 Restated		
	Cost/Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value	Cost/Valuation	Accumulated Depreciation	Carrying Value
IMMOVABLE ASSETS	7,083,116,220	(928,283,241)	6,154,832,979	6,952,105,219	(817,605,289)	6,134,499,930	6,675,396,141	(367,332,341)	6,308,063,800
Buildings	462,135,146	(66,333,849)	395,801,297	455,128,178	(62,080,107)	393,048,071	454,645,104	(30,364,099)	424,281,005
Infrastructure	5,467,477,266	(602,329,946)	4,865,147,320	5,343,561,232	(512,287,784)	4,831,273,448	5,111,100,000	(235,377,531)	4,875,722,469
Community	661,506,710	(133,179,674)	528,327,036	651,599,394	(124,164,748)	527,434,646	636,989,505	(54,608,032)	582,381,473
Other	491,997,098	(126,439,772)	365,557,326	501,816,415	(119,072,650)	382,743,765	472,661,532	(46,982,679)	425,678,853
MOVABLE ASSETS	317,400,363	(250,514,840)	66,885,523	298,797,453	(240,198,821)	58,598,632	291,403,703	(224,836,983)	66,566,720
Movables	316,857,467	(250,514,840)	66,342,627	298,109,070	(240,198,821)	57,910,249	290,801,033	(224,836,983)	65,964,050
Biological assets	542,896	-	542,896	688,383	-	688,383	602,670	-	602,670
TOTALS	7,400,516,583	(1,178,798,081)	6,221,718,502	7,250,902,672	(1,057,804,110)	6,193,098,562	6,966,799,844	(592,169,324)	6,374,630,520

Reconciliation of property, plant and equipment - Group - 2010	Opening Balance			Additions		Disposals		Capital under construction		Depreciation		Closing Balance	
	IMMOVABLE ASSETS	6,134,499,930	80,563,405	(18,245,885)	68,693,481	(110,677,952)	6,154,832,979						
Buildings	393,048,071	6,022,539	(5,180)	989,609	(4,253,742)	395,801,297							
Infrastructure	4,831,273,448	60,812,671	-	63,103,364	(90,042,162)	4,865,147,321							
Community	527,434,646	7,666,770	-	2,240,546	(9,014,926)	528,327,036							
Other	382,743,765	6,061,425	(18,240,705)	2,359,962	(7,367,122)	365,557,325							
MOVABLE ASSETS	58,649,953	20,811,982	(2,321,767)	172,694	(10,338,813)	66,974,050							
Movables	57,910,249	20,673,942	(2,098,240)	172,694	(10,316,019)	66,342,626							
Furniture and Fittings	39,761	-	-	-	(12,923)	26,839							
Motor vehicles	-	60,000	-	-	(2,000)	58,000							
Office Equipment	1,148	-	-	-	(1,148)	-							
IT Equipment	10,412	-	-	-	(6,723)	3,689							
Biological assets	688,383	78,040	(223,527)	-	-	542,896							
TOTALS	6,193,149,883	101,375,387	(20,567,652)	68,866,175	(121,016,765)	6,221,807,029							

The Msunduzi Municipality and its Municipal Entity
Notes to the Consolidated Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2009 Restated

	Opening Balance	Additions	Disposals	Capital under construction	Depreciation	Closing Balance
IMMOVABLE ASSETS	6,308,063,801	63,821,027	(244,966)	213,133,016	(450,272,948)	6,134,499,930
Buildings	424,281,005	384,092	(1,661)	100,643	(31,716,008)	393,048,071
Infrastructure	4,875,722,470	32,678,497	(227,200)	200,009,934	(276,910,253)	4,831,273,448
Community	582,381,473	11,064,509	-	3,545,380	(69,556,716)	527,434,646
Other	425,678,853	19,693,929	(16,105)	9,477,059	(72,089,971)	382,743,765
MOVABLE ASSETS	66,636,810	16,126,583	(10,742,135)	2,016,500	(15,387,805)	58,649,954
Movables	65,964,050	16,033,672	(10,742,135)	2,016,500	(15,361,838)	57,910,249
Furniture and Fittings	52,684	-	-	-	(12,923)	39,762
Motor vehicles	-	-	-	-	-	-
Office Equipment	2,548	-	-	-	(1,400)	1,148
IT Equipment	14,858	7,198	-	-	(11,644)	10,412
Biological assets	602,670	85,713	-	-	-	688,383
TOTALS	6,374,700,611	79,947,610	(10,987,101)	215,149,516	(465,660,753)	6,193,149,884

Reconciliation of property, plant and equipment - Group - 2008 Restated

	Opening Balance	Additions	Disposals	Capital under construction	Depreciation	Closing Balance
IMMOVABLE ASSETS	6,483,363,455	50,611,730	(312,628)	141,733,586	(367,332,342)	6,308,063,801
Buildings	451,651,480	835,281	(278,423)	2,436,766	(30,364,099)	424,281,005
Infrastructure	4,956,368,692	38,577,215	(31,600)	116,185,694	(235,377,531)	4,875,722,470
Community	623,085,273	8,731,365	-	5,172,867	(54,608,032)	582,381,473
Other	452,258,010	2,467,869	(2,605)	17,938,259	(46,982,680)	425,678,853
MOVABLE ASSETS	274,643,360	13,415,575	(129,431)	3,474,199	(224,836,983)	66,566,720
Movables	274,122,417	13,333,848	(129,431)	3,474,199	(224,836,983)	65,964,050
Biological assets	520,943	81,727	-	-	-	602,670
TOTALS	6,758,006,815	64,027,305	(442,059)	145,207,785	(592,169,325)	6,374,630,521

Reconciliation of property, plant and equipment - Municipality - 2010

	Opening Balance	Additions	Disposals	Capital under construction	Depreciation	Closing Balance
IMMOVABLE ASSETS	6,134,499,930	80,563,405	(18,245,885)	68,693,481	(110,677,952)	6,154,832,979
Buildings	393,048,071	6,022,539	(5,180)	989,609	(4,253,742)	395,801,297
Infrastructure	4,831,273,448	60,812,671	-	63,103,364	(90,042,162)	4,865,147,321
Community	527,434,646	7,666,770	-	2,240,546	(9,014,926)	528,327,036
Other	382,743,765	6,061,425	(18,240,705)	2,359,962	(7,367,122)	365,557,325
MOVABLE ASSETS	58,598,632	20,751,982	(2,321,767)	172,694	(10,316,019)	66,885,522
Movables	57,910,249	20,673,942	(2,098,240)	172,694	(10,316,019)	66,342,626
Biological assets	688,383	78,040	(223,527)	-	-	542,896
TOTALS	6,193,098,562	101,315,387	(20,567,652)	68,866,175	(120,993,971)	6,221,718,501

The Msunduzi Municipality and its Municipal Entity
Notes to the Consolidated Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2009 Restated

	Opening Balance	Additions	Disposals	Capital under construction	Depreciation	Closing Balance
IMMOVABLE ASSETS	6,308,063,801	63,821,027	(244,966)	213,133,016	(450,272,948)	6,134,499,930
Buildings	424,281,005	384,092	(1,661)	100,643	(31,716,008)	393,048,071
Infrastructure	4,875,722,470	32,678,497	(227,200)	200,009,934	(276,910,253)	4,831,273,448
Community	582,381,473	11,064,509		3,545,380	(69,556,716)	527,434,646
Other	425,678,853	19,693,929	(16,105)	9,477,059	(72,089,971)	382,743,765
MOVABLE ASSETS	66,566,720	16,119,385	(10,742,135)	2,016,500	(15,361,838)	58,598,632
Movables	65,964,050	16,033,672	(10,742,135)	2,016,500	(15,361,838)	57,910,249
Biological assets	602,670	85,713				688,383
TOTALS	6,374,630,521	79,940,412	(10,987,101)	215,149,516	(465,634,786)	6,193,098,562

Reconciliation of property, plant and equipment - Municipality - 2008 Restated

	Opening Balance	Additions	Disposals	Capital under construction	Depreciation	Closing Balance
IMMOVABLE ASSETS	6,483,363,455	50,611,730	(312,628)	141,733,586	(367,332,342)	6,308,063,801
Buildings	451,651,480	835,281	(278,423)	2,436,766	(30,364,099)	424,281,005
Infrastructure	4,956,368,692	38,577,215	(31,600)	116,185,694	(235,377,531)	4,875,722,470
Community	623,085,273	8,731,365	-	5,172,867	(54,608,032)	582,381,473
Other	452,258,010	2,467,869	(2,605)	17,938,259	(46,982,680)	425,678,853
MOVABLE ASSETS	274,643,360	13,415,575	(129,431)	3,474,199	(224,836,983)	66,566,720
Movables	274,122,417	13,333,848	(129,431)	3,474,199	(224,836,983)	65,964,050
Biological assets	520,943	81,727				602,670
TOTALS	6,758,006,815	64,027,305	(442,059)	145,207,785	(592,169,325)	6,374,630,521

The Msunduzi Municipality and its Municipal Entity

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7. Property, plant and equipment (continued)

Infrastructure Assets

During the previous financial year the Municipality implemented a process to identify, record, value and manage infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regards were as follows:

Physical verification and valuation

* The assets have been valued by an independent valuer and are effective on 30 June 2009.

* Due to the specialised nature of the assets, and market availability of information, the depreciated replacement cost method was used.

* A 100% verification and a conditional assessment was done.

* In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset that is referenced by a geographically referenced area and the actual position and detail of the asset estimated within this geographical area. As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detail components.

Retrospective application of the effects of implementation of GRAP 17

* The implementation of GRAP 17 is a prior period error. In terms of GRAP 3 prior period errors should be applied retrospectively. On initial application the Municipality applied retrospective application of the infrastructure assets during the 2008 financial year. The methodology followed for the retrospective application corrections was done as follows:

Disclosure of the asset information

*The deemed cost was determined on 30 June 2009 by using the depreciated replacement values (DRC).

*In order to apply the retrospective application as required for the infrastructure assets previously adjusted prospectively, the CPI index was used to determine the DRC values as at 2007.

*For movable assets actual values were used.

*The opening for the take-on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.

*Depreciation for the year has been based on the new asset values and is calculated on a straight line method.

*During the financial year the Municipality also identified and measured investment properties in terms of GRAP 16.

Fully Depreciated Assets

*The fixed asset register as at 30 October 2010 had approximately 42667 fully depreciated assets still in use. Approximately 40383 were acquired prior to July 2006. The Municipality opted not to revalue these assets due to the use of fund accounting in that period. In the interim the assets classified as vehicles have been revalued and the useful lives reviewed through a Section 78 of the Municipal Systems Act - investigation of fleet.

*The remainder of the assets acquired subsequent to June 2006 which were classified as Furniture and Equipment have been revalued and the useful lives have been reviewed. These values will be updated in the 2010/2011 financial year.

The Msunduzi Municipality and its Municipal Entity

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	2010	2009	2010	2009

8. Intangible assets

Group	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	21,968,210	(16,306,764)	5,661,446	17,267,370	(13,673,954)	3,593,416
Servitudes	803,846	-	803,846	176,686	-	176,686
Total	22,772,056	(16,306,764)	6,465,292	17,444,056	(13,673,954)	3,770,102

Municipality	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	21,968,210	(16,306,764)	5,661,446	17,267,370	(13,673,954)	3,593,416
Servitudes	803,846	-	803,846	176,686	-	176,686
Total	22,772,056	(16,306,764)	6,465,292	17,444,056	(13,673,954)	3,770,102

Reconciliation of intangible assets - Group - 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

Reconciliation of intangible assets - Group - 2009

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,253,954	3,003,211	(663,749)	3,593,416
Servitudes	176,686	-	-	176,686
	1,430,640	3,003,211	(663,749)	3,770,102

Reconciliation of intangible assets - Municipality - 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

Reconciliation of intangible assets - Municipality - 2009

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,253,954	3,003,211	(663,749)	3,593,416
Servitudes	176,686	-	-	176,686
	1,430,640	3,003,211	(663,749)	3,770,102

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009

9. Investment property

Group	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	534,167,000	-	534,167,000	534,167,000	-	534,167,000

Municipality	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	534,167,000	-	534,167,000	534,167,000	-	534,167,000

Reconciliation of investment property - Group - 2010

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

Reconciliation of investment property - Group - 2009

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

Reconciliation of investment property - Municipality - 2010

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

Reconciliation of investment property - Municipality - 2009

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

Other disclosures

Included in the land and building are items that may meet the definition of investment properties because the municipality has not yet finalised the process to identify investment properties for reporting purposes. At the time of preparation of the consolidated financial statements, the tender for the appointment of a service provider to perform this task was approved, but not yet completed. This process will be finalised during the 2010/2011 financial year. In addition this task will also identify unsold properties.

10. Long - term receivables

Housing	3,817,511	4,283,354	3,817,511	4,283,354
Loans to educational facilities and sporting bodies	372,903	403,038	372,903	403,038
	4,190,414	4,686,392	4,190,414	4,686,392

Current portion of housing debtors 2010: R 1 444 570 and 2009: R 1 492 047.

The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
11. Current portion - other financial assets				
Fixed deposits - long to medium term investment	1,924,051	1,930,842	1,924,051	1,930,842
Non-current assets				
At fair value through surplus or deficit - designated	64,051	70,842	64,051	70,842
Current assets				
At fair value through surplus or deficit	1,860,000	1,860,000	1,860,000	1,860,000
	1,924,051	1,930,842	1,924,051	1,930,842

The group 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.

12. Long - term liabilities

External loan liability	44,526,158	41,868,718	44,526,158	41,868,718
Finance lease liability	3,442,950	5,236,693	3,442,950	5,236,693
	47,969,108	47,105,411	47,969,108	47,105,411
Long term liabilities net of current portion of long term liabilities				
Finance lease and external loan liability	562,978,504	371,716,196	562,978,504	371,716,196
	610,947,612	418,821,607	610,947,612	418,821,607
Long term liabilities				
At amortised cost	562,978,504	371,716,196	562,978,504	371,716,196
Current liabilities				
Current portion of long term liabilities	47,969,108	47,105,411	47,969,108	47,105,411
	610,947,612	418,821,607	610,947,612	418,821,607

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
13. Finance lease obligation				
Minimum lease payments due				
- within one year	4,489,147	6,797,447	4,489,147	6,797,447
- in second to fifth year inclusive	7,775,730	12,186,424	7,775,730	12,186,424
- later than five years	667,882	1,066,959	667,882	1,066,959
	<u>12,932,759</u>	<u>20,050,830</u>	<u>12,932,759</u>	<u>20,050,830</u>
Add: future finance charges	1,488,742	2,560,800	1,488,742	2,560,800
Present value of minimum lease payments	<u>14,421,501</u>	<u>22,611,630</u>	<u>14,421,501</u>	<u>22,611,630</u>
Present value of minimum lease payments due				
- within one year	4,211,231	6,432,791	4,211,231	6,432,791
- in second to fifth year inclusive	6,631,806	10,132,975	6,631,806	10,132,975
- later than five years	600,981	924,264	600,981	924,264
	<u>11,444,018</u>	<u>17,490,030</u>	<u>11,444,018</u>	<u>17,490,030</u>
Non-current liabilities	-	-	-	-
Finance lease obligation	7,150,234	10,670,399	7,150,234	10,670,399
	<u>7,150,234</u>	<u>10,670,399</u>	<u>7,150,234</u>	<u>10,670,399</u>

The average lease term was 5 years and the average effective borrowing rate was 12.1% (2009: 11 %).

