

CITY OF CHOICE



PIETERMARITZBURG
MSUNDUZI



*Annual
Report*

09/10







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List of Abbreviations

| | |
|----------------|--|
| DMM | Deputy Municipal Manager |
| CoGTA | Cooperative Governance and Tradition Affairs |
| DPLG | Department of Provincial and Local Government |
| SBU | Strategic Business Unit |
| WSP | Workplace Skills Plan |
| LG SETA | Local Government Sector Education and Training Authority |
| HDI | Historically Disadvantaged Individual |
| UNISA | University of South Africa |
| NQF | National Qualification Framework |
| MOU | Memorandum of Understanding |
| IDP | Integrated Development Plan |
| MFMA | Municipal Finance Management Act |
| AIPF | Associated Institution Pension Fund |
| SALAPF | South African Local Authorities Pension Fund |
| MCPF | Municipal Councillors Pension Fund |
| CLLR | Councillor |
| AIDS | Acquired Immuno Deficiency Syndrome |
| SAPS | South African Police Services |
| NPA | National Prosecuting Authority |
| PMB | Pietermaritzburg |
| SCM | Supply Chain Management |
| HRM | Human Resource Management |
| SALGA | South African Local Government Association |
| VIP | Ventilated Improved Pit Latrine |
| STATSSA | Statistics South Africa |
| SDBIP | Service Delivery and Budget Implementation Plan |
| MIG | Municipal Infrastructure Grant |
| WSDP | Water Services Development Plan |
| SOC | Standard Occupational Category |
| BBBEE | Broad Based Black Economic Empowerment |
| SMMES | Small Medium and Micro Enterprises |
| CFO | Chief Financial Officer |



CHAPTER ONE: INTRODUCTION & OVERVIEW

1.1 FOREWORD BY THE HONOURABLE MAYOR, CLLR MIKE TARR

The 2009/10 financial year has not been a happy one for our City. Early in the year it became apparent that the City was not in a position to meet its commitments and we were facing bankruptcy. This led to the Provincial Government intervening in terms of Section 139 of the Constitution where Mr Johann Mettler was appointed as Administrator to take over the role of the Executive and run the affairs of the City. As part of the intervention process I was appointed the new Mayor together with Deputy Mayor, Jabu Ngubo and a new Speaker Babu Baijoo.

The situation that we found was dire to say the least. Debt collection was marginally over 50%, wholesale theft of water and electricity was taking place, there was a culture of non-payment of rates, and Indigent Policy was out of control where many individuals who claimed to be indigent were running up huge accounts.

There were problems relating to service delivery where residents will recall the breakdown in refuse collection and there was no effective implementation of by-laws relating to traffic control and street trading etc. What was of particular concern was non-compliance with various acts such as the Municipal Finance Management Act and no realistic budget or adjustment budget was in place.

The new management was left with little option but to take drastic measures to stabilize the situation. A number of senior managers were suspended and acting managers put in their place. All non-essential expenditure had to be curbed and in many cases it was necessary to cut back on essential maintenance matters such as repairing of potholes, as well as measures to collect outstanding debt.

The foregoing resulted in a situation where the City was able to meet its obligations at the end of the financial year. A Turn Around Strategy has been put in place and adopted and this is available on the City website for anyone who wishes to read it. This Turn Around Strategy is a three-year process and will form part of a twenty-five year plan which the City is currently preparing in order that we may receive comments from the public. The current situation is improving but this is clearly a matter that will be dealt with in 2010/11 Annual Report.

It is important that I acknowledge the hard work by Mr Mettler and his Intervention Team that has set us on the path to recovery. I also need to thank all the staff, particularly the acting managers in various departments for their commitment to implementing our Turn Around Strategy. As an administration we are determined to deliver the levels of service that our citizens expect and I am confident we are moving in that direction. We have also received strong support from various sectors in our community for the various initiatives that have been taken. I am convinced that with the combined efforts of Council and our community at large, our city will soon be able to claim that we are indeed a city of choice.



**City Mayor
Mike Tarr**

1.2 OVERVIEW BY MUNICIPAL MANAGER (Acting)

During the 2009/10 financial year, the Municipality had unprecedented leadership and financial challenges. A number of the senior management team were suspended and we ended the financial year with a budget deficit of more than R200 million. The City of Choice's image has been tarnished and the impact was felt in Local, Provincial and National Government and her people lost confidence in the Municipality as service delivery was adversely affected.

The Honorable MEC for Co-operative Governance and Traditional Affairs, Ms Nomusa. Dube, intervened in terms of section 139 (b) of the Constitution by appointing the Provincial Intervention Team lead by the Administrator, Mr. Johann Mettler.

The Provincial Intervention Team developed and introduced a Turnaround Strategy in order to stabilize the affairs of the Municipality. A financial recovery, revenue enhancement and cost containment strategy were developed to improve the financial affairs of the Municipality at a time when the collection rate of revenue was around fifty percent. The cost containment strategy yielded a quick positive outcome by reducing our initial deficit of R521 million to R200 million without tapping into the R10 million overdraft facility we had.

Communities had to pay a high price since most Council funded projects had to be shelved and service delivery programmes were at a very slow pace. We had to prioritize, spend and account for every rand in the account.

In the year 2009/10, through storms and turbulent times, the Msunduzi Municipality made some improvements and progress to better the lives of our people by implementing the following service delivery projects and programmes:

- i. 14 169 new VIP toilets were built in mainly in Vulindlela and created 552 jobs, at a project cost of R43 million.
- ii. 7.4 kilometers of water pipes replaced, at a project cost of R7 million.
- iii. 3 303 new electricity connections in Edendale and Vulindlela, at a project cost of R17 million.
- iv. 720 new streetlights and 24 high masts lights in eMbalu, Edendale and Vulindlela, at a project cost of R7 million.
- v. 19.7 kilometers of gravel roads were upgraded to surfaced roads, at a project cost of R19 million.
- vi. 1 017 new low-cost houses were built, at a project cost of R55 million.

As the Capital City of the Province of KwaZulu-Natal we have a responsibility to lead and manage the affairs of the City of Choice with the principles of good governance as outlined in the King III Report. The vision, dedication, professionalism, integrity and spirit of excellence of management will ensure sustainable service delivery, not only for us today, but for the next generation.

The main focus for 2010/11 will be the implementation of the Turnaround Strategy, with special attention to financial recovery, revenue enhancement and cost containment with a motive to start building financial reserves. Development of policies, proper systems and procedures to ensure sustainability of the Municipality in order to fulfill its obligations.

It has been a great honor to serve the City of Choice as the Accounting Officer (Acting), and to be part of a great team undertaking to restore the confidence of our citizens in our City, to rebuild and improve the basic requirements for a functional, accountable, responsive, effective, efficient and socially and economically developmental City.



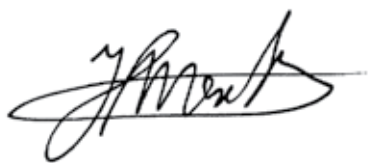
**Municipal Manager (Acting)
T Maseko**



ACKNOWLEDGEMENTS

I would like to express my gratitude for the contribution and support received from the following:

- The Premier of KwaZulu-Natal, Dr Zweli Mkhize, MEC for Co-operative Government and Traditional Affairs, Ms Nomusa Dube, and MEC for Finance, Mrs. Ina Cronje.
- The Deputy Minister of Co-operative Governance and Traditional Affairs, Mr. Yunus Carrim.
- The Mayor, Cllr Mike Tarr, Deputy Mayor, Cllr Ms Jabu Ngubo, Council Whip, Cllr V T Magubane, Speaker, Cllr Baboo Baijoo and Council.
- The Administrator, Mr. Johann Mettler, and Provincial Intervention Team for their hard work and leadership.
- The staff of the Msunduzi Municipality for their tenacious efforts to restore the City beyond its former glory.
- The Unions at Msunduzi Municipality, SAMWU and IMATU.
- The Pietermaritzburg Chamber of Business
- First National Bank, KwaZulu-Natal
- Standard Bank, KwaZulu-Natal



T MASEKO
MUNICIPAL MANAGER: ACTING

1.2.1 VISION STATEMENT

By 2017 to be a Globally Competitive Metropolitan City of Choice which capitalizes on its Strategic Location, Environment, Cultural Heritage and Educational Facilities Creating a choice Quality of Life for all.

1.2.2 MISSION STATEMENT

The mission of Msunduzi Municipality is to facilitate the provision of service by:

- Community Participation
- Social and Economic Development Growth
- Safety, Security and caring for those infected and affected by HIV and AIDS and promoting an HIV and Aids free generation
- Sustainable Service Delivery
- Sound Finance
- Sound Governance
- Sustainable Environment Management

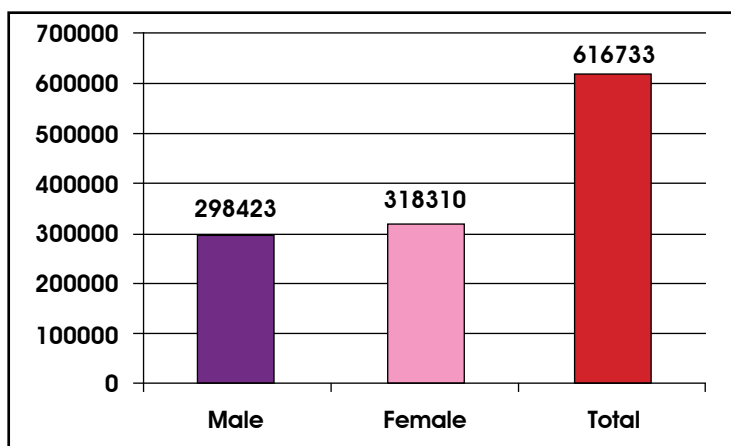
1.2.3 LOCALITY

With 649sq km in size, Msunduzi municipality commonly known as the "City of Choice" is located along the N3 corridor at a junction from Durban and Pietermaritzburg and an agro-industrial corridor stretching from Pietermaritzburg to Escourt. It is located at the cross section of the N3 and Greytown Road corridor to the north, a tourist route to the Drakensburg and Kokstad Road to the South. It is the second largest city in Kwazulu-Natal, a capital city of the Province, and one of the ninth largest Cities in South Africa that are contributing almost 80% of the country's GDP, and it is the main economic hub within the Umgungundlovu District. Its location has strong influence on regional channels of investment, movement and structuring of the provincial spatial framework for economic development and growth.

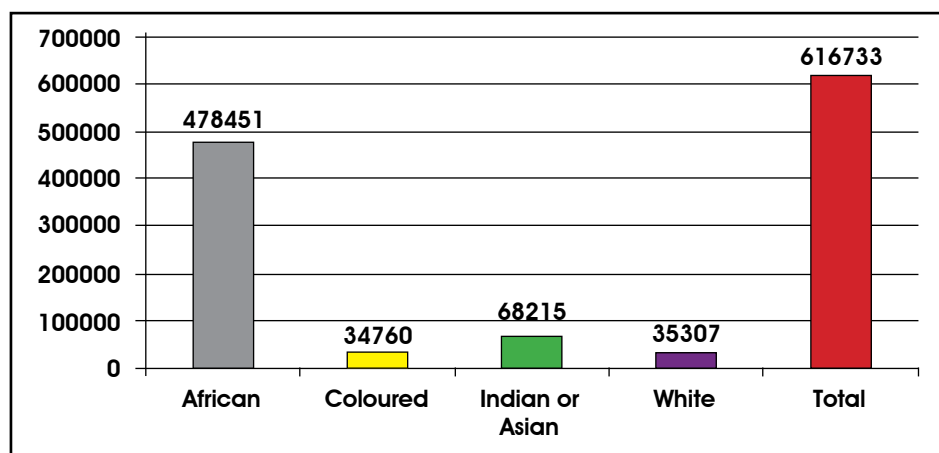
1.2.4 THE POPULATION OF MSUNDUZI: SOURCE STATSSA COMMUNITY SERVE 2007

Total Population: 616 733

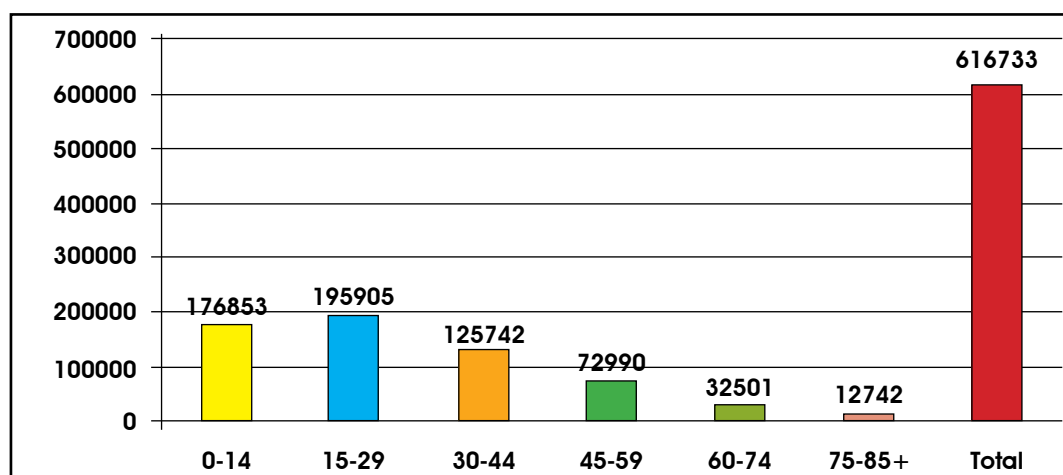
Population by Gender:



Population by Race:



Population by Age:



1.2.5 HOUSEHOLD & HOUSEHOLD SERVICES

Total Number of Households

| | |
|-----------------------|--------|
| Community Survey 2007 | 108227 |
|-----------------------|--------|

Water Service level: Community survey 2007

| | |
|--|-------|
| Inside Dwelling | 48% |
| Inside Yard | 27.8% |
| Piped water from access point outside the yard | 13% |
| Borehole/Spring | 3.3% |
| Dam/Pool/River/stream | 6% |
| Other | 1.9% |

Toilet Facilities: Community Survey 2007

| | |
|-----------------------------------|-------|
| Flush toilet (with septic tank) | 65.4% |
| Pit toilet with ventilation (VIP) | 21.4% |
| Chemical/dry toilet | 11.8% |
| None | 1.3% |

Electricity Service Level

| | |
|-------------|---------|
| Electricity | 117 051 |
| Gas | 2 088 |
| Paraffin | 10 209 |
| Wood | 4 592 |
| Coal | 250 |
| Animal dung | 69 |
| Solar | 59 |
| Other | 71 |

1.2.6. Total Number of Voters

| | |
|-------------------------------|---------|
| Total number of voters | 276 451 |
|-------------------------------|---------|

1.2.7. Indigent Population & Definition

| | |
|----------------------------|---------------------------------|
| Indigent Population | 3336 Applied + 26,833 Automatic |
|----------------------------|---------------------------------|

Definition of “Indigent” & Qualification for Concessions

“Indigents” - means a owner/occupier of a property as defined in the qualification for concessions.