14. Trade and other payables

Trade payables	7,280,984	16,589,530	7,258,023	16,586,696
Other payables	66,549,093	107,485,650	66,549,093	107,485,650
Other deposits	3,197,119	2,790,750	3,197,119	2,790,750
Accrued leave pay	43,990,395	38,502,728	43,990,395	38,502,728
Operating lease payables 170,715		130,810	170,715	130,810
Retention	12,579,039	13,867,375	12,579,039	13,867,375
Other payables accrued	198,414,052	128,042,882	198,407,452	128,036,282
Other payables - discounted interest	(6,227,708)	(5,434,385)	(6,227,708)	(5,434,385)
	<u>325,953,689</u>	<u>301,975,340</u>	<u>325,924,128</u>	<u>301,965,906</u>

15. VAT payable

VAT payable	22,512,954	5,040,704	22,512,954	5,040,704
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16. Consumer deposits

Electricity	28,278,355	27,523,586	28,278,355	27,523,586
Water	4,899,556	4,748,861	4,899,556	4,748,861
Refuse 905,800		877,941	905,800	877,941
Regional services levies	1,710,252	1,657,650	1,710,252	1,657,650
	<u>35,793,963</u>	<u>34,808,038</u>	<u>35,793,963</u>	<u>34,808,038</u>

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

Balance on the interest reserve as at 30 June 2010 is R8 401 971 and 30 June 2009 R7 652 419 .

Guarantees in lieu of electricity and water deposit	8,856,716	8,654,786	8,856,716	8,654,786
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	2010	2009	2010	2009
17. Unspent conditional grants and receipts				
Non-current liabilities	-	-	-	-
Current liabilities	140,882,033	113,470,182	140,882,033	113,470,182
	140,882,033	113,470,182	140,882,033	113,470,182

The nature and extent of government grants recognised in the consolidated annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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 until utilised.

National grants	81,028,290	57,830,336	81,028,290	57,830,336
Provincial grants & subsidies	24,065,042	13,545,137	24,065,042	13,545,137
Other conditional grant receipts	35,788,701	42,094,709	35,788,701	42,094,709
	140,882,033	113,470,182	140,882,033	113,470,182

18. Current provisions

Performance bonus	760,739	625,167	760,739	625,167
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The movement in the current provision is reconciled as follows

Opening Balance	625,167	861,265	625,167	861,265
Contributions	135,572	625,167	135,572	625,167
Expenditure incurred	-	(861,265)	-	(861,265)
	760,739	625,167	760,739	625,167

19. Retirement benefits

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 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 financials being compiled for each fund and not for each employer.

At the time of submission of this annual financial statement were the actuarial valuation reports not available for the SALA, AIPF, Pietermaritzburg Provident Fund and GEPF.

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

Kwa-Zulu-Natal Joint Municipal Provident Fund.

Actuarial Valuation as at 31 March 2009.

Results of valuation.

The Msunduzi Municipality and its Municipal Entity

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Figures in Rand	Group		Municipality	
	2010	2009	2010	2009

19. Retirement benefits (continued)

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 R13,165,000 is required to be held in the Risk Reserve Account. The liabilities of the fund exceeded the assets. Resulting in a small deficit at the valuation date of R13,930,000.

The deficit of R13,930,000 will be met from future investment earnings. 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:	516,818,000
International Investments:	57,134,000
Membership:	7,977

Natal Joint Pension Fund:

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

An interim actuarial valuation was performed on 31 March 2009.

The statutory actuarial valuation as at 31 March 2000 disclosed that the fund was in shortfall. As required by the Pension Funds act, a "Scheme of Arrangement" was implemented so that the shortfall would be funded over the 9 year period 1 July 2001 to 30 June 2010. The initial surcharge has been reviewed at each annual actuarial valuation.

With effect from 1 July 2000 the local authority commenced paying a surcharge equal to 2% of pensionable salaries. The surcharge has been increased as follows:

: 2002-07-01	6%
: 2004-07-01	12%
: 2006-07-01	14%
: 2007-07-01	17%

* 1.65% is paid by members

The Msunduzi Municipality and its Municipal Entity

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	2010	2009	2010	2009

19. Retirement benefits (continued)

Based on the valuation assumptions that applied in 2000, the shortfall is expected to be fully funded by 2010.

On the DCF funding level has improved and the overall shortfall has decreased. The valuation disclosed a surplus of R134.1 million in respect of pensioners and a shortfall of R214.2 million in respect of members.

The fund's financial condition has improved, with the overall funding level increasing 83,1% to 88,6% on the DCF method of valuation.

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 4 years to 2012 when it is expected that the surcharge will cease.

Benefits:

- : 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

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	2010	2009	2010	2009

19. Retirement benefits (continued)

: 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

Investments

Domestic	1,267,978,000
International	186,883,000
Membership	4,318

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	83,944,668	79,298,249	83,944,668	79,298,249
Natal Joint Provident Fund	23,112,838	17,769,429	23,112,838	17,769,429
Government Employees Pension Fund	4,196,154	4,089,269	4,196,154	4,089,269
Associated Institution Pension Fund	187,111	174,089	187,111	174,089
South Africa Local Authorities Pension Fund	581,969	531,706	581,969	531,706
Councillors Pension Fund	3,106,040	2,928,337	3,106,040	2,928,337
Pietermaritzburg Provident Fund	575,149	605,381	575,149	605,381
	115,703,929	105,396,460	115,703,929	105,396,460

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 Delliotte 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.

The accrued liability amounted to R 290.45 million as at 30 June 2009 according to the previous valuation report. A projection of this result assuming that all actuarial assumptions are realized as at 30 June 2010 is R 309.22 million. The accrued liability calculated in this valuation is R 310.12 million, reflecting an unexpected loss of R 0.9 million

A reconciliation of Msunduzi's accrued liability for the year ending 30 June 2010 is set out below.

Year ended 30 June 2010

Opening balance	290,450,000	-	290,450,000	-
Service cost	7,090,000	-	7,090,000	-
Interest cost	22,550,000	-	22,550,000	-
Expected benefit payment	(10,870,000)	-	(10,870,000)	-
Expected closing balance	309,220,000	-	309,220,000	-
Actuarial (gain)/loss	900,000	-	900,000	-
Actual closing balance	310,120,000	-	310,120,000	-

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19. Retirement benefits (continued)				
Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(151,097,282)	(98,089,800)	(151,097,282)	(98,089,800)
Movements for the year				
Opening balance	(98,089,800)	(50,000,000)	(98,089,800)	(50,000,000)
Other	(53,007,482)	(48,089,800)	(53,007,482)	(48,089,800)
	(151,097,282)	(98,089,800)	(151,097,282)	(98,089,800)
Reconciliation of Obligation to disclosed liability				
Actuarial liability	310,120,000	290,448,544	310,120,000	290,448,544
Amount disclosed at 30 June 2009	(98,089,800)	(50,000,000)	(98,089,800)	(50,000,000)
Straight line contribution on remainder of liability	(53,007,482)	(48,089,800)	(53,007,482)	(48,089,800)
Amount to be contributed in the next four years	159,022,718	192,358,744	159,022,718	192,358,744

Key assumptions used

The projected Unit Credit Method is used as the standard valuation methodology for the valuation done as on 30 June 2010. 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 %	7.60 %	6.42 %	7.60 %
to	9.27 %	8.39 %	9.27 %	8.39 %
Medical inflation- lower than discount rate	1.00 %	1.00 %	1.00 %	1.00 %
Medical inflation- higher than CPI	1.00 %	2.50 %	1.00 %	2.50 %
Salary inflation- higher than CPI	2.00 %	2.00 %	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	290,448,544	290,448,544
-1%	248,825,292	248,825,292	248,825,292	248,825,292
+1%	343,541,221	343,541,221	343,541,221	343,541,221
	882,815,057	882,815,057	882,815,057	882,815,057

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

LA Health	10,044,399	5,196,274	10,044,399	5,196,274
Key Health	30,650,727	28,374,923	30,650,727	28,374,923
Samwumed	2,657,965	2,407,315	2,657,965	2,407,315
Discovery	271,319	242,137	271,319	242,137
Bonitas	11,269,404	6,379,404	11,269,404	6,379,404
Hosmed	821,175	609,616	821,175	609,616
	55,714,989	43,209,669	55,714,989	43,209,669

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	2010	2009	2010	2009

20. Provisions

Reconciliation of provisions - Group - 2010

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

Reconciliation of provisions - Group - 2009

	Opening Balance	Change in accounting estimate	Change in discount factor	Total
Landfill rehabilitation provision	27,500,000	(8,800,000)	(1,828,834)	16,871,166

Reconciliation of provisions - Municipality - 2010

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

Reconciliation of provisions - Municipality - 2009

	Opening Balance	Change in accounting estimate	Change in discount factor	Total
Landfill rehabilitation provision	27,500,000	(8,800,000)	(1,828,834)	16,871,166

The landfill site provision represents management's best estimate of the municipality's rehabilitation liability based on an valuation provided by an external consultant on the remaining useful life of the landfill site. The provision's change in estimate amounts to R 13 779 153.41.

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.

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	2010	2009	2010	2009

21. Housing development fund

Unappropriated surplus	18,223,110	17,745,827	18,223,110	17,745,827
Loans extinguished by government on 1 April 1998	34,256,892	34,256,892	34,256,892	34,256,892
	52,480,002	52,002,719	52,480,002	52,002,719

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

Property plant and equipment	179,968	179,968	179,968	179,968
Housing selling scheme loans	4,293,875	4,807,240	4,293,875	4,807,240
Housing rental trade receivables	11,592,558	11,437,719	11,592,558	11,437,719
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892	34,256,892	34,256,892
Bank and cash	2,158,990	1,323,181	2,158,990	1,323,181
Less: trade payables	(2,281)	(2,281)	(2,281)	(2,281)
	52,480,002	52,002,719	52,480,002	52,002,719

22. Revenue

Property rates	420,030,161	378,556,015	420,030,161	378,556,015
Property rates – Penalties imposed and collection charges	20,284,950	20,581,029	20,284,950	20,581,029
Service charges	1,159,281,895	952,422,683	1,159,300,660	952,438,874
Donation received	60,000	10,000	-	-
Rental of facilities & equipment	15,571,328	16,684,449	15,571,328	16,684,449
Income from agency services	1,435,383	689,431	1,435,383	689,431
Fines	7,084,343	14,299,020	7,084,343	14,299,020
Licences and permits	72,254	53,988	72,254	53,988
Government grants & subsidies	355,033,160	324,440,359	355,033,160	324,440,359
	1,978,853,474	1,707,736,974	1,978,812,239	1,707,743,165

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,159,281,895	952,422,683	1,159,300,660	952,438,874
Donation received	60,000	10,000	-	-
Rental of facilities & equipment	15,571,328	16,684,449	15,571,328	16,684,449
Income from agency services	1,435,383	689,431	1,435,383	689,431
Licences and permits	72,254	53,988	72,254	53,988
	1,176,420,860	969,860,551	1,176,379,625	969,866,742

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	420,030,161	378,556,015	420,030,161	378,556,015
Property rates – Penalties imposed and collection charges	20,284,950	20,581,029	20,284,950	20,581,029
Fines	7,084,343	14,299,020	7,084,343	14,299,020
Government grants & subsidies	355,033,160	324,440,359	355,033,160	324,440,359
	802,432,614	737,876,423	802,432,614	737,876,423

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Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
23. Property rates				
Rates received				
Residential	209,492,142	252,213,191	209,492,142	252,213,191
Commercial	187,836,514	176,134,262	187,836,514	176,134,262
State	-	58,610,152	-	58,610,152
Municipal	1,716,588	-	1,716,588	-
Small holdings and farms	1,055,148	-	1,055,148	-
Property rates	18,404,737	22,183,384	18,404,737	22,183,384
Less: Income forgone	1,525,032	(130,584,974)	1,525,032	(130,584,974)
	420,030,161	378,556,015	420,030,161	378,556,015
Property rates - penalties imposed and collection charges	20,284,950	20,581,029	20,284,950	20,581,029
	440,315,111	399,137,044	440,315,111	399,137,044

Valuations

Residential	30,651,309,401	8,336,993,700	30,651,309,401	8,336,993,700
Commercial	13,789,137,000	6,201,992,100	13,789,137,000	6,201,992,100
State	26,000,000	2,256,104,100	26,000,000	2,256,104,100
Agriculture	493,501,000	-	493,501,000	-
Public service infrastructure	302,410,001	-	302,410,001	-
Vacant land	1,880,513,000	301,028,600	1,880,513,000	301,028,600
	47,142,870,402	17,096,118,500	47,142,870,402	17,096,118,500

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 18 % for 2010 (2009: 18%) is applied to property valuations to determine assessment rates.

The new market valuation was implemented on 01 July 2009.

24. Service charges

Sale of electricity	816,154,074	627,490,313	816,172,839	627,506,504
Sale of water	213,633,343	213,920,408	213,633,343	213,920,408
Solid waste	53,287,411	42,579,578	53,287,411	42,579,578
Sewerage and sanitation charges	76,207,067	68,432,384	76,207,067	68,432,384
	1,159,281,895	952,422,683	1,159,300,660	952,438,874

The above figure is net of revenue foregone.

25. Government grants and subsidies

Conditional grants - revenue	59,047,219	43,193,058	59,047,219	43,193,058
Grants & subsidies - capital	79,011,226	85,802,876	79,011,226	85,802,876
Equitable share	206,177,611	187,098,867	206,177,611	187,098,867
KZN - NPA subsidies	10,797,104	8,147,972	10,797,104	8,147,972
Grants - other	-	197,586	-	197,586
	355,033,160	324,440,359	355,033,160	324,440,359

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Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
26. Other revenue				
Airport	1,308,453	1,746,821	1,308,453	1,746,821
Forestry	10,327,267	10,459,592	10,327,267	10,459,592
Market	16,648,041	14,845,259	16,648,041	14,845,259
Burials and cremations	942,446	1,188,207	942,446	1,188,207
Buildings	1,454,763	1,730,706	1,454,763	1,730,706
Re-connections	9,772,804	7,088,028	9,772,804	7,088,028
Training levy recoveries	2,456,370	2,025,279	2,456,370	2,025,279
Discount received	525,179	686,490	525,179	686,490
Sundry income	13,058,266	14,346,747	13,033,876	14,345,744
Other revenue - foregone	432,622,618	251,024,522	432,622,618	251,024,522
Other revenue - MIG (PMU) operating costs	1,827,026	1,689,010	1,827,026	1,689,010
Other revenue - insurance recoveries	53,181	149,931	53,181	149,931
Other revenue	3,220	91,307	3,220	91,307
Discounting of debtors	5,551,029	22,891,141	5,551,029	22,891,141
Reversal of provisions	-	9,036,098	-	9,036,098
	496,550,663	338,999,138	496,526,273	338,998,135
27. Interest received				
Interest received - external investments	5,453,509	17,073,381	5,453,509	17,073,381
Interest received - sundry debtors	1,303,696	1,395,660	1,303,696	1,395,660
Interest received - service debtors	21,160,808	17,041,453	21,160,808	17,041,453
Interest received - Municipal Entity	111,298	63,460	-	-
	28,029,311	35,573,954	27,918,013	35,510,494