Qualification for concessions

1. Owners and/or occupiers of residential property :

- Where the electricity lifeline tariff is requested and a circuit breaker of 20Amp is fitted and/or where there is no electricity distribution by Council, where the water consumption is less than 6kl, will qualify as an Indigent.
- Concessions set out below, and as reflected in the Council’s Tariffs, shall automatically qualify for such concessions, subject to the conditions set out hereunder:
- Property Rates - Indigents will qualify automatically like all domestic consumers for a reduction in the market value of the property as approved from time to time by Council and as reflected in the applicable Tariff Register.
- Electricity - Free kWh as determined from time to time by Council and as reflected in the applicable Tariff Register.
- Electricity MCB - Free amperage as determined by Council from time to time and as reflected in the applicable Tariff Register.
- Water - Consumption of water as determined from time to time by Council and as reflected in the applicable Tariff Register.
- Refuse - Free refuse as determined by Council from time to time and as reflected in the applicable Tariff Register.
- Sewerage - Free sewerage as determined by Council from time to time and as reflected in the applicable Tariff Register.

2. In the event that the consumption of water on a property that qualifies for the concessions referred to in Section 1, exceeds the maximum volume determined by the Council as free basic water for whatever reason, the owner or occupier shall be billed for the total consumption of water as determined by the Council at the tariffs ordinarily applicable within the municipality, and the amount billed shall be deemed as payable. This provision is in line with the Water Act.

3. A customer who is resident in a Flat, Simplex, Duplex, Town House, Retirement Complex and the like, where bulk metering is used for the calculation of water consumption, such consumption will be divided by the number of units, and where such consumption is in line with the definition of free basic water, qualifies and will automatically qualify for free basic sewerage and refuse.



1.2.8. Household income:

| Monthly income category by Population group | | | | |
|---|--|----------|-----------------|-------|
| | African | Coloured | Indian or Asian | White |
| No income | 176071 | 7518 | 18789 | 5898 |
| R1 - R400 | 8302 | 184 | 423 | 70 |
| R401 - R800 | 16758 | 406 | 738 | 611 |
| R801 - R1 600 | 41877 | 1910 | 6283 | 1477 |
| R1 601 - R3 200 | 17325 | 1943 | 4025 | 2441 |
| R3 201 - R6 400 | 14335 | 4605 | 6305 | 3677 |
| R6 401 - R12 800 | 10586 | 2775 | 5451 | 4040 |
| R12 801 - R25 600 | 1893 | 562 | 1137 | 2376 |
| R25 601 - R51 200 | 941 | 323 | 654 | 1168 |
| R51 201 - R102 400 | 132 | - | 62 | 267 |
| R102 401 - R204 800 | 377 | - | - | 204 |
| R204 801 or more | - | - | - | - |
| Source | Statistics South Africa Web page: www.statssa.gov.za | | | |

2. CHAPTER TWO: COUNCIL AND THE EXECUTIVE

Msunduzi Municipality – Executive Committee



**City Mayor
Mike Tarr**



**Deputy Mayor
Jabu Ngubo**



S. Madondo



E. Majola



T. Dlamini



G. Meyer



N. Ahmed



B. Lambert



R. Ashe



D. Zondi



**Speaker
B. Baijoo**



**Chief Whip
T. Magubane**

**Msunduzi Municipality
Councillors**



D. Ngubane



P. Moon



D. Buthelezi



B. Ndlovu



S. Lyne



E. Mzila



R. Khangile



R. Singh



H. Ngubane



B. Sokhela



N. Atwaru



B. Mazibuko



M. Msimang



M. Thebolla



M. Chetty



D. Hlongwane



M. Zungu



H. Rader



T. Zuma



Z. Dlamini



M.M. Mlaba



U. Itshangase



J. Lawrence



M. Diadla



A. Shelembe



M. Ngcobo



M. Maphumulo



M. Inderjit



P. Jaca



S. Mkhize



L. Ngcobo



F. Zuma



S. Radebe



P. Chetty



C. Seymour



S. Mkhize



B. Shoji



S. Ngubane



P. Green



T. Zondi



B. Zuma



K. Olivier



L. Naidoo



S. Ituli



N. Mbatha



S. Majola



B. Singh



M. Mkhize



M. Mchunu



N. Duze



H. Khambule



S. Gabela



G. McArthur



N. Bhengu



H. Zondi



S. Majola



T. Mtombela



D. Ryder



C. Bradley



2.1 OVERVIEW

The function of the Executive and Council within the Municipality is to govern the policy-making process and oversee the implementation thereof within Council. The Executive Committee is involved in the approval of operational matters and provides assurance to Council that the Vision, Mission and objectives of Council, as contained in the Integrated Development Plan (IDP), are being met.

2.2 DESCRIPTION OF THE ACTIVITY

The Full Council (consisting of 73 Councillors) meetings are held once per month and the Executive Committee (EXCO) (consisting of 10 Councillors) meetings are held every two weeks. The agenda and minutes are compiled by the City Secretariat and are circulated prior to each meeting. The Council and EXCO meetings are attended by the Municipal Manager, Senior Management (Deputy Municipal Managers – DMMs) and other officials who may be required to give background and / or explanation in respect of certain items on the agenda from time to time.

2.3 STRATEGIC OBJECTIVES

The Strategic Objectives of the Executive and Council is to ensure that the Municipality fulfills its legal obligations in terms of s152 of the Constitution and that the Council is focused on ensuring that the Municipality delivers on this mandate in the most cost effective and sustainable manner.

2.4 ANALYSIS OF THE FUNCTION

| 1. Council details: | Number |
|--|---------------|
| Total number of Councillors | 73 |
| Number of Councillors on Executive Committee | 10 |

| 2. Ward details | Number |
|-------------------------|---------------|
| Total number of Wards | 37 |
| Number of Ward Meetings | 175 |

| 3. Number and type of Council and Committee meetings | Number |
|---|---------------|
| Full Council | 18 |
| Executive Committee | 42 |
| Finance Committee / Financial Service Committee | 10 |
| Sound Governance and Human Resources / Corporate Services Committee | 3 |
| Corporate Services and Planning | 7 |
| Community Services and Social Equity Committee | 8 |
| Economic Development and Growth Committee | 2 |
| Infrastructure, Services and Facilities Committee | 3 |
| Oversight Committee | 4 |

CHAPTER THREE: REPORT OF THE CHIEF FINANCIAL OFFICER (ACTING)

I present the report on the financial results of the Msunduzi Municipality for the financial year ended 30th June 2010.

During the financial year the city was placed under administration in terms of S139b of the Constitution. This had an impact on the municipality in trying to meet its ever increasing service delivery challenges. This is evident by reviewing the expenditure of the Capital Budget for the financial year. The municipality managed to achieve an overall 66% expenditure rate on the overall capital budget. When compared to the previous financial year, it achieved an almost 100% expenditure rate.

Despite the collection levels being as low as 55%, the municipality had met all its financial obligations throughout the year.

The statement of financial performance for the financial year indicates a deficit of R235.9 million. This deficit can be attributed to the increase in the provision of doubtful debts of R240 million for the financial year.

The municipality still needs to achieve full compliance with the Generally Recognized Accounting Standards (GRAP). There are still challenges with regards to property plant and equipment issues and the recognition of investment property. Once we have addressed these challenges, we should be able to achieve the targets set by operation clean audit 2014.

I wish to express my thanks to all my valued staff members, fellow colleagues and councilors for all their assistance and support during my appointment as the Chief Financial Officer (Acting).

Together we can face these challenges and achieve the desired positive outcomes.