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Figures in Rand	Group		Municipality	
	2010	2009	2010	2009
28. Employee related costs				
Basic	427,579,263	383,528,443	425,520,578	381,340,737
Contributions for UIF, pensions & medical aid	107,082,128	94,582,730	106,992,821	94,546,734
Travel, motor car, accommodation, subsistence and other allowances	29,783,672	19,785,812	29,783,672	19,785,812
Overtime payments	50,108,001	65,937,561	50,108,001	65,937,561
Long-service awards	13,984,329	12,505,426	13,984,329	12,505,426
Housing benefits and allowances	5,170,764	6,055,806	5,170,764	6,055,806
	633,708,157	582,395,778	631,560,165	580,172,076
Remuneration of municipal manager				
Annual Remuneration	901,027	854,648	901,027	854,648
Car Allowance	50,000	65,067	50,000	65,067
Contributions to UIF, Medical and Pension Funds	22,065	215,369	22,065	215,369
Travel Claim	2,425	33,203	2,425	33,203
	975,517	1,168,287	975,517	1,168,287
Remuneration of chief finance officer				
Annual Remuneration	651,440	603,740	651,440	603,740
Car Allowance	93,883	94,941	93,883	94,941
Contributions to UIF, Medical and Pension Funds	185,374	72,783	185,374	72,783
Travel Claim	6,583	19,102	6,583	19,102
	937,280	790,566	937,280	790,566
Remuneration of executive manager - internal audit				
Annual Remuneration	307,046	412,999	307,046	412,999
Car Allowance	101,562	132,953	101,562	132,953
Annual Bonus	38,273	33,957	38,273	33,957
Contributions to UIF, Medical and Pension Funds	84,107	116,416	84,107	116,416
Acting allowance - March 2010 to June 2010	12,626	-	12,626	-
Travel claim	1,618	375	1,618	375
	545,232	696,700	545,232	696,700
Remuneration of deputy municipal manager community services				
Annual Remuneration	644,592	584,279	644,592	584,279
Car Allowance	200,903	200,903	200,903	200,903
Performance Bonuses	93,144	-	93,144	-
Contributions to UIF, Medical and Pension Funds	1,497	1,497	1,497	1,497
Travel claim	68,404	103,042	68,404	103,042
	1,008,540	889,721	1,008,540	889,721
Remuneration of deputy municipal manager corporate services				
Annual Remuneration	799,338	725,182	799,338	725,182
Car Allowance	50,000	60,000	50,000	60,000
Performance Bonuses	96,428	-	96,428	-
Contributions to UIF, Medical and Pension Funds	1,497	1,497	1,497	1,497
Travel claim	93,345	126,359	93,345	126,359
	1,040,608	913,038	1,040,608	913,038

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28. Employee related costs (continued)

Remuneration of deputy municipal manager infrastructure services

Annual Remuneration	372,327	737,182	372,327	737,182
Car Allowance	24,000	48,000	24,000	48,000
Contributions to UIF, Medical and Pension Funds	749	1,497	749	1,497
Other - Arbitration	348,520	-	348,520	-
Travel claim	-	26,266	-	26,266
	745,596	812,945	745,596	812,945

Remuneration of deputy municipal manager development services

Performance Bonuses	47,381	-	47,381	-
Acting allowance	319,400	397,247	319,400	397,247
	366,781	397,247	366,781	397,247

29. Remuneration of councillors

Mayor	675,011	646,835	675,011	646,835
Deputy Executive Mayor	540,008	520,664	540,008	520,664
Councillors	8,995,001	9,612,629	8,995,001	9,612,629
Speaker	540,008	520,664	540,008	520,664
Executive committee members	5,568,838	4,402,098	5,568,838	4,402,098
Councillors' pension and medical contribution	3,064,835	3,461,786	3,064,835	3,461,786
	19,383,701	19,164,676	19,383,701	19,164,676

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and Deputy Mayor have security and an official driver at a cost to Council.

30. Depreciation and amortisation

Property, plant and equipment	123,669,181	96,651,653	123,646,386	96,625,686
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31. Impairment of assets

Impairments

Inventories	397,381	-	397,381	-
Due to technological changes the inventory has become redundant.				

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	2010	2009	2010	2009
32. Finance costs				
Annuity and finance loans	71,236,781	53,271,398	71,236,781	53,271,199
Other interest paid	2,517,213	4,150,193	2,517,213	4,150,193
	73,753,994	57,421,591	73,753,994	57,421,392
Capitalisation rates used during the period were 12.01 % on specific borrowings for capital projects and 10.84 % being the weighted average cost of funds borrowed generally by the group.				
33. Debt impairment				
Contributions to debt impairment provision	250,539,606	10,000,000	250,539,606	10,000,000
34. Bulk purchases				
Electricity	568,236,145	420,119,222	568,236,145	420,119,222
Water	236,743,218	216,651,627	236,743,218	216,651,627
	804,979,363	636,770,849	804,979,363	636,770,849
35. Grants and subsidies paid				
Other subsidies				
Community bodies	845,477	994,079	845,477	994,079
Mayors grants	2,000	16,770	2,000	16,770
Arts and culture	863,160	1,335,908	863,160	1,335,908
Safe city project	-	-	2,631,579	2,631,579
	1,710,637	2,346,757	4,342,216	4,978,336
36. General expenses				
Accounting fees	11,500	10,250	-	-
Other	95,102,008	113,268,190	94,847,237	113,181,931
Contracted services	14,690,414	15,297,625	14,690,414	15,297,625
External services	24,572,827	25,162,484	24,572,827	25,162,484
Airport	6,877,867	5,698,469	6,877,867	5,698,469
Forestry	8,963,703	8,346,885	8,963,703	8,346,885
Insurance	21,906,126	19,177,693	21,906,126	19,177,693
VAT provision	-	(253,769)	-	-
Foregone income - discounts to bulk consumers	89,522,003	93,507,513	89,522,003	93,507,513
Foregone income - poor relief / indigents	21,008,067	38,773,547	21,008,067	38,773,547
Foregone income - other rebates	327,744,164	130,743,958	327,744,164	130,743,958
Telephone and fax	7,632,122	9,654,506	7,606,648	9,623,590
Distribution - wages	41,484,730	43,743,960	41,484,730	43,743,960
Leave / sickpay - downtime	17,484,593	15,857,967	17,484,593	15,857,967
Extraordinary	7,125,127	10,785,537	7,125,127	10,785,537
Pensions payable	10,374,532	10,154,602	10,374,532	10,154,602
Mayoral projects	11,137,530	19,234,479	11,137,530	19,234,479
Government grant expenditure	59,042,381	43,438,093	59,042,381	43,438,093
	764,679,694	602,601,989	764,387,949	602,728,333

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	2010	2009	2010	2009
37. Gains or losses on sale of assets				
Property, plant and equipment	(182,181)	1,137,979	(182,181)	1,137,979
Land Sales	2,119,592	2,231,297	2,119,592	2,231,297
	1,937,411	3,369,276	1,937,411	3,369,276
38. Cash generated from operations				
(Deficit) surplus	(235,934,625)	4,040,132	(235,920,190)	4,027,893
Adjustments for:				
Depreciation and amortisation	123,669,181	96,651,653	123,646,386	96,625,686
surplus on sale of assets and liabilities	(1,937,411)	(3,369,276)	(1,937,411)	(3,369,276)
Fair asset amortised	531,635	(5,434,385)	531,635	(5,434,385)
Financial liability amortised	(793,323)	385,314	(793,323)	385,314
Impairment deficit	397,381	-	397,381	-
Movements in retirement benefit assets and liabilities	53,007,482	48,089,800	53,007,482	48,089,800
Movements in provisions	(16,290,400)	(14,737,530)	(16,290,400)	(14,737,530)
Other non-cash items	(53,515,507)	(27,024,695)	(53,455,507)	(26,979,533)
Changes in working capital:				
Inventories	340,479	(10,472,767)	340,479	(10,472,767)
Trade and other receivables from non exchange transactions	(10,609,762)	19,471,656	(10,609,762)	19,449,075
Consumer debtors	105,830,905	(63,461,860)	105,830,905	(63,461,860)
Current portion of long - term receivables	47,477	65,216	47,477	65,216
Trade and other payables 24,376,582		32,674,586	24,356,453	32,935,134
VAT	17,490,998	5,896,918	17,472,250	5,896,918
Unspent conditional grants and receipts	27,806,942	(32,851,533)	27,806,942	(32,851,533)
	34,418,034	49,923,229	34,430,797	50,168,152
39. Additional disclosure in terms of the municipal finance management act				
Contributions to SALGA/KWANALOGA				
Council subscriptions	2,481,456	3,029,463	2,481,456	3,029,463
Amount paid - current year	(2,481,456)	(3,029,463)	(2,481,456)	(3,029,463)
	-	-	-	-
Audit fees				
Opening balance	13,034	61,950	13,034	61,950
Over provision written back	59,570	(48,916)	59,570	(48,916)
Audit fee invoiced	(3,640,303)	(2,437,834)	(3,640,303)	(2,437,834)
Amount paid - current year	3,640,303	2,437,834	3,640,303	2,437,834
	72,604	13,034	72,604	13,034
PAYE & UIF				
Opening balance	(32,915)	(32,915)	(32,915)	(32,915)
Current year payroll deductions	79,809,019	74,241,463	79,809,019	74,241,463
Amount paid - current year	(79,809,019)	(74,241,463)	(79,809,019)	(74,241,463)
	(32,915)	(32,915)	(32,915)	(32,915)

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

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	2010	2009	2010	2009
39. Additional disclosure in terms of the municipal finance management act (continued)				
Pension & medical aid deductions				
Current year payroll deductions & Council contributions	171,418,918	149,735,475	171,418,918	149,735,475
Amount paid - current year	(171,418,918)	(149,735,475)	(171,418,918)	(149,735,475)
	-	-	-	-

Councillor's Arrear Consumer Accounts.

The following councillors had arrear accounts for a period of over 60 days.

30 June 2009 and 30 June 2010

VT Magubane	7,095	3,740	7,095	3,740
TI Ndlovu	588	-	588	-
BB Zuma	14,117	13,213	14,117	13,213
PW Moon	72,603	58,733	72,603	58,733
I Inderjit	21,066	19,110	21,066	19,110
SR Ntuli	1,873	-	1,873	-
SC Gabela	2	-	2	-
TRM Zungu	6,949	4,783	6,949	4,783
MV Ntshangase	10,298	3,256	10,298	3,256
M Maphumulo	51	650	51	650
CT Dlamini	1,397	13	1,397	13
H Ngubane (Sekure Afrique Outdoor Advertising)	1,194,297	1,147,334	1,194,297	1,147,334
M Inderjith	508	-	508	-
MA Tarr	4	-	4	-
MB Mkhize	-	159	-	159
MA Dirks	-	2,854	-	2,854
BS Ngubane	-	2,327	-	2,327
	1,330,848	1,256,172	1,330,848	1,256,172

40. 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. The matter is being handled by the legal division.

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41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	35,350,000	68,699,890	35,350,000	68,699,890
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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	1,430,205	2,310,593	1,430,205
- in second to fifth year inclusive	1,950,085	-	1,950,085	-
	4,260,678	1,430,205	4,260,678	1,430,205

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are linked to an increase for an average of two years. Operating lease payments represents payment for a contract namely H. Collins (Compen Building). No contingent rent is payable.

Operating lease payments represent rentals payable by the group for rental of photocopy machines and fax machines. The contract has been extended for a period of four months.

42. Contingencies

Refer to appendix J for list of contingent liabilities.

43. 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	71,767	556,010	71,767	556,010
Safe City - grant	3,000,000	3,000,000	3,000,000	3,000,000
	3,071,767	3,556,010	3,071,767	3,556,010

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44. Prior period errors				
During the year ended 30 June 2010, the following transactions were erroneously expensed in the statement of financial position and statement of financial performance				
The comparative amounts have been re-stated as follow:				
Statement of financial position	-	798,448,189	-	798,448,189
Statement of financial performance	-	(6,971,285)	-	(6,971,285)
Restatement of expenditure iro 2007/08 during 2009/10				
General ledger been adjusted to match stores report	-	5,949	-	5,949
Recoveries of over charge for security cash in transit	-	(338,872)	-	(338,872)
	-	(332,923)	-	(332,923)
Restatement of revenue iro 2007/08 during 2009/10				
Billing for water consumption for vulindlela received by Umgeni Water	-	(6,344,483)	-	(6,344,483)
Payments and interest received on funds advanced to PMB chamber of commerce	-	(8,276)	-	(8,276)
Prepaid electricity sales - vendors under investigation	-	1,471,140	-	1,471,140
Timing difference of receipting	-	(2,235,944)	-	(2,235,944)
	-	(7,117,563)	-	(7,117,563)
Restatement of expenditure iro 2008/09 during 2009/10				
Cancelling goods received notes created but not processed for payment	-	(970,551)	-	(970,551)
Expenditure recovered from grant	-	(605,190)	-	(605,190)
Non payment of commission on prepaid electricity sales	-	(86,460)	-	(86,460)
Over accrual of expenditure being adjusted retrospectively	-	(289,020)	-	(289,020)
Recoveries of over charge for security cash in transit	-	(508,308)	-	(508,308)
Under accrual of expenditure being adjusted retrospectively	-	270,711	-	270,711
	-	(2,188,818)	-	(2,188,818)
Restatement of revenue iro 2008/09 during 2009/10				
Prepaid electricity sales - vendors under investigation	-	(41,317)	-	(41,317)
Property rates revenue corrections	-	2,509	-	2,509
Restatement of power supply in reference to illegal tampering of meters	-	(747,468)	-	(747,468)
	-	(786,276)	-	(786,276)
Restatement of the trade and other receivables from non exchange transactions iro 1995/96 to 2000/01 during 2009/10				
Clearing of general ledger balances with debit amounts	-	(14,905)	-	(14,905)

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44. Prior period errors (continued)				
Restatement of the trade and other receivables from non exchange transactions iro 2000/01 during 2009/10				
Clearing of general ledger balances with debit amounts	-	(443)	-	(443)
Restatement of the trade and other payables iro 1994/95 to 2007/08 during 2009/10				
Clearing of general ledger balances with credit amounts	-	(47,677)	-	(47,677)
Restatement of the trade and other payables iro 2004/05 during 2009/10				
Clearing of general ledger balances with credit amounts	-	(142,467)	-	(142,467)
Restatement of the trade and other payables iro 2005/06 during 2009/10				
Clearing of general ledger balances with credit amounts	-	(104,982)	-	(104,982)
Stale cheques re-issued for deposit refunds	-	381	-	381
	-	(104,601)	-	(104,601)
Restatement of the trade and other payables iro 2006/07 during 2009/10				
Clearing of general ledger balances with credit balances	-	(50,929)	-	(50,929)
Restatement of the PPE iro 2007/08 during 2009/10				
Correction of land fill site assets	-	36,713,408	-	36,713,408
Restatement of the trade and other payables iro 2007/08 during 2009/10				
Clearing of general ledger balances with credit amounts	-	(2,908)	-	(2,908)
Stale cheques re-issued for deposit refunds	-	(12,148)	-	(12,148)
	-	(15,056)	-	(15,056)
Restatement of the reserves iro 2007/08 during 2009/10				
Corrections on debi market development and maintenance reserve	-	126,887	-	126,887
Restatement of the trade and other payables iro 2008/09 during 2009/10				
Clearing of general ledger balances with credit amounts	-	(15,203)	-	(15,203)
Clearing of control votes	-	(2,250,478)	-	(2,250,478)
Closing entries for market	-	387,655	-	387,655
Input VAT credit not claimed from SARS now being claimed	-	(49,577)	-	(49,577)
Over accrual of expenditure being adjusted retrospectively	-	(121,666)	-	(121,666)
Payment of objections receipted into incorrect vote	-	2,000	-	2,000
Payment of surety receipted into incorrect vote	-	30,000	-	30,000
Stale cheques re-issued for deposit refunds	-	358,623	-	358,623
Under accrual of expenditure being adjusted retrospectively	-	112,770	-	112,770
	-	(1,545,876)	-	(1,545,876)

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	2010	2009	2010	2009
44. Prior period errors (continued)				
Restatement of the trade and other receivables from non exchange transactions iro 2008/09 during 2009/10				
Clearing of general ledger balances with debit amounts	-	173,335	-	173,335
Reversal of a bad debt write off on a government account in error	-	1,808,752	-	1,808,752
	-	1,982,087	-	1,982,087
Restatement of the finance lease obligations iro 2008/09 during 2009/10				
Correction of calculation error on operating leases	-	10,000	-	(10,000)
Restatement of expenditure iro prior to 2007/2008 in 2009/2010				
Depreciation relating to motor vehicles and equipment that were previously classified as non capital items	-	17,500,785	-	17,500,785
Restatement of expenditure iro 2007/2008 in 2009/10				
Depreciation relating to motor vehicles and equipment that were previously classified as no capital items.	-	2,938,968	-	2,938,968
Restatement of PPE iro 2007/2008 in 2009/10				
Retrospective application of GRAP 17 to the infrastructure assets- increase in cost of assets.	-	769,249,414	-	769,249,414
Restatement of PPE iro prior to 2005/2006				
Motor vehicles and equipment that were previously classified as non capital items.	-	(33,938,342)	-	(33,938,342)
Restatement of expenditure iro 2008/2009 in 2009/10				
Depreciation relating to motor vehicles and equipment that were previously classified as no capital items	-	2,938,968	-	2,938,968

45. Events after the reporting date

The valuation roll entry for a property included in the investment property is reflected in the valuation roll at a market value of R220 million. The effective date of the valuation roll is 01 July 2009. A tolerance check was done by the valuation section and it was discovered that the property was incorrectly valued and corrective measures were taken to adjust this value with the correct value of R5 580 000 in the supplementary valuation roll (4) which will become effective on 1 April 2011. The asset register will be adjusted therefore in the 2010/2011 financial year.