**CFO (Acting)
Mahendra B. Sahibdeen**



3.1 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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 Shozi
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 Dladla
I Ngubane
SP Lyne
H Zondi
D Buthelezi
TU Zondi
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

Controlling entity

Municipality Safe City Pietermaritzburg

Bankers

First National Bank

Auditors

The Auditor General

Telephone number:

(033) 392 2006

Facsimile:

(033) 392 2208

Website:

www.msunduzi.gov.za



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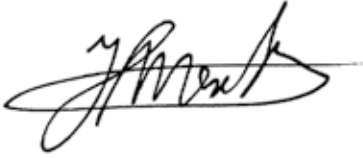
Abbreviations

| | |
|--------|---|
| 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 |

The Msunduzi Municipality and its Municipal Entity Consolidated Annual Financial Statements 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 17 of 124, 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)



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 |
| | | | Restated | | Restated |
| 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 |

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 |



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)

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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



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 |

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 |
| 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 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 fairvalue, 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

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 30 years



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 |

Infrastructure

| | |
|--------------------|----------------|
| • Roads and paving | 5 - 100 years |
| • Pedestrian malls | 30 years |
| • Electricity | 10 - 50 years |
| • Sewerage | 10 - 100 years |
| • Water | 10 - 100 years |
| • Housing | 3 - 30 years |
| • Storm Water | 20 years |

Community

| | |
|---------------------------|----------------|
| • Buildings | 10 - 50 years |
| • Recreational facilities | 10 - 100 years |
| • Security | 5 years |
| • Watercraft | 15 years |

Other

| | |
|---|---------------|
| • Other vehicles | 5 years |
| Bins and containers | 5 years |
| Landfill Sites | 15 years |
| Specialised vehicles | 10 years |
| Specialised property, plant and equipment | 10 - 15 years |

The residual value, 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.



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.

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 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 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.

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.

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 Tax/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 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:

| 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.

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.

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.

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.

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.



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 |
| 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) |

| Figures in Rand | Group | | Municipality | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |
| 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 |



| Figures in Rand | Group | | Municipality | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 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 |

Msunduzi Municipality - Annual Report 09/10

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 | | | | 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 |

| | Opening Balance | Additions | Disposals | Capital under construction | Depreciation | Closing Balance |
|-------------------------|----------------------|--------------------|---------------------|----------------------------|----------------------|----------------------|
| IMMOVABLE ASSETS | 6,134,499,930 | 80,563,405 | (18,245,885) | 68,593,481 | (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 |

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 |

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 |



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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 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 |



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

9. Investment property

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

| Municipality | 2010 | | | 2009 | | |
|---------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | 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.

| Figures in Rand | Group | | Municipality | |
|---|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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.

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 |



| 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 |
| | 12,932,759 | 20,050,830 | 12,932,759 | 20,050,830 |
| Add: future finance charges | 1,488,742 | 2,560,800 | 1,488,742 | 2,560,800 |
| Present value of minimum lease payments | 14,421,501 | 22,611,630 | 14,421,501 | 22,611,630 |
| 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 |
| | 11,444,018 | 17,490,030 | 11,444,018 | 17,490,030 |
| Non-current liabilities | - | - | - | - |
| Finance lease obligation | 7,150,234 | 10,670,399 | 7,150,234 | 10,670,399 |
| | 7,150,234 | 10,670,399 | 7,150,234 | 10,670,399 |

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) |
| | 325,953,689 | 301,975,340 | 325,924,128 | 301,965,906 |

15. VAT payable

| | | | | |
|-------------|------------|-----------|------------|-----------|
| VAT payable | 22,512,954 | 5,040,704 | 22,512,954 | 5,040,704 |
|-------------|------------|-----------|------------|-----------|

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 |
| | 35,793,963 | 34,808,038 | 35,793,963 | 34,808,038 |

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 .

| Figures in Rand | Group | | Municipality | |
|---|-----------|-----------|--------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Guarantees in lieu of electricity and water deposit | 8,856,716 | 8,654,786 | 8,856,716 | 8,654,786 |

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 H 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 |
|-------------------|---------|---------|---------|---------|

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 GEPP. Employees contributing to SALA, AIPF, Pietermaritzburg Provident Fund and GEPP 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.



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 GEPP.

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 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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 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

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



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

- : Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age
- : Lump sum on retirement because of ill health (less than ten years continuous service) - The greater of the resignation benefit or twice the members contributions
- : Surviving Spouses pension on death in service – 1.05% of final average emoluments per year of continuous service that the member would have had at the pension age.
- : Surviving Spouses pension on death of pensioner – 1.05% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.
- : Lump sum on death in service - Annual pensionable emoluments
- : Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark

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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 | - |

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.



| Figures in Rand | Group | | Municipality | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |

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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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.

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 |



| Figures in Rand | Group | | Municipality | |
|---|----------------------|--------------------|----------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 nonexchange 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 |

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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 |

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 |



| Figures in Rand | Group | | Municipality | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |
| 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 |

| Figures in Rand | Group | | Municipality | |
|--|------------------|----------------|------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |

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.



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 |
|-------------------------------|-------------|------------|-------------|------------|

31. Impairment of assets

Impairments

Inventories

Due to technological changes the inventory has become redundant.

| | | | | |
|--|---------|---|---------|---|
| | 397,381 | - | 397,381 | - |
|--|---------|---|---------|---|

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 |

| Figures in Rand | Group | | Municipality | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |

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 |



| Figures in Rand | Group | | Municipality | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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.

Pension & medical aid deductions

| Figures in Rand | Group | | Municipality | |
|---|---------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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) |
| 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.



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 |
|---------------------------------|------------|------------|------------|------------|

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 |

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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 receipted 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) |



| Figures in Rand | Group | | Municipality | |
|--|-------|------------------|--------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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) |
| 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 |

| Figures in Rand | Group | | Municipality | |
|---|-------|--------------------|--------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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) |
| 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 |



| Figures in Rand | Group | | Municipality | |
|---|-------------------|------------------|-------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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. | | | | |
| 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 |

| Figures in Rand | Group | | Municipality | |
|--|-------------------|------------------|-------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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 |
| Reconciliation of fruitless and wasteful expenditure | | | | |
| 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 |



| Figures in Rand | Group | | Municipality | |
|--|------------------|---------------|------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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.

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 - Kl | 58,492,009 | 58,492,009 | 58,492,009 | 55,426,244 |
| Units sold - Kl | 37,865,504 | 37,865,504 | 37,865,504 | 43,619,191 |
| Losses - Kl | 20,626,505 | 20,626,505 | 20,626,505 | 11,807,053 |
| Apparent losses - Kl | (1,393,193) | (1,393,193) | (1,393,193) | (1,393,193) |
| Real losses - Kl | 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.

| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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.
 - An average consumption was back charged for a maximum period of three years
 - The MCB charge was back charged for a maximum period of three years with a maximum MCB value of 100 amps.
 - Both electricity and water services were removed where theft of consumption was found.
 - 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
 - The consumer was back charged for three years at 100Amps.
 - Consumers were cautioned and advised to do a load test to establish the correct MCB requirement
 - Consumers were requested to make application for the correct size MCB
- Consumers where meters had been tampered with
 - An average consumption was back charged for a maximum period of three years
 - These consumers were subjected to a further audit within 14 days
 - Consumers were cautioned not to tamper with their meters.
- Electricity theft by informal settlements
 - All cable was removed
 - 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 | - |
|---|---------|---|---------|---|



| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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) | - |
|---|-----------|---|-----------|---|

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) | - |
|--|----------|---|----------|---|

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 |

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- Spoornet | - | (395,092) | - | (395,092) |
|--|---|-----------|---|-----------|

| Figures in Rand | Group | | Municipality | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 |
| 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.
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.





| Figures in Rand | Group | | Municipality | |
|-----------------|-------|------|--------------|------|
| | 2010 | 2009 | 2010 | 2009 |