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	2010	2009	2010	2009
46. Irregular expenditure				
Total irregular expenditure	17,281,518	4,077,827	17,281,518	4,077,827
Reconciliation of irregular expenditure				
Opening balance	4,077,827	-	4,077,827	-
Irregular expenditure for current year	13,203,691	4,077,827	13,203,691	4,077,827
Approval/repayment during current year	-	-	-	-
Irregular expenditure awaiting condonement	17,281,518	4,077,827	17,281,518	4,077,827
2009: Deviation from normal procurement process				
Overseas trip taken for Martin Luther King Junior celebration - 19 January 2009 to Atlanta/Washington/Miami by former Mayor and two councillors (Additional travel not authorised)	-	450,033	-	450,033
2009: Procurement irregularities				
Various questionable quotes	-	592,500	-	592,500
Contravention of section 112(f) of the MFMA	-	450,034	-	450,034
Various unexplained differences between order/invoice/quotes	-	1,277,510	-	1,277,510
	-	2,320,044	-	2,320,044
2009: Non adherence to supply chain management policy				
Various suppliers	-	1,204,697	-	1,204,697
2009: Abuse of emergency/urgent procurement provisions				
The following not qualify for urgent/emergency procurement				
Advertisement of IDP	-	74,520	-	74,520
Four built-in braai stands at hatchery -	-	24,480	-	24,480
Uniforms for beverage ladies	-	3,053	-	3,053
Donation	-	1,000	-	1,000
	-	103,053	-	103,053
2010: Procurement irregularities				
Meter reading contract - payment for the following				
Data concentrator unit	685,847	-	685,847	-
Computers	114,308	-	114,308	-
Software	5,130,000	-	5,130,000	-
Other irregularities				
Awards to persons in service of state	6,340,203	-	6,340,203	-
Extension of contract	933,333	-	933,333	-
	13,203,691	-	13,203,691	-

The Administrator is currently investigating all procurement procedures.

47. Fruitless and wasteful expenditure

Total fruitless and wasteful expenditure	2,560,609	15,168	2,560,609	15,168
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Reconciliation of fruitless and wasteful expenditure

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	2010	2009	2010	2009
47. Fruitless and wasteful expenditure (continued)				
Opening Balance	15,168	-	15,168	-
Fruitless and wasteful expenditure current year	2,545,441	15,168	2,545,441	15,168
Approval/repayment during current year	-	-	-	-
Fruitless and wasteful expenditure awaiting condonement/repayment	2,560,609	15,168	2,560,609	15,168
Interest on: late payment of Telkom accounts	46,949	15,168	46,949	15,168
Interest on: late payment of Umgeni Water account	157,511	-	157,511	-
Interest on: late payment of CBRE Valuation roll account	70,670	-	70,670	-
SAP HR Management System	2,270,311	-	2,270,311	-
	2,545,441	15,168	2,545,441	15,168

No action has been taken to date.

48. Unauthorised expenditure

None to report on.

49. 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.

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50. Electricity & water losses				
Electricity losses				
Units purchased - kWh	1,735,836,294	1,679,141,913	1,735,836,294	1,679,141,913
Units sold - kWh	1,531,293,203	1,518,447,404	1,531,293,203	1,518,447,404
Loss - kWh	204,543,091	160,694,509	204,543,091	160,694,509
Electricity loss as a percentage	12	10	12	10
Electricity loss in rand value	66,483,628	60,052,372	66,483,628	60,052,372

The acceptable norm of electricity loss is 3%. The significant electricity losses of 204,543,091 kWh (2009: 160,694,509 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.

Water losses

Units purchased - KI	58,492,009	58,492,009	58,492,009	55,426,244
Units sold - KI	37,865,504	37,865,504	37,865,504	43,619,191
Losses - KI	20,626,505	20,626,505	20,626,505	11,807,053
Apparent losses - KI	(1,393,193)	(1,393,193)	(1,393,193)	(1,393,193)
Real losses - KI	19,233,312	10,413,860	19,233,312	10,413,860
Water loss as a percentage	33	19	33	19
Water loss in rand value	63,066,030	32,422,512	63,066,030	32,422,512

The acceptable norm in developing countries of water loss is 20%. The significant water losses of 19,233,312 kl (2009: 10,413,860 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.

Water and electricity distribution management was implemented by the Provincial Intervention Team (PIT). PIT has identified and stopped several illegal connections. A 5 year strategic plan for reduction of non-revenue water and a similar plan for electricity management has been drafted for the next 5 years.

Operation Pitbull was established to:

- audit all electricity and water meters and conduct a data clean-up
- check electricity mini circuit breaker (MCB) values
- check for illegal tampering of meters
- check for theft of electricity and water

Action taken against perpetrators is as follows:

- Consumers with a direct connection where the meter has been by-passed
 - o An average consumption was back charged for a maximum period of three years
 - o The MCB charge was back charged for a maximum period of three years with a maximum MCB value of 100 amps.
 - o Both electricity and water services were removed where theft of consumption was found.
 - o These consumers were subjected to a further audit within 14 days and if theft had resumed the following action was taken

-Services removed

-Illegal cable removed

-Consumers were cautioned that they would be criminally charged for theft

-Domestic consumers were charged an additional fee of R10000 and Commercial consumers R250000

- Consumers with MCB's of a higher value than billed for
 - o The consumer was back charged for three years at 100Amps.
 - o Consumers were cautioned and advised to do a load test to establish the correct MCB requirement
 - o Consumers were requested to make application for the correct size MCB

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50. Electricity & water losses (continued)

- Consumers where meters had been tampered with
 - o An average consumption was back charged for a maximum period of three years
 - o These consumers were subjected to a further audit within 14 days
 - o Consumers were cautioned not to tamper with their meters.
- Electricity theft by informal settlements
 - o All cable was removed
 - o Residents were warned not steal and threatened with criminal charges

Criminal steps have not been instituted against perpetrators

Inventory losses

Central Stores - net write up of general ledger	110,444	-	110,444	-
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The background to this 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.

Cable stores - net write down of general ledger	(372,587)	-	(372,587)	-
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This 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 as our Internal Security.

Edendale stores - net write down of general ledger	(25,153)	-	(25,153)	-
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The above 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 Internal Security as well as the South African Police.

Quarterly inventory counts are to be performed going forward. 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.

51. Traffic fines outstanding

As per NATIS - traffic department

Notice of intention to prosecute - 341's	1,270,470	293,590	1,270,470	293,590
Notice before summons	300	16,250	300	16,250
Section 54 notices - summons	414,950	2,746,530	414,950	2,746,530
Unfinalised fines	609,300	9,229,940	609,300	9,229,940
Warrant of arrests	4,013,650	87,150	4,013,650	87,150
	6,308,670	12,373,460	6,308,670	12,373,460

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	2010	2009	2010	2009

52. 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 unspent conditional grants

In the 2008/2009 financial year - trade & other payables decreased & unspent conditional grants - other increased by the Grant- Spornet	-	(395,092)	-	(395,092)
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53. Accumulated surplus/deficit - internal reserves

Implementation of GRAP - Ring fencing of reserves

Accumulated surplus	5,254,018,137	5,546,588,712	5,253,164,149	5,545,720,289
Self insurance reserve	43,045,176	25,726,622	43,045,176	25,726,622
COID	-	5,311,952	-	5,311,952
Government grant reserve	554,976,749	563,802,908	554,976,749	563,802,908
Capital replacement reserve	12,635,718	12,635,718	12,635,718	12,635,718
	5,864,675,780	6,154,065,912	5,863,821,792	6,153,197,489

54. Going concern

The Msunduzi Municipality currently are experiencing serious financial challenges which have necessitated Provincial Government intervention in terms of section 139 (1) (b) of the Constitution. The financial crises came to be because of poor controls, rampant corruption amongst senior staff, failure to prepare the mid-year adjustments budget and the 2010/11 budget 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.

Although certain of the strategies have already being implementation by the Provincial Intervention Team, it is the assumption that it will take sometime for the municipality to recover.

The Provincial Intervention Team appointed by the Provincial Department of Corporate Governance drafted four Strategies consisting of a Financial Strategy, an Infrastructure Development Strategy, a Community Service Strategy and a Good Governance Strategy.

With regards to financial strategic is the following financial measures being implemented to achieve the turn around strategic of the municipality:

- 1.The MIG funds for the 2010/11 financial year is reprioritised in order to use funds for revenues enhancement projects including proper contract management
- 2.A comprehensive Debt Collection strategy has been developed to ensure a much more effective debt collection. This would result in increased levels in debt collection.
- 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 will be implemented in order to cope with the current water losses.
- 5.A new tariff structure has been developed for electricity and such structures will also be developed for water, sewer and refuse so that the correct revenue may be billed and collected. The tariff structures will take into consideration the funding of expenditure required for 2010/11, budget deficit for 2009/10 and affordability to the community.
- 6.The indigent policy will be reviewed so that only those who are legible actually benefit.

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54. Going concern (continued)

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 2010.

8. Feasibility studies are currently performed in order to consider the viability of the airport, market and forestry.

9. Where need be, will loose relationships with several institutions be formalised in order to save cost.

10. Land or other assets identified can be disposed of to generate additional revenue for capital projects, R 20 million worth of land will be sold in the 2010/11 financial year. These sales were identified earlier in the 2009/10 financial year.

11. Council will reduce council funded projects to a minimal and maximise utilisation of external funding.

12. The Budget will focus on service delivery provision and nice to have items is eliminated from the budget.

13. An effective Supply Chain Management will be in place to eliminate abuse, corruption and theft.

14. Policies which were draining the council's cash, such as Locomotion, Overtime and Travel and Subsistence is being reviewed.

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/09	Received during the period	Redeemed written off during the period	Balance at 30/06/10
				R	R	R	R
LONG-TERM LOANS							
DBSA - 15.5%	PMB8108710930	11158	30/09/2018	10,928,249		563,321	10,364,928
DBSA - 15.5%	PMB8108710930	11159	31/03/2019	13,531,667		632,944	12,898,723
DBSA - 15.5%	PMB8108710930	11160	31/03/2019	11,532,436		539,430	10,993,006
DBSA - 16.5%	PMB8108710930	13446	31/03/2020	21,461,838		783,583	20,678,255
DBSA - 16.5%	PMB8108710930	13447	31/03/2020	9,148,341		334,011	8,814,330
DBSA - 16.5%	PMB8108710930	13448	31/03/2020	13,545,340		494,548	13,050,792
DBSA - 14.27%	PMB8108710930	14039/101	31/12/2014	39,674,038		2,526,851	37,147,186
DBSA - 14.27%	PMB8108710930	14039/102	31/12/2015	1,125,775		117,470	1,008,305
DBSA - 14.27%	PMB8108710930	102091	11/02/2020	4,856,283		234,637	4,621,647
DBSA - 14.27%	PMB8108710930	102416	28/06/2021	45,162,165		2,218,590	42,943,575
DBSA - 10.75%	PMB7878719598	11649	30/6/2013	23,810		2,451	21,359
DBSA - 9.31%	PMB8108710930	101922	30/09/2020	22,245,188		1,163,300	21,081,888
DBSA - 8.7%	PMB8108710930	102797	30/09/2022	85,059,285		3,509,373	81,549,912
DBSA - 10.79%	PMB8108710930	103059/1	30/09/2023	63,070,779		923,004	62,147,775
DBSA - 6.75%	PMB8108710930	103059/2	30/09/2023	15,679,032		323,013	15,356,019
DBSA - 12.02%	PMB8108710930	103594/1	31/12/2024	-	112,500,000	-	112,500,000
DBSA - 6.75%	PMB8108710930	103594/2	31/12/2024	-	37,500,000	-	37,500,000
DBSA - 12.10%	PMB8108710930	103721	31/03/2025	-	76,095,421	-	76,095,421
DBSA Total				357,044,227	226,095,421	14,366,527	568,773,121
RMB/INCA - 16.35%	PMB8108710929	Piet-00-0001	31/12/2010	19,132,632		9,450,374	9,682,259
RMB/INCA - 13.39%	PMB8108710929	Msun-00-0001	31/12/2010	13,921,781		4,191,877	9,729,904
INCA - 11.65%	PMB8108710929	Msun-00-0001	31/12/2013	17,734,329		3,200,255	14,534,074
RMB/INCA Total				50,788,742		16,842,506	33,946,237
INCA - 11.75%	PMB8108710997	PMB107XA-S	01/11/2007	-			0
INCA - 14.50%	PMB81087 0996	PMB107XB-S	01/11/2007	-			0
RMB/HULETTIS - 8.71%	PMB8108710931	Sub-station	30/06/2013	5,751,944		966,639	4,785,305
RMB/HULETTIS Total				5,751,944			4,785,305
Metro Transport Fund - 5.5%	PMB8108710906			-			0
Eastwood Library				-			0
DSB	PMB7878719599	Plessislaer	2008	-			0
DSB	PMB7878719598	Plessislaer	2008	-			0
DSB		Ashburton	2008	-			0
Temporary borrowings-FNB	PMB8108710001			50,000,000		50,000,000	0
Other loans total				50,000,000		50,000,000	0
Total Long-term Loans				463,584,914	226,095,421	81,209,033	607,504,663
LEASE LIABILITY							
Standard Bank - 9.4488%	PMB 810 871 0947	Stannic 6	31/03/2009	0			0
Standard Bank - 8.9819%	PMB 810 8710949	Stannic 7	10/07/2009	67,278		67,279	0
Standard Bank - 8.9471%	PMB 810 8710950	Stannic 8	31/05/2009	212,009		212,009	0
Standard Bank - 8.9073%	PMB 810 871 0951	Stannic 9	31/08/2009	81,608		81,608	0
Standard Bank - 9.1192%	PMB 810 871 0952	Stannic 10	28/02/2010	22,035		22,035	0
Standard Bank - 9.1182%	PMB 810 871 0953	Stannic 11	31/03/2010	24,148		24,148	0
Standard Bank - 8.5791%	PMB 810 871 0954	Stannic 12	31/03/2010	255,359		255,359	0
Standard Bank - 8.3560%	PMB 810 871 0955	Stannic 13	23/03/2010	123,735		123,735	0
Standard Bank - 8.3376%	PMB 810 871 0956	Stannic 14	30/04/2010	53,885		53,885	0
Standard Bank - 8.3878%	PMB 810 871 0957	Stannic 15	30/04/2010	78,704		78,704	0
Standard Bank - 8.3104%	PMB 810 871 0958	Stannic 16	21/04/2010	156,895		156,895	0
Standard Bank - 8.4305%	PMB 810 871 0959	Stannic 17	30/04/2010	441,672		406,252	35,420
Standard Bank - 8.4150%	PMB 810 871 0960	Stannic 18	31/05/2010	86,250		68,269	17,981
Standard Bank - 8.4403%	PMB 810 871 0961	Stannic 19	30/06/2010	69,720		55,184	14,537
Standard Bank - 8.3305%	PMB 810 871 0962	Stannic 20	31/08/2010	404,273		320,028	84,245
Standard Bank - 8.3299%	PMB 810 871 0963	Stannic 21	31/08/2010	791,554		585,458	206,095
Standard Bank - 8.3750%	PMB 810 871 0964	Stannic 22	31/08/2010	363,608		191,422	172,186
Standard Bank Total				3,232,734	0	2,702,270	530,464

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SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/09	Received during the period	Redeemed written off during the period	Balance at 30/06/10
Nedbank - 10.000%	PMB 810 871 0965	Nedbank 1	31/12/2011	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0966	Nedbank 2	31/12/2012	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0967	Nedbank 3	31/12/2013	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0968	Nedbank 4	31/12/2014	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0969	Nedbank 5	31/12/2015	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0970	Nedbank 6	31/12/2016	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0971	Nedbank 7	31/12/2017	88,182		32,663	55,518
Nedbank - 10.000%	PMB 810 871 0972	Nedbank 8	31/12/2018	91,346		33,835	57,511
Nedbank - 10.000%	PMB 810 871 0973	Nedbank 9	31/12/2019	91,446		33,873	57,574
Nedbank - 10.000%	PMB 810 871 0974	Nedbank 10	31/12/2014	381,942		54,839	327,103
Nedbank - 10.000%	PMB 810 871 0975	Nedbank 11	24/12/2014	381,942		54,839	327,103
Nedbank - 10.500%	PMB 810 871 0976	Nedbank 12	31/12/2017	1,724,315		145,288	1,579,027
Nedbank - 10.413%	PMB 810 871 0977	Nedbank 13	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0978	Nedbank 14	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0979	Nedbank 15	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0980	Nedbank 16	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0981	Nedbank 17	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0982	Nedbank 18	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0983	Nedbank 19	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0984	Nedbank 20	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0985	Nedbank 21	30/06/2012	107,370		32,150	75,220
Nedbank - 10.413%	PMB 810 871 0986	Nedbank 22	30/06/2012	107,370		32,150	75,220
Nedbank - 13.369%	PMB 810 871 0138	Nedbank 23	01/10/2013	208,754		38,098	170,655
Nedbank - 13.369%	PMB 810 871 0139	Nedbank 24	01/10/2013	208,754		38,098	170,655
Nedbank - 13.369%	PMB 810 871 0137	Nedbank 26	01/10/2013	208,754		38,098	170,655
Nedbank - 13.369%	PMB 810 871 0104	Nedbank 27	01/10/2013	189,637		34,610	155,027
Nedbank - 13.369%	PMB 810 871 0102	Nedbank 28	01/10/2013	189,637		34,610	155,027
Nedbank - 13.369%	PMB 810 871 0103	Nedbank 29	01/10/2013	189,637		34,610	155,027
Nedbank - 13.369%	PMB 810 871 0105	Nedbank 30	01/10/2013	284,727		51,964	232,763
Nedbank - 13.369%	PMB 810 871 0109	Nedbank 31	01/10/2013	137,711		25,133	112,579
Nedbank - 13.369%	PMB 810 871 0107	Nedbank 32	01/10/2013	137,711		25,133	112,579
Nedbank - 13.369%	PMB 810 871 0110	Nedbank 33	01/10/2013	137,711		25,133	112,579
Nedbank - 13.369%	PMB 810 871 0108	Nedbank 34	01/10/2013	139,671		25,490	114,180
Nedbank - 13.369%	PMB 810 871 0106	Nedbank 35	01/10/2013	281,762		51,423	230,339
Nedbank - 13.369%	PMB 810 871 0128	Nedbank 36	01/10/2013	110,715		20,206	90,509
Nedbank - 13.369%	PMB 810 871 0100	Nedbank 37	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0999	Nedbank 38	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0998	Nedbank 39	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0997	Nedbank 40	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0996	Nedbank 41	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0995	Nedbank 42	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0994	Nedbank 43	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0131	Nedbank 44	01/10/2013	110,715		20,206	90,509
Nedbank - 13.369%	PMB 810 871 0993	Nedbank 45	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0129	Nedbank 46	01/10/2013	110,715		20,206	90,509

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SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010							
EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/09	Received during the period	Redeemed written off during the period	Balance at 30/06/10
Nedbank - 13.369%	PMB 810 871 0101	Nedbank 47	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0130	Nedbank 48	01/10/2013	110,715		20,206	90,509
Nedbank - 13.369%	PMB 810 871 0991	Nedbank 49	01/10/2013	62,918		11,483	51,436
Nedbank - 13.556%	PMB 810 871 0136	Nedbank 50	01/10/2013	94,382		94,382	0
Nedbank - 13.369%	PMB 810 871 0990	Nedbank 51	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0988	Nedbank 52	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0989	Nedbank 53	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0992	Nedbank 54	01/10/2013	62,918		11,483	51,436
Nedbank - 13.369%	PMB 810 871 0987	Nedbank 55	01/10/2013	62,918		11,483	51,436
Nedbank - 13.556%	PMB 810 871 0133	Nedbank 56	01/10/2013	94,382		17,166	77,216
Nedbank - 13.556%	PMB 810 871 0134	Nedbank 57	01/10/2013	94,382		17,166	77,216
Nedbank - 13.556%	PMB 810 871 0135	Nedbank 58	01/10/2013	94,382		17,166	77,216
Nedbank - 13.556%	PMB 810 871 0132	Nedbank 59	01/10/2013	94,382		17,166	77,216
Nedbank - 13.369%	PMB 810 871 0121	Nedbank 60	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0119	Nedbank 62	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0123	Nedbank 63	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0122	Nedbank 64	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0113	Nedbank 65	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0115	Nedbank 66	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0120	Nedbank 67	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0125	Nedbank 68	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0114	Nedbank 69	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0112	Nedbank 70	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0124	Nedbank 71	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0117	Nedbank 72	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0127	Nedbank 73	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0126	Nedbank 74	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0116	Nedbank 75	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0118	Nedbank 76	01/10/2013	124,682		22,755	101,927
Nedbank - 13.369%	PMB 810 871 0111	Nedbank 77	01/10/2013	124,682		22,755	101,927
Nedbank - 13.376%	PMB 810 871 0140	Nedbank 78	01/10/2013	251,968		44,838	207,130
Nedbank - 13.376%	PMB 810 871 0141	Nedbank 79	01/10/2013	253,447		45,102	208,345
Nedbank - 13.376%	PMB 810 871 0142	Nedbank 80	01/10/2013	247,354		44,017	203,337
Nedbank - 13.376%	PMB 810 871 0143	Nedbank 81	01/10/2013	253,670		45,141	208,529
Nedbank Total				11,661,015	0	2,277,262	9,383,753
Airport security system	PMB 810 871 0002	Khomani	31/03/2012	1,013,343		334,376	678,967
Other Finance lease total				1,013,343	0	334,376	678,967
Total lease liability				15,907,092	0	5,313,908	10,593,183
TOTAL EXTERNAL LOANS				479,492,006	226,095,421	86,522,941	618,097,846

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	COST					ACCUMULATED DEPRECIATION				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Disposals	Additions	Closing balance	
LAND AND BUILDINGS										
Land	180,462,626	245,557		-5,180	180,703,003	-	-	-	-	180,703,003
Buildings	274,665,552	5,776,982	989,609		281,432,143	-62,080,107		-4,253,742	-66,333,849	215,098,293
Investment Property	534,167,000				534,167,000					534,167,000
Total Land and Buildings	989,295,178	6,022,539	989,609	-5,180	996,302,146	-62,080,107	-	-4,253,742	-66,333,849	929,968,296
Electricity										
HV Overhead lines	48,048,265				48,048,265	-3,131,033		-898,191	-4,029,224	44,019,041
HV Substations	360,947,390	4,615,276			365,562,666	-34,036,758		-6,537,847	-40,574,605	324,988,061
Power Stations	13,652,159	72,150			13,724,309	-		-180,112	-180,112	13,544,197
HV Underground Cables	15,071,085	16,485			15,087,570	-1,925,512		-262,959	-2,188,471	12,899,099
Electricity Supply	3,167,623				3,167,623			-104,981	-104,981	3,062,642
MV Ground mounted transformers	798,931	1,970,056			2,768,987	-102,462		-14,035	-116,497	2,652,490
Transformer Kiosks	3,883,279	2,613,600			6,496,879			-20,114	-20,114	6,476,765
MV mini Substations	106,593,898	585,688			107,179,585	-6,974,817		-1,992,073	-8,966,890	98,212,695
MV Overhead lines	21,707,533				21,707,533	-873,630		-416,607	-1,290,237	20,417,296
MV Substations	120,746,950	92,949			120,839,898	-10,308,810		-2,208,387	-12,517,197	108,322,701
MV Underground cables	706,074,100	1,263,737			707,337,837	-46,472,243		-13,190,118	-59,662,361	647,675,476
MV Pole mounted Transformer	13,404,706	946,944			14,351,650	-977,887		-250,415	-1,228,302	13,123,347
MV Ring Main Unit	8,475,574	1,036,259			9,511,833	-519,856		-176,994	-696,850	8,814,983
LV Street Lighting	29,784,086	7,272,889			37,056,976	-2,120,136		-554,231	-2,674,367	34,382,609
Street Lighting	960,472				960,472			-25,466	-25,466	935,006
	1,453,316,050	20,486,032	-	-	1,473,802,082	-107,443,144	-	-26,832,530	-134,275,674	1,339,526,408
Roads										
Overhead Gantry	130,000				130,000	-5,000		-1,250	-6,250	123,750
Concrete Roads	26,225,077				26,225,077	-1,578,580		-308,030	-1,886,610	24,338,467
Flexible Roads	1,341,509,360	15,538,492	11,496,933		1,368,544,785	-131,891,120		-20,276,005	-152,167,125	1,216,377,660
Roads Other	91,055,659	165,000			91,220,659	-917,711		-5,967,294	-6,885,005	84,335,654
Unpaved Roads	131,646,775				131,646,775	-29,009,786		-4,104,780	-33,114,566	98,532,209
Other Roads	372,879				372,879	-33,738		-8,477	-42,215	330,664
Structures	214,055,672	2,986,034	177,257		217,218,963	12,242,095		-2,268,564	9,973,531	227,192,493
Bridges 184,212					184,212	-		-4,070	-4,070	180,142
Signalised Intersections	31,245,598	501,530			31,747,128	1,483,069		-2,181,632	-698,563	31,048,566
Traffic Lights	1,281,658				1,281,658	-		-42,477	-42,477	1,239,181
Airport Runway	50,070,566	238,500			50,309,066	-4,973,391		-1,113,063	-6,086,454	44,222,612
	1,887,777,455	19,429,557	11,674,190	-	1,918,881,202	-154,684,162	-	-36,275,642	-190,959,804	1,727,921,398
Sewerage										
Sewerage Treatment Works	2,380,258		380,360		2,760,618	-442,676		-19,372	-462,048	2,298,569
Pump Stations	8,213,986	44,742	463,078		8,721,807	-1,358,217		-137,094	-1,495,311	7,226,496
Bulk Sewers	61,788,243				61,788,243	-4,901,958		-710,958	-5,612,916	56,175,327
Sewer reticulation	350,084,843	5,208,772	46,920,474		402,214,090	-36,834,826		-3,920,978	-40,755,804	361,458,285
Sewers	61,365,576				61,365,576	-217,259		-217,259	-217,259	61,148,317
	483,832,906	5,253,515	47,763,912	-	536,850,333	-43,537,677	-	-5,005,661	-48,543,338	488,306,995
Water										
Water Reticulation	342,691,325	9,401,053	2,522,883		354,615,261	-57,053,444		-2,820,615	-59,874,059	294,741,203
Water Mains	4,618,522	2,534,647			7,153,169	-		-158,386	-158,386	6,994,784
Pump Stations	9,809,887				9,809,887	-1,503,794		-83,047	-1,586,841	8,223,046
Reservoirs	118,979,367	1,018,764	657,457		120,655,588	-11,261,204		-1,077,025	-12,338,229	108,317,359
Water Reservoirs	3,859,896	230,325			4,090,222	-		-83,810	-83,810	4,006,412
Water Supply Bulkwater Pipelines	441,416,503	438,582			441,855,086	-24,193,252		-4,172,612	-28,365,864	413,489,222
Water Supply Pressure Reduce Valves	2,312,016				2,312,016	616,084		-195,173	420,911	2,732,927
Water Meters	-1,249,697				-1,249,697	1,388,261		-9,235	1,379,026	129,329
	922,437,821	13,623,371	3,180,340	-	939,241,532	-92,007,349	-	-8,599,902	-100,607,251	838,634,281
Security										
Access Control Systems	139,957	85,749			225,705	-111,211		-5,795	-117,006	108,699
Fencing	6,474,171				6,474,171	-3,957,793		-879,018	-4,836,811	1,637,360
Security Systems	40,622,586	38,590			40,661,176	-407,637		-407,637	-38,991,798	1,669,379
	47,236,714	124,339	-	-	47,361,053	-42,653,165	-	-1,292,450	-43,945,615	3,415,438