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: Statement of comparative and actual information

| Description | 2009/10 | | | | | | | | |
|--|----------------------|---|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| R thousands or R | Original Budget | Budget Adjustments <i>(i.f.o. s28 and s31 of the MFMA)</i> | Virement <i>(i.f.o. Council approved by-law)</i> | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
| Financial Performance | | | | | | | | | |
| Property rates | 405,500,000 | 0 | | 405,500,000 | 420,030,162 | | 14,530,162 | 104 | 104 |
| Service charges | 1,132,740,512 | 0 | | 1,132,740,512 | 1,159,300,660 | | 26,560,148 | 102 | 102 |
| Investment revenue | 12,682,277 | 0 | | 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) | 0 | (523,983,990) | (235,920,190) | 0 | 288,063,800 | 45 | (185) |
| Share of surplus/ (deficit) of associate | | | | | | | | | |
| Surplus/(Deficit) for the year | 127,543,031 | (651,527,021) | 0 | (523,983,990) | (235,920,190) | 0 | 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 | | | | | | | | | |
| Net cash from (used) operating | 276,439,080 | 112,866,705 | | 112,866,705 | 112,867,232 | | 527 | 100 | 41 |
| Net cash from (used) investing | 164,790,505 | 182,896,649 | | 182,896,649 | 34,430,797 | | (148,465,852) | 19 | 21 |
| Net cash from (used) financing | (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

| <u>Revenue</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---|----------------------|----------------------|------------------------|
| 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 |

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Note 2

Expenditure

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|------------------------------|----------------------|----------------------|--------------------|
| 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 |



THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B
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 | 2/11/2020 | 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% | PMB8787819598 | 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 | 9/30/2023 | 63,070,779 | | 923,004 | 62,147,775 |
| DBSA - 6.75% | PMB8108710930 | 103059/2 | 9/30/2023 | 15,679,032 | | 323,013 | 15,356,019 |
| DBSA - 12.02% | PMB8108710930 | 103594/1 | 12/31/2024 | - | 112,500,000 | - | 112,500,000 |
| DBSA - 6.75% | PMB8108710930 | 103594/2 | 12/31/2024 | - | 37,500,000 | - | 37,500,000 |
| DBSA - 12.10% | PMB8108710930 | 103721 | 3/31/2025 | - | 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 | 12/31/2010 | 19,132,632 | | 9,450,374 | 9,682,259 |
| RMB/INCA - 13.39% | PMB8108710929 | Msun-00-0001 | 12/31/2010 | 13,921,781 | | 4,191,877 | 9,729,904 |
| INCA - 11.65% | PMB8108710929 | Msun-00-0001 | 12/31/2013 | 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 | 11/1/2007 | - | | | - |
| INCA - 14.50% | PMB81087 0996 | PMB107XB-S | 11/1/2007 | - | | | - |
| RMB/HULETTS - 8.71% | PMB8108710931 | Sub-station | 6/30/2013 | 5,751,944 | | 966,639 | 4,785,305 |
| RMB/HULETTS Total | | | | 5,751,944 | | | 4,785,305 |
| Metro Transport Fund - 5.5% | PMB8108710906 | | | - | | | - |
| Eastwood Library | | | | - | | | - |
| DSB | PMB8787819599 | Plessislaer | 2008 | - | | | - |
| DSB | PMB8787819598 | Plessislaer | 2008 | - | | | - |
| DSB | | Ashburton | 2008 | - | | | - |
| Temporary borrowings-FNB | PMB8108710001 | | | 50,000,000 | | 50,000,000 | - |
| Other loans total | | | | 50,000,000 | | 50,000,000 | - |
| Total Long-term Loans | | | | 463,584,914 | 226,095,421 | 81,209,033 | 607,504,663 |

| THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY | | | | | | | |
|--|------------------|-------------|------------|---------------------|----------------------------|--|---------------------|
| APPENDIX B | | | | | | | |
| 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 |
| LEASE LIABILITY | | | | | | | |
| Standard Bank - 9.4488% | PMB 810 871 0947 | Stannic 6 | 31/03/2009 | - | | | - |
| Standard Bank - 8.9819% | PMB 810 8710949 | Stannic 7 | 7/10/2009 | 67,278 | | 67,279 | - |
| Standard Bank - 8.9471% | PMB 810 8710950 | Stannic 8 | 5/31/2009 | 212,009 | | 212,009 | - |
| Standard Bank - 8.9073% | PMB 810 871 0951 | Stannic 9 | 8/31/2009 | 81,608 | | 81,608 | - |
| Standard Bank - 9.1192% | PMB 810 871 0952 | Stannic 10 | 2/28/2010 | 22,035 | | 22,035 | - |
| Standard Bank - 9.1182% | PMB 810 871 0953 | Stannic 11 | 3/31/2010 | 24,148 | | 24,148 | - |
| Standard Bank - 8.5791% | PMB 810 871 0954 | Stannic 12 | 3/31/2010 | 255,359 | | 255,359 | - |
| Standard Bank - 8.3560% | PMB 810 871 0955 | Stannic 13 | 3/23/2010 | 123,735 | | 123,735 | - |
| Standard Bank - 8.3376% | PMB 810 871 0956 | Stannic 14 | 4/30/2010 | 53,885 | | 53,885 | - |
| Standard Bank - 8.3878% | PMB 810 871 0957 | Stannic 15 | 4/30/2010 | 78,704 | | 78,704 | - |
| Standard Bank - 8.3104% | PMB 810 871 0958 | Stannic 16 | 4/21/2010 | 156,895 | | 156,895 | - |
| Standard Bank - 8.4305% | PMB 810 871 0959 | Stannic 17 | 4/30/2010 | 441,672 | | 406,252 | 35,420 |
| Standard Bank - 8.4150% | PMB 810 871 0960 | Stannic 18 | 5/31/2010 | 86,250 | | 68,269 | 17,981 |
| Standard Bank - 8.4403% | PMB 810 871 0961 | Stannic 19 | 6/30/2010 | 69,720 | | 55,184 | 14,537 |
| Standard Bank - 8.3305% | PMB 810 871 0962 | Stannic 20 | 8/31/2010 | 404,273 | | 320,028 | 84,245 |
| Standard Bank - 8.3299% | PMB 810 871 0963 | Stannic 21 | 8/31/2010 | 791,554 | | 585,458 | 206,095 |
| Standard Bank - 8.3750% | PMB 810 871 0964 | Stannic 22 | 8/31/2010 | 363,608 | | 191,422 | 172,186 |
| Standard Bank Total | | | | 3,232,734 | - | 2,702,270 | 530,464 |
| 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 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0978 | Nedbank 14 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0979 | Nedbank 15 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0980 | Nedbank 16 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0981 | Nedbank 17 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0982 | Nedbank 18 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0983 | Nedbank 19 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0984 | Nedbank 20 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0985 | Nedbank 21 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 10.413% | PMB 810 871 0986 | Nedbank 22 | 6/30/2012 | 107,370 | | 32,150 | 75,220 |
| Nedbank - 13.369% | PMB 810 871 0138 | Nedbank 23 | 10/1/2013 | 208,754 | | 38,098 | 170,655 |
| Nedbank - 13.369% | PMB 810 871 0139 | Nedbank 24 | 10/1/2013 | 208,754 | | 38,098 | 170,655 |
| Nedbank - 13.369% | PMB 810 871 0137 | Nedbank 26 | 10/1/2013 | 208,754 | | 38,098 | 170,655 |
| Nedbank - 13.369% | PMB 810 871 0104 | Nedbank 27 | 10/1/2013 | 189,637 | | 34,610 | 155,027 |
| Nedbank - 13.369% | PMB 810 871 0102 | Nedbank 28 | 10/1/2013 | 189,637 | | 34,610 | 155,027 |
| Nedbank - 13.369% | PMB 810 871 0103 | Nedbank 29 | 10/1/2013 | 189,637 | | 34,610 | 155,027 |
| Nedbank - 13.369% | PMB 810 871 0105 | Nedbank 30 | 10/1/2013 | 284,727 | | 51,964 | 232,763 |
| Nedbank - 13.369% | PMB 810 871 0109 | Nedbank 31 | 10/1/2013 | 137,711 | | 25,133 | 112,579 |
| Nedbank - 13.369% | PMB 810 871 0107 | Nedbank 32 | 10/1/2013 | 137,711 | | 25,133 | 112,579 |
| Nedbank - 13.369% | PMB 810 871 0110 | Nedbank 33 | 10/1/2013 | 137,711 | | 25,133 | 112,579 |
| Nedbank - 13.369% | PMB 810 871 0108 | Nedbank 34 | 10/1/2013 | 139,671 | | 25,490 | 114,180 |
| Nedbank - 13.369% | PMB 810 871 0106 | Nedbank 35 | 10/1/2013 | 281,762 | | 51,423 | 230,339 |



THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY

APPENDIX B
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

| <u>EXTERNAL LOANS</u> | <u>ACCOUNT NO</u> | <u>Loan Number</u> | <u>Redeemable</u> | <u>Balance at 30/06/09</u> | <u>Received during the period</u> | <u>Redeemed written off during the period</u> | <u>Balance at 30/06/10</u> |
|----------------------------------|-------------------|--------------------|-------------------|----------------------------|-----------------------------------|---|----------------------------|
| Nedbank - 13.369% | PMB 810 871 0128 | Nedbank 36 | 10/1/2013 | 110,715 | | 20,206 | 90,509 |
| Nedbank - 13.369% | PMB 810 871 0100 | Nedbank 37 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0999 | Nedbank 38 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0998 | Nedbank 39 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0997 | Nedbank 40 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0996 | Nedbank 41 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0995 | Nedbank 42 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0994 | Nedbank 43 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0131 | Nedbank 44 | 10/1/2013 | 110,715 | | 20,206 | 90,509 |
| Nedbank - 13.369% | PMB 810 871 0993 | Nedbank 45 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0129 | Nedbank 46 | 10/1/2013 | 110,715 | | 20,206 | 90,509 |
| Nedbank - 13.369% | PMB 810 871 0101 | Nedbank 47 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0130 | Nedbank 48 | 10/1/2013 | 110,715 | | 20,206 | 90,509 |
| Nedbank - 13.369% | PMB 810 871 0991 | Nedbank 49 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.556% | PMB 810 871 0136 | Nedbank 50 | 10/1/2013 | 94,382 | | 94,382 | 0 |
| Nedbank - 13.369% | PMB 810 871 0990 | Nedbank 51 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0988 | Nedbank 52 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0989 | Nedbank 53 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0992 | Nedbank 54 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.369% | PMB 810 871 0987 | Nedbank 55 | 10/1/2013 | 62,918 | | 11,483 | 51,436 |
| Nedbank - 13.556% | PMB 810 871 0133 | Nedbank 56 | 10/1/2013 | 94,382 | | 17,166 | 77,216 |
| Nedbank - 13.556% | PMB 810 871 0134 | Nedbank 57 | 10/1/2013 | 94,382 | | 17,166 | 77,216 |
| Nedbank - 13.556% | PMB 810 871 0135 | Nedbank 58 | 10/1/2013 | 94,382 | | 17,166 | 77,216 |
| Nedbank - 13.556% | PMB 810 871 0132 | Nedbank 59 | 10/1/2013 | 94,382 | | 17,166 | 77,216 |
| Nedbank - 13.369% | PMB 810 871 0121 | Nedbank 60 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0119 | Nedbank 62 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0123 | Nedbank 63 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0122 | Nedbank 64 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0113 | Nedbank 65 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0115 | Nedbank 66 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0120 | Nedbank 67 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0125 | Nedbank 68 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0114 | Nedbank 69 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0112 | Nedbank 70 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0124 | Nedbank 71 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0117 | Nedbank 72 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0127 | Nedbank 73 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0126 | Nedbank 74 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0116 | Nedbank 75 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0118 | Nedbank 76 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.369% | PMB 810 871 0111 | Nedbank 77 | 10/1/2013 | 124,682 | | 22,755 | 101,927 |
| Nedbank - 13.376% | PMB 810 871 0140 | Nedbank 78 | 10/1/2013 | 251,968 | | 44,838 | 207,130 |
| Nedbank - 13.376% | PMB 810 871 0141 | Nedbank 79 | 10/1/2013 | 253,447 | | 45,102 | 208,345 |
| Nedbank - 13.376% | PMB 810 871 0142 | Nedbank 80 | 10/1/2013 | 247,354 | | 44,017 | 203,337 |
| Nedbank - 13.376% | PMB 810 871 0143 | Nedbank 81 | 10/1/2013 | 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 C

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 | | | -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 | | | -4,253,742 | -66,333,849 | 929,968,296 |
| Electricity | | | | | | | | | | |
| HV Overhead lines | 48,048,265 | | | | 48,048,265 | | | -898,191 | -4,029,224 | 44,019,041 |
| HV Substations | 360,947,390 | 4,615,276 | | | 365,562,666 | | | -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 | | | -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 | | | -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 | | | -1,992,073 | -8,966,890 | 98,212,695 |
| MV Overhead lines | 21,707,533 | | | | 21,707,533 | | | -416,607 | -1,290,237 | 20,417,296 |
| MV Substations | 120,746,950 | 92,949 | | | 120,839,898 | | | -2,208,387 | -12,517,197 | 108,322,701 |
| MV Underground cables | 706,074,100 | 1,263,737 | | | 707,337,837 | | | -13,190,118 | -59,662,361 | 647,675,476 |
| MV Pole mounted Transformer | 13,404,706 | 946,944 | | | 14,351,650 | | | -250,415 | -1,228,302 | 13,123,347 |
| MV Ring Main Unit | 8,475,574 | 1,036,259 | | | 9,511,833 | | | -176,994 | -696,850 | 8,814,983 |
| LV Street Lighting | 29,784,086 | 7,272,889 | | | 37,056,976 | | | -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 | | | -26,832,530 | -134,275,674 | 1,339,526,408 |
| Roads | | | | | | | | | | |
| Overhead Gantry | 130,000 | | | | 130,000 | | | -1,250 | -6,250 | 123,750 |
| Concrete Roads | 26,225,077 | | | | 26,225,077 | | | -308,030 | -1,886,610 | 24,338,467 |
| Flexible Roads | 1,341,509,360 | 15,538,492 | 11,496,933 | | 1,368,544,785 | | | -20,276,005 | -152,167,125 | 1,216,377,660 |
| Roads Other | 91,055,659 | 165,000 | | | 91,220,659 | | | -5,967,294 | -6,885,005 | 84,335,654 |
| Unpaved Roads | 131,646,775 | | | | 131,646,775 | | | -4,104,780 | -33,114,566 | 98,532,209 |
| Other Roads | 372,879 | | | | 372,879 | | | -8,477 | -42,215 | 330,664 |
| Structures | 214,055,672 | 2,986,034 | 177,257 | | 217,218,963 | | | -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 | | | -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 | | | -1,113,063 | -6,086,454 | 44,222,612 |
| | 1,887,777,455 | 19,429,557 | 11,674,190 | - | 1,918,881,202 | | | -36,275,642 | -190,959,804 | 1,727,921,398 |



THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY
APPENDIX C

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | |
|-------------------------------------|--------------------|-------------------|--------------------|-----------|--------------------|--------------------------|-----------|--------------------|---------------------|--------------------|
| | Opening balance | Additions | Under construction | Disposals | Closing balance | Opening balance | Disposals | Additions | Closing balance | Carrying value |
| 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 | 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 | -38,584,161 | | -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 |
| 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 |
| Keib 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 |

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY
APPENDIX C

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

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | |
|------------------------------------|----------------------|-------------------|--------------------|-----------|----------------------|--------------------------|-----------|--------------------|---------------------|----------------------|
| | Opening balance | Additions | Under construction | Disposals | Closing balance | Opening balance | Disposals | Additions | Closing balance | Carrying value |
| 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 | -11,503,554 | | -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 |
| Cemeteries | 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 |
| Cemeteries | 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 | 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 C

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 | | 5,152 | -1,947,087 | -36,640,859 | | | 97,368,222 |
| Market | 227,347,078 | 617,745 | | | 227,964,823 | | | -3,656,660 | -48,295,650 | | | 179,669,173 |
| Sewage Works and Dump Site | 515,501 | | | | 515,501 | | | -10,229 | -14,206 | | | 501,295 |
| Workshops and Depots | 28,802,917 | 265,541 | 75,791 | | 29,144,250 | | | -445,218 | -6,984,199 | | | 22,160,051 |
| Hostels | 387,236 | | | | 387,236 | | | -6,052 | -90,628 | | | 296,608 |
| Training Centre | 9,301,085 | 56,150 | 17,000 | | 9,374,235 | | | -134,547 | -2,707,317 | | | 6,666,918 |
| Landfill Site | 39,167,082 | 3,453,700 | | -17,983,081 | 24,637,701 | | 115,324 | -216,612 | -19,451,257 | | | 5,186,444 |
| Old Age Home | 924,086 | | | | 924,086 | | | -11,290 | -370,746 | | | 553,340 |
| Transport Facility | 17,997,094 | | | | 17,997,094 | | | -305,511 | -2,997,729 | | | 14,999,365 |
| Crematorium | 6,245,803 | | 70,211 | | 6,316,014 | | | -99,574 | -1,365,813 | | | 4,950,201 |
| Nurses | 9,811,035 | | | | 9,811,035 | | | -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 |
| Creeches | 15,717,654 | | | | 15,717,654 | | | -228,445 | -4,521,897 | | | 11,195,757 |
| Substations | 1,114,563 | | | | 1,114,563 | | | -17,748 | -244,782 | | | 869,782 |
| | 501,816,415 | 6,061,425 | 2,359,963 | -18,240,705 | 491,997,098 | | 120,476 | -7,487,597 | -126,439,772 | | | 365,557,326 |
| Plant and Equipment | | | | | | | | | | | | |
| Graders | 6,118,266 | | | | 6,118,266 | | | -231,632 | -4,033,189 | | | 2,085,077 |
| Compressors | 138,950 | | | | 138,950 | | | | -138,950 | | | - |
| Crematoirs | 1,767,178 | | | | 1,767,178 | | | -83,724 | -594,827 | | | 1,172,350 |
| Farm Equipment | 103,323 | | | | 103,323 | | | -7,454 | -73,499 | | | 29,824 |
| General | 16,976,762 | 1,293,536 | | -453 | 18,269,845 | | 100 | -1,298,276 | -13,169,881 | | | 5,099,965 |
| Lawnmowers | 2,279,960 | 120,001 | | | 2,399,961 | | | -13,167 | -2,292,032 | | | 107,928 |
| Laboratory Equipment | 1,457,855 | 51,449 | | | 1,509,303 | | | -170,112 | -797,844 | | | 711,460 |
| Radio Equipment | 1,424,766 | 49,672 | | | 1,474,438 | | | -27,884 | -1,313,341 | | | 161,097 |
| Firearms | - | 31,800 | | | 31,800 | | | -17 | -17 | | | 31,783 |
| Telecommunication Equipment | 5,627,343 | | | | 5,627,343 | | | -196,762 | -4,840,127 | | | 787,215 |
| Tractors | 6,393,902 | | | | 6,393,902 | | | -62,268 | -5,833,380 | | | 560,522 |
| | 42,288,304 | 1,546,458 | - | -453 | 43,834,309 | | 100 | -2,091,296 | -33,087,088 | | | 10,747,221 |
| Office Equipment | | | | | | | | | | | | |
| Air Conditioners | 11,461,172 | 121,823 | | | 11,582,995 | | | -389,045 | -10,147,938 | | | 1,435,056 |
| Computer Hardware | 33,971,785 | 628,329 | | | 34,600,114 | | | -1,545,077 | -28,204,214 | | | 6,395,900 |
| Office Machines | 4,030,417 | 124,413 | | | 4,154,831 | | | -232,907 | -3,649,248 | | | 505,582 |
| | 49,463,374 | 874,565 | - | - | 50,337,939 | | - | -2,167,029 | -42,001,401 | | | 8,336,538 |
| Furniture and Fittings | | | | | | | | | | | | |
| Cabinets and Cupboards | 8,740,922 | 148,938 | | | 8,889,860 | | | -181,525 | -7,711,575 | | | 1,178,285 |
| Chairs | 9,854,108 | 127,002 | | | 9,981,110 | | | -20,473 | -9,731,596 | | | 249,515 |
| Furniture and Fittings Other | 7,476,599 | 13,162 | | | 7,489,761 | | | -85,663 | -6,949,716 | | | 540,045 |
| Tables and Desks | 8,467,264 | 51,870 | | | 8,519,134 | | | -17,750 | -8,360,883 | | | 158,251 |
| | 34,538,893 | 340,972 | - | - | 34,879,865 | | - | -305,410 | -32,753,769 | | | 2,126,096 |

THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY
APPENDIX C

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

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | |
|---------------------------------------|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------------|----------------|---------------------|-----------------------|----------------------|
| | Opening balance | Additions | Under construction | Disposals | Closing balance | Opening balance | Disposals | Additions | Closing balance | Carrying value |
| 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 |
| Motor Vehicles | | | | | | | | | | |
| Fire Engines | 14,731,104 | 16,662,972 | | -2,016,501 | 29,377,575 | -4,090,016 | | -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 | | -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 Description | Historical Cost | | | | Accumulated Depreciation | | | | Carrying Value |
|---------------------------------|----------------------|--------------------|--------------------|----------------------|--------------------------|-----------|--------------------|----------------------|----------------------|
| | Opening Balance | Additions | Under Construction | Closing Balance | Disposals | Disposals | Additions | Closing Balance | |
| Executive and Council | 5,276,037 | 134,383 | | 5,410,420 | | | 415,294 | 4,029,659 | 1,380,761 |
| Finance and Administration | 673,969,695 | 14,072,735 | 2,002,982 | 690,045,413 | | | 6,834,537 | 673,521,134 | 16,524,279 |
| Planning and Development | 144,948,284 | 1,605,606 | | 146,548,711 | -5,180 | | 1,976,204 | 13,625,680 | 132,923,031 |
| Health | 36,603,660 | 626,575 | 179,819 | 37,410,054 | | | 891,391 | 8,331,608 | 29,078,446 |
| Community and Social Services | 114,438,249 | 696,608 | 1,752,107 | 116,886,965 | | | 2,737,847 | 9,105,648 | 107,781,317 |
| Housing | 157,646,313 | 1,696,970 | 673,202 | 159,758,861 | -257,624 | | 2,324,355 | 3,181,227 | 156,577,635 |
| Public Safety | 79,188,098 | 17,927,028 | 959,508 | 96,058,134 | -2,016,500 | | 17,626,436 | 52,731,186 | 43,326,948 |
| Sport and Recreation | 374,515,647 | 984,880 | | 375,500,527 | | | 4,925,531 | 21,286,779 | 354,213,748 |
| Road Transport | 2,429,808,225 | 20,420,383 | | 2,450,228,608 | | | 47,914,509 | 59,738,274 | 2,390,490,334 |
| Environmental Protection | | | | | | | | | |
| Water | 931,207,339 | 13,711,893 | 3,180,340 | 948,018,286 | -81,287 | | 8,814,568 | 107,556,885 | 840,461,401 |
| Waste Water Management | 496,413,881 | 5,851,668 | 47,763,912 | 550,029,461 | | | 5,493,344 | 9,309,869 | 540,719,593 |
| Electricity | 1,480,002,156 | 21,456,165 | 22,500 | 1,501,480,820 | | | 27,693,480 | 157,218,932 | 1,344,261,888 |
| Other | 878,496,141 | 7,458,492 | 12,331,806 | 880,079,376 | -18,207,063 | | -3,797,454 | 75,467,963 | 804,611,413 |
| TOTALS | 7,802,513,726 | 106,643,387 | 68,866,177 | 7,957,455,637 | -20,567,653 | | 123,850,041 | 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