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	COST					ACCUMULATED DEPRECIATION					Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Disposals	Additions	Closing balance		
Stormwater											
Major Culverts	40,006,010	892,058	484,923		41,382,991	-2,505,340		-751,183	-3,256,523		38,126,467
Minor Culverts	662,608				662,608	-154,130		-4,237	-158,367		504,240
Kerb Inlets	87,218,519	343,823			87,562,342	-16,192,650		-2,845,118	-19,037,768		68,524,574
Manholes	56,558,788				56,558,788	-10,283,416		-1,850,699	-12,134,115		44,424,673
Open Channels	12,649,340	659,976			13,309,316	-1,011,208		-236,206	-1,247,414		12,061,902
Stormwater Drains	473,418				473,418			-15,690	-15,690		457,728
Reticulation	332,086,073				332,086,073	-33,208,608		-5,976,529	-39,185,137		292,900,936
Head and Wingwalls	5,549,544				5,549,544	-1,009,008		-181,591	-1,190,599		4,358,945
Rivers	2,754,682				2,754,682	-1,126,365		-26,246	-1,152,611		1,602,072
	537,958,982	1,895,857	484,923	-	540,339,762	-65,490,725	-	-11,887,498	-77,378,223		462,961,538
Railway Lines											
Railway Lines	5,551,549				5,551,549	-5,699,885		-54,930	-5,754,815		-203,266
	5,551,549	-	-	-	5,551,549	-5,699,885	-	-54,930	-5,754,815		-203,266
Solid Waste Disposal											
Garden Refuse	1,886,197				1,886,197	-311,416		-31,490	-342,906		1,543,291
Landfill Site	2,693,156				2,693,156	-305,400		-47,747	-353,147		2,340,009
Sorting Stations	870,400				870,400	-154,860		-14,308	-169,168		701,232
	5,449,753	-	-	-	5,449,753	-771,676	-	-93,545	-865,221		4,584,532
Total Infrastructure Assets	5,343,561,231	60,812,671	63,103,365	-	5,467,477,267	-512,287,783	-	-90,042,159	-602,329,942		4,865,147,325
COMMUNITY ASSETS											
Buildings											
Fire Stations	21,360,812	1,288,632	29,850		22,679,294	-3,951,700		-347,861	-4,299,561		18,379,734
Stadiums	48,364,275				48,364,275	-10,300,873		-761,139	-11,062,012		37,302,263
Public Conveniences	67,000,097	38,800			67,038,897	-11,503,854		-1,110,322	-12,613,876		54,425,020
Clinics	27,321,515	367,660	179,819		27,868,994	-7,258,436		-401,213	-7,659,649		20,209,345
Libraries	77,695,254	47,850	714,787		78,457,891	-16,471,173		-1,224,275	-17,695,448		60,762,442
Community Centres	138,405,008	4,630,748	403,432		143,439,188	-34,945,401		-2,054,312	-36,999,713		106,439,475
Museums and Art Galleries	13,163,587	560,983			13,724,570	2,689,507		-320,735	2,368,772		16,093,342
Beer Halls	4,571,603				4,571,603	-310,837		-85,200	-396,037		4,175,566
Cemetries	412,138		912,658		1,324,796	-127,052		-5,701	-132,753		1,192,043
Parks	5,752,833				5,752,833	-1,624,508		-82,553	-1,707,061		4,045,772
Civic Theatres	41,073,860				41,073,860	-9,389,519		-633,579	-10,023,098		31,050,762
	445,120,981	6,934,672	2,240,546	-	454,296,199	-93,193,546	-	-7,026,888	-100,220,434		354,075,765
Recreational Facilities											
Swimming Pools	14,790,674	109,830			14,900,504	-3,306,597		-229,648	-3,536,245		11,364,259
Sports Facilities	8,797,964	622,268			9,420,232	-2,379,796		-135,586	-2,515,382		6,904,850
Squash Courts	5,882,858				5,882,858	-1,179,764		-94,046	-1,273,810		4,609,048
Cemetries	2,921,435				2,921,435	-		-29,209	-29,209		2,892,225
Parks	31,885,959				31,885,959	-24,105,045		-77,796	-24,182,841		7,703,117
Sports Grounds	142,199,524				142,199,524	-1,421,752		-1,421,752	-1,421,752		140,777,771
	206,478,413	732,098	-	-	207,210,511	-30,971,202	-	-1,988,038	-32,959,240		174,251,271
Total Community Assets	651,599,394	7,666,770	2,240,546	-	661,506,710	-124,164,748	-	-9,014,926	-133,179,674		528,327,036

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	COST					ACCUMULATED DEPRECIATION				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Disposals	Additions	Closing balance	
OTHER ASSETS										
Other Properties										
Housing Schemes	132,069,744		2,196,961	-257,624	134,009,081	-34,698,924	5,152	-1,947,087	-36,640,859	97,368,222
Market	227,347,078	617,745			227,964,823	-44,638,990		-3,656,660	-48,295,650	179,669,173
Sewage Works and Dump Site	515,501				515,501	-3,977		-10,229	-14,206	501,295
Workshops and Depots	28,802,917	265,541	75,791		29,144,250	-6,538,981		-445,218	-6,984,199	22,160,051
Hostels	387,236				387,236	-84,576		-6,052	-90,628	296,608
Training Centre	9,301,085	56,150	17,000		9,374,235	-2,572,770		-134,547	-2,707,317	6,666,918
Landfill Site	39,167,082	3,453,700		-17,983,081	24,637,701	-19,349,969	115,324	-216,612	-19,451,257	5,186,444
Old Age Home	924,086				924,086	-359,456		-11,290	-370,746	553,340
Transport Facility	17,997,094				17,997,094	-2,692,218		-305,511	-2,997,729	14,999,365
Crematorium	6,245,803		70,211		6,316,014	-1,266,239		-99,574	-1,365,813	4,950,201
Nurseries	9,811,035				9,811,035	-2,346,065		-149,274	-2,495,339	7,315,696
Airport Buildings	12,415,536	1,668,288			14,083,824	-		-259,350	-259,350	13,824,474
Creches	15,717,654				15,717,654	-4,293,452		-228,445	-4,521,897	11,195,757
Substations	1,114,563				1,114,563	-227,034		-17,748	-244,782	869,782
	501,816,415	6,061,425	2,359,963	-18,240,705	491,997,098	-119,072,651	120,476	-7,487,597	-126,439,772	365,557,326
Plant and Equipment										
Graders	6,118,266				6,118,266	-3,801,557		-231,632	-4,033,189	2,085,077
Compressors	138,950				138,950	-138,950		-	-	-
Cremators	1,767,178				1,767,178	-511,103		-83,724	-594,827	1,172,350
Farm Equipment	103,323				103,323	-66,045		-7,454	-73,499	29,824
General	16,976,762	1,293,536		-453	18,269,845	-11,871,705	100	-1,298,276	-13,169,881	5,099,965
Lawnmowers	2,279,960	120,001			2,399,961	-2,278,866		-13,167	-2,292,032	107,928
Laboratory Equipment	1,457,855	51,449			1,509,303	-627,732		-170,112	-797,844	711,460
Radio Equipment	1,424,766	49,672			1,474,438	-1,285,456		-27,884	-1,313,341	161,097
Firearms	-	31,800			31,800	-		-17	-17	31,783
Telecommunication Equipment	5,627,343				5,627,343	-4,643,365		-196,762	-4,840,127	787,215
Tractors	6,393,902				6,393,902	-5,771,111		-62,268	-5,833,380	560,522
	42,288,304	1,546,458	-	-453	43,834,309	-30,995,892	100	-2,091,296	-33,087,088	10,747,221
Office Equipment										
Air Conditioners	11,461,172	121,823			11,582,995	-9,758,893		-389,045	-10,147,938	1,435,056
Computer Hardware	33,971,785	628,329			34,600,114	-26,659,137		-1,545,077	-28,204,214	6,395,900
Office Machines	4,030,417	124,413			4,154,831	-3,416,342		-232,907	-3,649,248	505,582
	49,463,374	874,565	-	-	50,337,939	-39,834,372	-	-2,167,029	-42,001,401	8,336,538
Furniture and Fittings										
Cabinets and Cupboards	8,740,922	148,938			8,889,860	-7,530,050		-181,525	-7,711,575	1,178,285
Chairs	9,854,108	127,002			9,981,110	-9,711,123		-20,473	-9,731,596	249,515
Furniture and Fittings Other	7,476,599	13,162			7,489,761	-6,864,053		-85,663	-6,949,716	540,045
Tables and Desks	8,467,264	51,870			8,519,134	-8,343,133		-17,750	-8,360,883	158,251
	34,538,893	340,972	-	-	34,879,865	-32,448,359	-	-305,410	-32,753,769	2,126,096
Containers										
Household Refuse Bins	256,014				256,014	-211,016		-8,998	-220,014	36,000
Bulk Containers	1,291,141		172,694		1,463,835	-583,562		-70,746	-654,307	809,527
	1,547,155	-	172,694	-	1,719,849	-794,578	-	-79,744	-874,321	845,527
Fire & Ambulance (Medical)										
Fire Equipment	7,928,612	999,929			8,928,541	-6,879,865		-70,087	-6,949,953	1,978,589
Medical Equipment - Clinics	1,279,924	35,538			1,315,462	-1,040,294		-50,292	-1,090,586	224,876
	9,208,536	1,035,467	-	-	10,244,003	-7,920,160	-	-120,379	-8,040,538	2,203,465

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	COST				ACCUMULATED DEPRECIATION				Carrying value	
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Disposals	Additions		Closing balance
Motor Vehicles										
Fire Engines	14,731,104	16,662,972		-2,016,501	29,377,575	-4,090,016	66,831	-567,907	-4,591,092	24,786,483
Buses	-				-		35,855		35,855	35,855
Motor Vehicles	21,327,583			-81,287	21,246,296	-15,141,948		-1,275,197	-16,417,145	4,829,151
Motor Vehicles - corrections	33,938,343				33,938,343	-23,378,721		-2,938,968	-26,317,689	7,620,654
Motor Cycles	696,111				696,111	-696,111			-696,111	-
Trailers	1,130,770	128,508			1,259,278	-1,062,403		-20,215	-1,082,618	176,660
Trucks and Bakkies	86,907,302				86,907,302	-83,415,361		-847,472	-84,262,833	2,644,469
	158,731,213	16,791,480	-	-2,097,788	173,424,905	-127,784,560	102,686	-5,649,759	-133,331,633	40,093,272
General										
Aircraft	367,564				367,564	-289,725		-5,188	-294,914	72,650
Watercraft	131,177				131,177	-131,177			-131,177	-
Rivers	-				-					
Land-Housing	-				-					
Artworks	1,832,853	85,000			1,917,853					1,917,853
	2,331,594	85,000	-	-	2,416,594	-420,903	-	-5,188	-426,091	1,990,503
Movable Assets	298,109,070	20,673,942	172,694	-2,098,241	316,857,465	-240,198,822	102,786	-10,418,806	-250,514,842	66,342,623
Intangible Assets										
Intangible Assets \ Software	12,817,971	184,880			13,002,851	-9,697,221		-1,051,590	-10,748,810	2,254,040
Computer Software	4,449,399	4,515,960			8,965,359	-3,976,734		-1,581,220	-5,557,954	3,407,405
	17,267,370	4,700,840	-	-	21,968,210	-13,673,954	-	-2,632,810	-16,306,764	5,661,445
Servitudes	176,686	627,160			803,846					803,846
Agricultural/Biological Assets	688,383	78,040		-223,527	542,896					542,896
Grand Total Assets	7,802,513,726	106,643,387	68,866,177	-20,567,653	7,957,455,637	-1,071,478,065	223,262	-123,850,040	-1,195,104,843	6,762,350,794

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPALITY ENTITY

APPENDIX C

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Fixed Assets	Historical Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	5,276,037	134,383			5,410,420	3,614,365	415,294		4,029,659	1,380,761
Finance and Administration	673,969,695	14,072,735	2,002,982		690,045,413	666,686,597	6,834,537		673,521,134	16,524,279
Planning and Development	144,948,284	1,605,606		-5,180	146,548,711	11,649,476	1,976,204		13,625,680	132,923,031
Health	36,603,660	626,575	179,819		37,410,054	7,440,217	891,391		8,331,608	29,078,446
Community and Social Services	114,438,249	696,608	1,752,107		116,886,965	6,367,801	2,737,847		9,105,648	107,781,317
Housing	157,646,313	1,696,970	673,202	-257,624	159,758,861	862,024	2,324,355	-5,152	3,181,227	156,577,635
Public Safety	79,188,098	17,927,028	959,508	-2,016,500	96,058,134	35,171,581	17,626,436	-66,831	52,731,186	43,326,948
Sport and Recreation	374,515,647	984,880			375,500,527	16,361,248	4,925,531		21,286,779	354,213,748
Road Transport	2,429,808,225	20,420,383			2,450,228,608	11,823,765	47,914,509		59,738,274	2,390,490,334
Environmental Protection										
Water	931,207,339	13,711,893	3,180,340	-81,287	948,018,286	98,778,172	8,814,568	-35,855	107,556,885	840,461,401
Waste Water Management	496,413,881	5,851,668	47,763,912		550,029,461	3,816,524	5,493,344		9,309,869	540,719,593
Electricity	1,480,002,156	21,456,165	22,500		1,501,480,820	129,525,452	27,693,480		157,218,932	1,344,261,888
Other	878,496,141	7,458,492	12,331,806	-18,207,063	880,079,376	79,380,842	-3,797,454	-115,424	75,467,963	804,611,413
TOTALS	7,802,513,726	106,643,387	68,866,177	-20,567,653	7,957,455,637	1,071,478,065	123,850,041	-223,262	1,195,104,843	6,762,350,794

APPENDIX - D

Msunduzi Municipality and its municipal entity: Segmental Statement of Financial Performance for the Year Ended 30 June

<u>2009</u>	<u>2009</u> <u>Actual</u>	<u>2009</u>		<u>2010</u>	<u>2010</u> <u>Actual</u>	<u>2010</u>
<u>Actual Income</u>	<u>Expenditure</u>	<u>Surplus/(Deficit)</u>		<u>Actual Income</u>	<u>Expenditure</u>	<u>Surplus/(Deficit)</u>
498,575	71,894,906	(71,396,331)	Executive & Council	472,147	62,839,354	(62,367,206)
707,616,066	273,873,011	433,743,055	Budget & Treasury Office	891,480,253	530,226,013	361,254,240
4,458,563	80,943,578	(76,485,015)	Corporate Services	5,146,291	82,228,986	(77,082,696)
14,964,395	60,181,338	(45,216,944)	Planning & Development	17,613,308	63,695,904	(46,082,595)
8,186,503	39,159,997	(30,973,494)	Health	10,847,230	39,627,952	(28,780,722)
12,139,780	41,753,179	(29,613,398)	Community & Social Services	5,700,151	49,852,310	(44,152,158)
38,712,712	53,209,000	(14,496,288)	Housing	50,923,742	62,127,176	(11,203,434)
20,837,476	110,350,124	(89,512,648)	Public Safety	15,229,229	104,979,254	(89,750,024)
1,001,383	54,391,961	(53,390,579)	Sport and Recreation	898,593	50,390,226	(49,491,633)
5,454	60,754,635	(60,749,182)	Environmental Protection	11,464	60,453,737	(60,442,273)
176,224,642	176,452,596	(227,954)	Waste Management	210,410,251	166,170,520	44,239,731
4,464	33,467,476	(33,463,012)	Waste Water Management	4,752	36,984,566	(36,979,814)
46,749,102	157,795,952	(111,046,850)	Road Transport	14,795,000	174,015,686	(159,220,686)
301,779,365	230,456,909	71,322,456	Water	306,999,496	279,281,205	27,718,291
745,394,999	662,243,682	83,151,317	Electricity	945,462,701	981,414,823	(35,952,122)
2,700,058	7,459,879	(4,759,822)	Other/Air Transport	2,255,854	8,812,084	(6,556,230)
10,459,592	8,854,197	1,605,395	Other/Forestry	10,327,267	9,303,547	1,023,720
15,339,356	11,983,079	3,356,278	Other/Markets	17,078,611	16,626,990	451,621
364,095	2,755,502	(2,391,407)	Other/Licensing & Regulation	513,100	2,938,550	(2,425,450)
2,107,436,579	2,137,981,003	(30,544,423)	Sub - Total	2,506,169,440	2,781,968,881	(275,799,441)
-	(51,887,001)	(51,887,001)	Less: Inter-Dept Charges	-	(39,879,251)	(39,879,251)
2,107,436,579	2,086,094,002	21,342,577	Total	2,506,169,440	2,742,089,630	(235,920,190)

Appendix - E

The Msunduzi Municipality and its municipal entity : Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2010

	Actual 2010	Budget 2010	Variance 2010	Variance 2010	Explanation of Significant variances greater than 10% versus Budget
Description	R	R	R	%	
Revenue					
Property Rates	420,030,162	405,500,000	14,530,162	4	
Property Rates - Penalties and Collection Charges	20,284,950	33,906,200	(13,621,250)	(40)	Due to the change in rating, change from municipal valuation to MPRA. The impact could not be assessed.
Service Charges	1,159,300,660	1,132,740,512	26,560,148	2	
Sale of Electricity	816,172,839	803,737,192	12,435,647	2	
Sale of Water	213,633,343	209,638,005	3,995,338	2	
Sewerage	76,207,067	69,176,113	7,030,954	10	Budget modelling was not conducted. The variation on sewerage service charges stems from the increase in water sales which impacts on sewer consumption.
Refuse	53,287,411	50,189,202	3,098,209	6	
Rentals Received	15,571,328	18,298,212	(2,726,884)	(15)	No analysis was done on the debtors, a percentage increase was applied by the previous Chief Finance Officer.
Interest earned - External Investments	5,453,509	12,682,277	(7,228,768)	(57)	The decrease is due to lower interest rates as well as the cash flow crisis that Msunduzi is faced with resulting in less funds being invested.
Interest earned - Outstanding debtors	22,464,504	19,811,757	2,652,747	13	The increase in interest is due to non payment of debt, hence
Fines	7,084,343	8,808,324	(1,723,981)	(20)	Due to termination of TMT contract production (fines) in terms of prosecuting has dropped.
Income for Agency Services	1,435,383	500,000	935,383	187	This revenue is generated by the fire department for emergency call-outs. It is so difficult to do a proper projection based on the nature of revenue.
Governments Grants & Subsidies	355,033,160	281,665,510	73,367,650	26	Business Units processed journals towards the end of the financial year without budget at the beginning of the year. In the 2010/2011 financial year provision has been made for capital grants and subsidies.
Public Contributions & Donations	-	-	-	-	
Other Income	499,511,441	848,339,541	(348,828,100)	(41)	
Total Revenue	2,506,169,440	2,762,252,333	(256,082,893)		
Expenditure					
Executive & Council	62,839,353.55	65,665,577.00	2,826,223.45	4.30	
Budget & Treasury Office	530,226,012.68	1,084,043,667.00	553,817,654.32	51.09	A new vote was created to balance the adjustments budgetary shortfall of R 572m for the bad debts provision due to high levels of expenditure and low collection levels of revenue. (As per the Provincial Intervention Task Team)
Corporate Services	82,228,986.04	87,862,732.00	5,633,745.96	6.41	
Planning & Development	63,695,903.71	63,724,205.00	28,301.29	0.04	
Health	39,627,951.85	39,947,466.00	319,514.15	0.80	
Community & Social Services	49,852,309.59	48,499,679.00	(1,352,630.59)	(2.79)	
Housing	62,127,175.61	54,581,756.00	(7,545,419.61)	(13.82)	DOH Funding- Expenditure exceeded the budget due to accelerated housing delivery.
Public Safety	104,979,253.52	106,666,204.00	1,686,950.48	1.58	
Sport and Recreation	50,390,226.03	50,399,992.00	9,765.97	0.02	
Environmental Protection	60,453,736.51	61,665,517.00	1,211,780.49	1.97	
Waste Management	166,170,520.12	168,047,707.00	1,877,186.88	1.12	
Waste Water Management	36,984,566.37	36,922,375.00	(62,191.37)	(0.17)	
Road Transport	174,015,686.09	171,115,189.00	(2,900,497.09)	(1.70)	
Water	279,281,205.31	239,154,958.00	(40,126,247.31)	(16.78)	Budget for water purchases was not in line as per business units submission however an attempt was made during the budget adjustment to increase the
Electricity	981,414,823.49	862,046,649.00	(119,368,174.49)	(13.85)	Variance attributed to the shortfall for Electricity Bulk Purchases whereby an attempt was made to adjust the allocation during the budget adjustment process.
Other/Air Transport	8,812,083.51	8,213,962.00	(598,121.51)	(7.28)	
Other/Forestry	9,303,546.61	4,649,983.00	(4,653,563.61)	(100.08)	The original budget figures were not those submitted by the service provider, NCT and hence the true figures are completely different.
Other/Markets	16,626,990.14	13,787,441.00	(2,839,549.14)	(20.80)	This was an exceptionally good year with an increase in produce prices and an active new Agent on the market.
Other/Licensing & Regulation	2,938,550.14	2,937,507.00	(1,043.14)	(0.04)	
Less: Inter-Dept Charges	(39,879,250.52)	3,617,285.00	43,496,535.52	1,202.46	Over recovery on charge-outs on what income and expenditure was budgeted for.
Total Expenditure	2,742,089,630.35	3,173,549,851.00	431,460,220.65		
Operating Surplus/(Deficit)	(235,920,190.84)	(411,297,518.00)	175,377,327.16		

THE MSUNDUZI MUNICIPALITY

APPENDIX F

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY , PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2010 Budget R	2010 Actual R	2010 Under construction R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget	
Executive and Council	81,489.00	40,695.90	0.00	40,793.10	50%	All Capital Council Funded projects were stopped by the Provincial Intervention Team due to the Financial constraints the Msunduzi Municipality is facing.	
Finance and Administration	23,586,960.00	16,102,275.61	80,378.54	7,484,684.39	32%		
Planning and Development	2,805,048.00	2,234,529.76	1,156,261.05	570,518.24	20%		
Public Safety	18,596,971.00	16,086,799.83	326,218.27	2,510,171.17	13%		
Community and Social Services	4,490,235.00	2,553,702.00	1,156,871.03	1,936,533.00	43%		
Health	796,465.00	794,463.77	684,097.86	2,001.23	0%		
Sport and Recreation	942,639.00	942,636.42	0.00	2.58	0%		
Road Transport	69,646,375.00	32,581,294.07	388,732.13	37,065,080.93	53%		
Water	20,909,748.00	16,768,638.67	61,422,679.07	4,141,109.33	20%		
Waste Water Management	68,010,468.00	39,120,271.81	0.00	28,890,196.19	42%		
Electricity	50,863,728.00	21,458,564.68	1,575,359.49	29,405,163.32	58%		
Housing	2,370,702.00	2,112,548.50	731,860.55	258,153.50	11%		
Other	4,614,863.00	4,290,978.14	1,343,718.70	323,884.86	7%		
Environment Protection	0.00	-145,487.00	0.00	145,487.00	0%		The reason for the negative figure is the reduction in the biological assets.
TOTALS	267,715,691.00	154,941,912.16	68,866,176.69	112,773,778.84	42%		

THE MSUNDUZI MUNICIPALITY

APPENDIX G

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2010

Account Number	Account Description	Unspent Balance @ 1 July 2010	Transfers	Current Year receipts	Unspent Balance @ 30 June 2010	Source Code
0108960001	GRANT COMMUNITY DEVELOPMENT WORKERS	-7,818.17	0.00	0.00	-7,818.17	UNSPENT CG - NATIONAL GOVERNMENT
0108960002	NATIONAL GRANT - MSIG	0.00	388,073.05	-400,000.00	-11,926.95	UNSPENT CG - NATIONAL GOVERNMENT
0118960002	GRANT DPLG AMENDMENT IDP	-50,000.00	7,580.23	0.00	-42,419.77	UNSPENT CG - NATIONAL GOVERNMENT
0358980801	GRANT - FMG	-24,147.12	799,999.98	-775,852.86	0.00	UNSPENT CG - NATIONAL GOVERNMENT
0608960012	UNSPENT CONDITIONAL GRANT - MIG	-1,917,809.84	70,917,024.12	-93,833,302.58	-24,834,088.30	UNSPENT CG - NATIONAL GOVERNMENT
5308960002	GRANT - DEV.ADMIN CAPACITY BUILDING	0.00	118,426.36	-118,426.36	0.00	UNSPENT CG - NATIONAL GOVERNMENT
5308960003	UNSPENT COND.GRANT - HRD/LGSETA	0.00	72,000.00	-1,077,000.00	-1,005,000.00	UNSPENT CG - NATIONAL GOVERNMENT
5608960001	STORM DAMAGE - DOH FUNDING	-915,845.60	0.00	0.00	-915,845.60	UNSPENT CG - NATIONAL GOVERNMENT
5608960010	UNSPENT CONDITIONAL GRANT - PHB	-53,955,816.16	36,585,391.49	-25,692,034.20	-43,062,458.87	UNSPENT CG - NATIONAL GOVERNMENT
7138960005	ELECT.DEMAND SIDE MGT GRANT - NT	0.00	1,358,496.28	-12,266,965.80	-10,908,469.52	UNSPENT CG - NATIONAL GOVERNMENT
7138960015	UNSPENT CONDITIONAL GRANT - DEPT OF MINERALS	-468,136.00	468,136.00	0.00	0.00	UNSPENT CG - NATIONAL GOVERNMENT
7878960001	EDN S - UPGRADE WATER SUPPLY	-490,763.15	713,577.98	-463,077.98	-240,263.15	UNSPENT CG - NATIONAL GOVERNMENT
		-57,830,336.04	111,428,705.49	-134,626,659.78	-81,028,290.33	
0138960002	PG:COMMUNITY COMMUNICATION INITIATIVE	-50,000.00	0.00	0.00	-50,000.00	UNSPENT CG - PROVINCIAL GOVERNMENT
0608960013	UNSPENT CONDITIONAL GRANT - PROVINCE	-360,166.15	676,588.65	-818,037.89	-501,615.39	UNSPENT CG - PROVINCIAL GOVERNMENT
1318960001	PROVINCE - TRANSPORT GRANT	-9,546,485.76	2,927,044.45	-13,774,922.74	-20,394,364.05	UNSPENT CG - PROVINCIAL GOVERNMENT
2858960004	PROV - URBAN RENEWAL PROJECT	-2,683,788.60	417,774.08	-83,336.49	-2,349,351.01	UNSPENT CG - PROVINCIAL GOVERNMENT
3458970006	FOOD AID PROGRAMME	-70,104.49	125,272.00	-62,636.00	-7,468.49	UNSPENT CG - PROVINCIAL GOVERNMENT
5138960001	UNSPENT GRANT : LIBRARY SERVICES	-11,443.32	11,443.32	0.00	0.00	UNSPENT CG - PROVINCIAL GOVERNMENT
5278980001	I.D.P. FUND FROM DEPT. OF LG&H	-679,258.84	0.00	0.00	-679,258.84	UNSPENT CG - PROVINCIAL GOVERNMENT
7878980801	GRANT - WATER SERVICE DELIVERY PLANNING	-143,890.06	60,905.99	0.00	-82,984.07	UNSPENT CG - PROVINCIAL GOVERNMENT
7878980802	GRANT - ASSESSMENT OF SERVICE DELIVERY MECHANISMS	0.00	2,061.40	-2,061.40	0.00	UNSPENT CG - PROVINCIAL GOVERNMENT
		-13,545,137.22	4,221,089.89	-14,740,994.52	-24,065,041.85	

THE MSUNDUZI MUNICIPALITY

APPENDIX G

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2010

Account Number	Account Description	Unspent Balance @ 1 July 2010	Transfers	Current Year receipts	Unspent Balance @ 30 June 2010	Source Code
0608960014	UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL	-5,675,899.70	3,528,229.03	-104,303.01	-2,251,973.68	UNSPENT CG - OTHER
1258960001	UNSPENT GRANT - DEVELOPER CONTRIBUTION	-1,004,035.20	135,852.88	0.00	-868,182.32	UNSPENT CG - OTHER
2028960002	RETENTION - MIG - VULINDLELA VIP CONSTR.	-32,810.65	0.00	0.00	-32,810.65	UNSPENT CG - OTHER
2858960001	GEDI - GIJIMA FUNDS	-24,760.70	39,101.60	-32,310.77	-17,969.87	UNSPENT CG - OTHER
2858960002	E/DALE LAND LEGAL	-341,651.41	158,243.89	-8,073.01	-191,480.53	UNSPENT CG - OTHER
2858960003	E/DALE PVT LAND LEGAL	-18,623,373.43	5,268,314.04	-556,749.83	-13,911,809.22	UNSPENT CG - OTHER
5108980101	GRANT - YOUTH ADVISORY COUNCIL	0.00	0.00	-125,000.00	-125,000.00	UNSPENT CG - OTHER
5118960002	UDM - LOCAL TOURISM DEVELOPMENT	-10,400,000.00	967,109.40	-3,000,000.00	-12,432,890.60	UNSPENT CG - OTHER
5118960003	GRANT - WARD 3 5 6	-40,122.84	0.00	0.00	-40,122.84	UNSPENT CG - OTHER
5538960001	GRANT - SPOORNET	-395,091.63	91,000.00	-10,904.14	-314,995.77	UNSPENT CG - OTHER
8328760903	TRUST - CEMETERY TRUST ACCOUNT	-15,456.48	0.00	0.00	-15,456.48	UNSPENT CG - OTHER
8358760909	TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT	-47,090.23	0.00	0.00	-47,090.23	UNSPENT CG - OTHER
8368760911	TRUST - PEARSE TRUST ACCOUNT	-1,454,412.66	0.00	-20,552.00	-1,474,964.66	UNSPENT CG - OTHER
8378760913	TRUST - WELCH TRUST ACCOUNT	-371,753.84	0.00	0.00	-371,753.84	UNSPENT CG - OTHER
8388760916	TRUST - MARIA KINSMAN TRUST ACCOUNT	-591,487.72	0.00	0.00	-591,487.72	UNSPENT CG - OTHER
8388760920	TRUST - MARIA KINSMAN TRUST - NET INCOME	-55,632.00	0.00	0.00	-55,632.00	UNSPENT CG - OTHER
8398760908	TRUST - MAYORESS NECESSITY FUND	-79,412.50	0.00	-364.80	-79,777.30	UNSPENT CG - OTHER
8408760915	TRUST - CEMETERY TRUST ACCOUNT (M/RISE)	-2,293,363.65	0.00	-23,584.50	-2,316,948.15	UNSPENT CG - OTHER
8408760922	TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST	-420,291.69	0.00	0.00	-420,291.69	UNSPENT CG - OTHER
8418760906	TRUST - FLEMING TRUST ACCOUNT	-75,611.89	0.00	0.00	-75,611.89	UNSPENT CG - OTHER
8428010001	TRUST - CONT IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS	-60,858.00	0.00	0.00	-60,858.00	UNSPENT CG - OTHER
8428760842	TRUST - PMB FLOOD DISASTER	-30,989.32	0.00	0.00	-30,989.32	UNSPENT CG - OTHER
8438760925	TRUST - REFUGEES TRUST ACCOUNT	-60,603.83	0.00	0.00	-60,603.83	UNSPENT CG - OTHER
		-42,094,709.37	10,187,850.84	-3,881,842.06	-35,788,700.59	
		-113,470,182.63	125,837,646.22	-153,249,496.36	-140,882,032.77	

THE MSUNDUZI MUNICIPALITY

APPENDIX H

DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2010

	<u>Unspent Balance @ 1 July 2010</u>	<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30 June 2010</u>
<u>NATIONAL GOVERNMENT</u>				
Various as per Appendix G	(57,830,336)	111,428,705	(134,626,660)	(81,028,290)
<u>PROVINCIAL GOVERNMENT</u>				
Various as per Appendix G	(13,545,137)	4,221,090	(14,740,995)	(24,065,042)
<u>OTHER GRANTS</u>				
Various as per Appendix G	(42,094,709)	10,187,851	(3,881,842)	(35,788,701)
	(113,470,183)	125,837,646	(153,249,496)	(140,882,033)

THE MSUNDUZI MUNICIPALITY
APPENDIX I
DISCLOSURE OF GRANTS AND RECEIPTS AT 30 JUNE 2010

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	CORPORATE SERVICES	COMMUNITY SERVICES	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	HOUSING	ELECTRICITY	PLANNING & DEVELOPMENT	TOTAL
TRANSFER TO REVENUE - CAPITAL EXPENDITURE											
NATIONAL GOVERNMENT											
Municipal Infrastructure Grant				3,480,892	47,430,538	2,236,817	7,743,941				60,892,187
Department of Water Affairs					463,078						463,078
Department of Human Settlements						1,939,972	3,995,540	815,098			6,750,610
Department of Minerals and Energy									7,371,512		7,371,512
	-	-	-	3,480,892	47,893,616	4,176,788	11,739,481	815,098	7,371,512		75,477,387
PROVINCIAL GOVERNMENT											
Department of Transport				-			1,062,960				1,062,960
Greater Edendale Development Initiative - Urban Renewal				403,432							403,432
Department of Traditional and Local Govt											
	-	-	-	403,432			1,062,960				1,466,392
	-	-	-								
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	-	-	-	3,884,324	47,893,616	4,176,788	12,802,441	815,098	7,371,512		76,943,779
DONATIONS AND PUBLIC CONTRIBUTIONS											
Other											
Greater Edendale Private Land Acquisition Initiative				125,202			135,853				135,853
Freedom Square Tourism Hub- uMgungundlovu										967,109	967,109
Msunduzi Library - Carnegie Corporation of New York				839,283							839,283
TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS	-	-	-	964,484			135,853			967,109	2,067,446
TOTAL CONDITIONAL GRANTS & RECEIPTS	-	-	-	4,848,808	47,893,616	4,176,788	12,938,294	815,098	7,371,512	967,109	79,011,225

	EXECUTIVE & COUNCIL	BUDGET & TREASURY OFFICE	CORPORATE SERVICES	COMMUNITY SERVICES	WASTE MANAGEMENT	WATER	ROAD TRANSPORT	HOUSING	ELECTRICITY	PLANNING & DEVELOPMENT	TOTAL
TRANSFER TO REVENUE - OPERATING EXPENDITURE											
NATIONAL GOVERNMENT											
Equitable Share		114,181,161			15,133,437	68,471,585			8,391,429		206,177,611
Financial Management Grant		774,147									774,147
Municipal Infrastructure Grant				24,520	1,540,708	40,995					1,606,223
Intergrated Development Plan	7,580										7,580
Local Government SETA			36,000								36,000
Development Admin Capacity Building											-
Municipal Systems Improvement Grant	388,073										388,073
Department of Water Affairs						250,500					250,500
Department of Human Settlements								46,283,895			46,283,895
	395,653	114,955,308	36,000	24,520	16,674,145	68,763,080	-	46,283,895	8,391,429		255,524,029
PROVINCIAL GOVERNMENT											
Eastwood Library - Provincial Library Service				170,186							170,186
Msunduzi Library - Provincial Library Service				92,661							92,661
Department of Transport							826,162				826,162
Greater Edendale Development Initiative - Urban Renewal				14,342							14,342
Water service delivery						60,906					60,906
	-	-	-	277,188		60,906	826,162				1,164,256
	395,653	114,955,308	36,000	301,708	16,674,145	68,823,986	826,162	46,283,895	8,391,429		256,688,285
DONATIONS AND PUBLIC CONTRIBUTIONS											
Greater Edendale Land Initiative and Land Legal											
Msunduzi Library - Carnegie Corporation of New York				5,274,540							5,274,540
Other			62,636	3,043,768							3,043,768
Greater Edendale Land Initiative - DBSA				54,824							54,824
Greater Edendale Land Initiative - GIJIMA				8,278							8,278
Msunduzi Library - US Consulate				1,500							1,500
Spoornet								91,000			91,000
	-	-	62,636	8,382,909				91,000			8,536,545
TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS			62,636	8,382,909				91,000			8,536,545
TOTAL CONDITIONAL GRANTS & RECEIPTS	395,653	114,955,308	98,636	8,684,618	16,674,145	68,823,986	826,162	46,374,895	8,391,429		265,224,830

THE MSUNDUZI MUNICIPALITY
APPENDIX J
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2010	Risk to the municipality as at 30 June 2009
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	TMJ Attorneys	R9,279,625 plus interest at 15,5% per annum	R9,279,625 plus interest at 15,5% per annum
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	Lister & Lister Attorneys	case finalised	R 32 585, 78 plus interest at 15, 5 % per annum.
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	Lister & Lister Attorneys	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	Savage Jooste & Adams Attorneys	R 600 000, 00	R 600 000, 00
13	Zeedim Investment v Msunduzi Municipality	Delictual Claim	2006	Afzal Akoo & Partners	Matter settled in May 2010. Council to pay R200,000 and costs of R117,047	R 450 183, 96 plus interest at 15, 5 % per annum.
14	I. Ogilvie	Delictual Claim	2006	Insurance		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	Piexoto 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	Lister & Lister Attorneys	R34,427 plus interest	R34,427 plus interest
21	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2006	Lister & Lister Attorneys	R45,979 plus interest	R45,979 plus interest
22	F.Osman V Msunduzi Municipality	Delictual Claim	2007	Internal		R 306 666, 45
23	T.E.Zulu v Msunduzi Municipality	Delictual Claim	2007	Internal		R 8 709, 23
24	D.V. Ngcobo	Delictual Claim	2007	Insurance		R1800 000.00 plus interest at 15% Per annum
25	Orion Telecon v Msunduzi Municipality	Delictual Claim	2007	Jasat & Jasat	File closed and dealt internally by Msunduzi.	R92189.52+ 23047.38 per month plus interest
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	Kruger Ngcobo Inc	R 85 470, 00 plus interest at 15, 5 %.	R 85 470, 00 plus interest at 15, 5 %.

THE MSUNDUZI MUNICIPALITY
APPENDIX J
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2010	Risk to the municipality as at 30 June 2009
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.Majozi v Msunduzi Municipality	Delictual Claim	2007	Internal	R 110 046, 28	R 110 046, 28
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	South African Local Authorities Pension Fund v Msunduzi Municipality	Pension Surcharge	2008	Internal		R 217 184, 13 plus interest at 15, 5 % per annum.
36	Msunduzi Municipality v D.L. Petersen	Delictual Claim	2008	Internal		
37	Mkhumbuzi v Msunduzi Municipality	Delictual Claim	2008	Internal		R 100 000, 01
38	Nzaba v Msunduzi Municipality	Delictual Claim	2008	Internal		R 73 500, 01
39	P.J.Terwobleek v Msunduzi Municipality	Delictual Claim	2008	Insurance		R 1 121 620, 01
40	Mouton v Msunduzi Municipality	Delictual Claim	2008	Bhamjee Attorneys		
41	Telkom v Msunduzi Municipality	Delictual Claim	2008	Lister & Lister Attorneys	R 45 979, 87 plus interest at 15, 5 % per annum.	R 45 979, 87 plus interest at 15, 5 % per annum.
42	R.S.Govender v Msunduzi Municipality	Delictual Claim	2008	Internal	R 75 000, 00	R 75 000, 00
43	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.
44	Motor Accident-NP 3238 Dr W Van Straaten	Delictual Claim	2008	Internal	R 96 401, 43	R 96 401, 43
45	T Gonasillan v Msunduzi Municipality	Delictual Claim	2009	Internal		R 100 000, 00 plus interest at 15, 5 % per annum.
46	F.B.I. Khan v Msunduzi Municipality	Delictual Claim	2009	Internal		R 63 280, 39 plus interest at 15, 5 % per annum
47	S.Mthimkulu v Msunduzi Municipality	Delictual Claim	2009	Insurance/External		R 204 650, 00 plus interest at 15, 5 % per annum.
48	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
49	Stand 2436 PMB (pty) Ltd.	Delictual Claim	2009	Cajee Setsubi Chetty Inc. & Adv Dickson	Matter settled . No monetary settlement, legal costs estimated at R50,000.	Matter settled . No monetary settlement, legal costs estimated at R50,000.
50	SAPPI	Delictual Claim	2009	Insurance	R25000 000.00	R25000 000.00
51	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.
52	Bishop's Roadworks	Contractual Claim	2009	Internal	R120 000-00	R120 000-00
53	RY Khan v Msunduzi Municipality	Delictual Claim	2010	Internal	R 1267,00 plus interest at 15,5 per annum.	
54	Gavin's Panel Shop	Contractual Claim	2010	Internal	R2424-50	
55	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5519-06	
56	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5586-00	

THE MSUNDUZI MUNICIPALITY
APPENDIX J
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2010	Risk to the municipality as at 30 June 2009
57	Gavin's Panel Shop	Contractual Claim	2010	Internal	R1721-40	
58	Gavin's Panel Shop	Contractual Claim	2010	Internal	R4902-00	
59	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5163-06	
60	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5506-20	
61	Kogulan Naidoo	Delictual Claim	2010	Internal	R100 000-00	
62	HS Majozi	Delictual Claim	2010	Internal	R95 000-00	
63	BM Dlamini	Delictual Claim	2010	Internal	R 300 000.00	
64	J Mahlaba	Delictual Claim	2010	Internal	R21406-36 R2650-00	
65	Daljeeth Daljeeth	Delictual Claim	2010	Internal/Insurance	R200 000.00	
66	MS Singh	Delictual Claim	2010	Internal	R69 224.62	
67	TT Ngubane	Delictual Claim	2010	Internal/Insurance	R118 490.00	
68	GP Bayeni	Delictual Claim	2010		R 97 430.00	
69	VD Ramdeen	Delictual Claim	2010	Internal	R100 000.00 & R4438.00	
70	M Mlaba	Delictual Claim	2010	Internal	R100 000.00	
71	B.A.Clark v Msunduzi Municipality	Delictual Claim		Vather Attorneys	R379 975.84 plus interest at 15,5 % per annum	R379 975.84 plus interest at 15,5 % per annum
72	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim			R 22 541, 11 plus interest at 15, 5 %.	

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

ANNEXURE K: Statement of comparative and actual information

Description	2009/10								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
R thousands or R		<i>(i.t.o. s28 and s31 of the MFMA)</i>	<i>(i.t.o. Council approved by-law)</i>						
Financial Performance									
Property rates	405,500,000	-		405,500,000	420,030,162		14,530,162	104	104
Service charges	1,132,740,512	-		1,132,740,512	1,159,300,660		26,560,148	102	102
Investment revenue	12,682,277	-		12,682,277	5,453,509		(7,228,768)	43	43
Transfers recognised -operational	13,899,071	61,588,748		75,487,819	276,021,934		200,534,115	366	1,986
Other own revenue	480,227,025	2,069,080		482,296,105	566,351,949		84,055,844	117	118
Total Revenue (excluding capital transfers and contributions)	2,045,048,885	63,657,828		2,108,706,713	2,427,158,214		318,451,501	115	119
Employee costs	622,182,547	16,976,523		639,159,070	631,560,166		(7,598,904)	99	102
Remuneration of councillors	20,568,873	(1,066,671)		19,502,202	19,383,701		(118,501)	99	94
Debt impairment	10,000,000	423,673,936		433,673,936	250,539,606		(183,134,330)	58	2,505
Depreciation & asset impairment	71,066,452	(5,743,659)		65,322,793	123,646,386		58,323,593	189	174
Finance charges	78,953,349	14,267,375		93,220,724	73,753,994		(19,466,730)	79	93
Materials and bulk purchases	740,337,297	44,755,806		785,093,103	804,979,363		19,886,260	103	109
Transfers and grants	4,561,930	55,411,550		59,973,480	4,342,216		(55,631,264)	7	95
Other expenditure	495,751,088	174,673,317		670,424,405	833,884,199		163,459,794	124	168
Total Expenditure	2,043,421,536	722,948,177		2,766,369,713	2,742,089,630		(24,280,083)	99	134
Surplus/(Deficit)	1,627,349	(659,290,349)		(657,663,000)	(314,931,415)		342,731,585	48	(19,352)
Transfers recognised -capital	125,915,682	7,763,328		133,679,010	79,011,226		(54,667,784)	59	63
Contributions recognised -capital & contributed assets									
Surplus/(Deficit) after capital transfers & contributions	127,543,031	(651,527,021)	-	(523,983,990)	(235,920,190)	-	288,063,800	45	(185)
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	127,543,031	(651,527,021)	-	(523,983,990)	(235,920,190)	-	288,063,800	45	(185)
Capital expenditure & funds sources									
Capital expenditure									
Transfers recognised -capital	125,915,682	7,763,328		133,679,010	78,407,237		(55,271,773)	59	62
Public contributions & donations	-								
Borrowing	201,427,600	(67,391,912)		134,035,688	97,626,257		(36,409,431)	73	48
Internally generated funds	-								
Total sources of capital funds	327,343,282	(59,628,584)		267,714,698	176,033,494		(91,681,204)	66	54
Cash flows									
Cash/cash equivalents at the beginning of the year	276,439,080	112,866,705		112,866,705	112,867,232		527	100	41
Net cash from (used) operating	164,790,505	182,896,649		182,896,649	34,430,797		(148,465,852)	19	21
Net cash from (used) investing	(327,794,152)	(262,509,799)		(262,509,799)	(152,521,338)		(109,988,461)	58	47
Net cash from (used) financing	156,475,380	131,996,661		131,996,661	143,247,502		11,250,841	109	92
Cash/cash equivalents at the year end	269,910,813	165,250,216		165,250,216	138,024,193		(27,226,023)	84	51

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	-235,920,190
Adjusted for:	
Revenue variances	256,082,893
Fair value adjustments Income	-793,323
Surplus on the sale of assets	-2,119,592
Add : Revenue variances	1 258,995,808
Adjusted for:	
Expenditure variances	-431,460,221
Impairments recognised	397,381
Loss on sale of asset	182,181
Less : Expenditure variances	2 -672,579,389
Debt Impairment- Actual	250,539,606
Debt Impairment- Budget	-10,000,000
Net surplus/deficit per approved budget	-411,297,518

Note 1

Revenue	Actual	Budget	Variance
Property Rates	420,030,162	405,500,000	14,530,162
Property Rates - Penalties and Collection Charges	20,284,950	33,906,200	-13,621,250
Service Charges	1,159,300,660	1,132,740,512	26,560,148
Rentals Received	15,571,328	18,298,212	-2,726,884
Interest earned - External Investments	5,453,509	12,682,277	-7,228,768
Interest earned - Outstanding debtors	22,464,504	19,811,757	2,652,747
Fines	7,084,343	8,808,324	-1,723,981
Income for Agency Services	1,435,383	500,000	935,383
Governments Grants & Subsidies	355,033,160	281,665,510	73,367,650
Other Income	496,598,526	848,339,541	-351,741,015
Total Revenue	2,503,256,524	2,762,252,333	-258,995,809

Note 2

Expenditure	Actual	Budget	Variance
Executive & Council	62,839,354	65,665,577	2,826,223
Budget & Treasury Office	279,106,845	1,074,043,667	794,936,822
Corporate Services	82,228,986	87,862,732	5,633,746
Planning & Development	63,695,904	63,724,205	28,301
Health	39,627,952	39,947,466	319,514
Community & Social Services	49,852,310	48,499,679	-1,352,631
Housing	62,127,176	54,581,756	-7,545,420
Public Safety	104,979,254	106,666,204	1,686,950
Sport and Recreation	50,390,226	50,399,992	9,766
Environmental Protection	60,453,737	61,665,517	1,211,780
Waste Management	166,170,520	168,047,707	1,877,187
Waste Water Management	36,984,566	36,922,375	-62,191
Road Transport	174,015,686	171,115,189	-2,900,497
Water	279,281,205	239,154,958	-40,126,247
Electricity	981,414,822	862,046,649	-119,368,173
Other/Air Transport	8,812,084	8,213,962	-598,122
Other/Forestry	9,303,547	4,649,983	-4,653,564
Other/Markets	16,626,990	13,787,441	-2,839,549
Other/Licensing & Regulation	2,938,550	2,937,507	-1,043
Less: Inter-Dept Charges	-39,879,251	3,617,285	43,496,536
Total Expenditure	2,490,970,462	3,163,549,851	672,579,389