| | 2009 | | 2009 | | 2010 | | 2010 | |
|---------------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|---------------|--------------------|
| | Actual Income | Actual Expenditure | Surplus/(Deficit) | Actual Income | Actual Expenditure | Surplus/(Deficit) | Actual Income | Actual Expenditure |
| Executive & Council | 498,575 | 71,894,906 | (71,396,331) | 472,147 | 62,839,354 | (62,367,206) | 891,480,253 | 530,226,013 |
| Budget & Treasury Office | 707,616,066 | 273,873,011 | 433,743,055 | 5,146,291 | 82,228,986 | (77,082,696) | 17,613,308 | 63,695,904 |
| Corporate Services | 4,458,563 | 80,943,578 | (76,485,015) | 10,847,230 | 39,627,952 | (28,780,722) | 50,923,742 | 62,127,176 |
| Planning & Development | 14,964,395 | 60,181,338 | (45,216,944) | 898,593 | 49,852,310 | (44,152,158) | 15,229,229 | 104,979,254 |
| Health | 8,186,503 | 39,159,997 | (30,973,494) | 11,464 | 60,453,737 | (60,442,273) | 210,410,251 | 166,170,520 |
| Community & Social Services | 12,139,780 | 41,753,179 | (29,613,398) | 4,752 | 36,984,566 | (36,979,814) | 14,795,000 | 174,015,686 |
| Housing | 38,712,712 | 53,209,000 | (14,496,288) | 306,999,496 | 279,281,205 | 27,718,291 | 945,462,701 | 981,414,823 |
| Public Safety | 20,837,476 | 110,350,124 | (89,512,648) | 83,151,317 | 8,812,084 | (6,556,230) | 2,255,854 | 8,120,84 |
| Sport and Recreation | 1,001,383 | 54,391,961 | (53,390,579) | 10,327,267 | 9,303,547 | 1,023,720 | 17,078,611 | 16,626,990 |
| Environmental Protection | 5,454 | 60,754,635 | (60,749,182) | 513,100 | 2,938,550 | (2,425,450) | 2,506,169,440 | 2,781,968,881 |
| Waste Management | 176,224,642 | 176,452,596 | (227,954) | 2,506,169,440 | 2,781,968,881 | (275,799,441) | | |
| Waste Water Management | 4,464 | 33,467,476 | (33,463,012) | | | | | |
| Road Transport | 46,749,102 | 157,795,952 | (111,046,850) | | | | | |
| Water | 301,779,365 | 230,456,909 | 71,322,456 | | | | | |
| Electricity | 745,394,999 | 662,243,682 | 83,151,317 | | | | | |
| Other/Air Transport | 2,700,058 | 7,459,879 | (4,759,822) | | | | | |
| Other/Forestry | 10,459,592 | 8,854,197 | 1,605,395 | | | | | |
| Other/Markets | 15,339,356 | 11,983,079 | 3,356,278 | | | | | |
| Other/Licensing & Regulation | 364,095 | 2,755,502 | (2,391,407) | | | | | |
| Sub - Total | 2,107,436,579 | 2,137,981,003 | (30,544,423) | 2,506,169,440 | 2,781,968,881 | (275,799,441) | | |
| Less: Inter-Dept Charges | - | (51,887,001) | (51,887,001) | | | | | |
| Total | 2,107,436,579 | 2,086,094,002 | 21,342,577 | 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

| Description | Actual 2010 | | Budget 2010 | | Variance 2010 | | Explanation of Significant variances greater than 10% versus Budget |
|---|----------------------|--|----------------------|--|----------------------|---------|---|
| | 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. |
| Government 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 of 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 budget 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) | |

| Appendix - E The Msunduzi Municipality and its municipal entity : Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2010 | | | | Explanation of Significant variances greater than 10% versus Budget | |
|---|-------------------------|-------------------------|-----------------------|---|--|
| Description | Actual 2010 | | Budget 2010 | | Variance 2010 |
| | R | R | R | R | % |
| 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 allocation. Salaries over-expenditure re: Overtime, shift, operators, standby and night work allowances for staff attending to emergency work. |
| 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. Increase in the electricity tariff was also a contributing factor. An increase in insurance costs- for property damage, workmens tools. Overtime, shift operators, standby and night work allowances for staff attending to emergency work. As these are essential services they must be attended to as they occur. |
| 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) | (20.60) | 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 - GJIMA 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 | -18,523,373.43 | 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 & DEVELOP- MENT | TOTAL |
|---|------------------------|--------------------------------|-----------------------|-----------------------|-----------------------|------------------|-------------------|----------------|------------------|--------------------------------|-------------------|
| TRANSFER TO REVENUE - CAPITAL EXPENDITURE | | | | | | | | | | | |
| NATIONAL GOVERNMENT | | | | 3,480,892 | 47,430,538 463,078 | 2,236,817 | 7,743,941 | | | | 60,892,187 |
| Municipal Infrastructure Grant | | | | | | | | | | | 463,078 |
| Department of Water Affairs | | | | | | | | | | | 6,750,610 |
| Department of Human Settlements | | | | | | 1,939,972 | 3,995,540 | 815,098 | 7,371,512 | | 7,371,512 |
| Department of Minerals and Energy | | | | 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 | | | | - | | | 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 | | | | | | | 135,853 | | | | 135,853 |
| Greater Edendale Private Land Acquisition Initiative | | | | 125,202 | | | | | | | 125,202 |
| Freedom Square Tourism Hub- uMgungundlovu | | | | 839,283 | | | | | | 967,109 | 967,109 |
| Misunduzi Library - Carnegie Corporation of New York | | | | 964,484 | | | 135,853 | | | 967,109 | 2,067,446 |
| TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | | | | |
| 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 |

| 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 - 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 |
| Integrated 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 |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | 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 | | | | 5,274,540 | | | | | | | 5,274,540 |
| Msunduzi Library - Carnegie Corporation of New York | | | | 3,043,768 | | | | | | | 3,043,768 |
| Other | | | 62,636 | | | | | | | | 62,636 |
| Greater Edendale Land Initiative - DBSA | | | | 54,824 | | | | | | | 54,824 |



**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 |
|---|---------------------|--------------------------|--------------------|--------------------|------------------|------------|----------------|------------|-------------|------------------------|--------------------|
| Greater Edendale Land Initiative - GJIMA | | | | 8,278 | | | | | | | 8,278 |
| Msunduzi Library - US Consulate | | | | 1,500 | | | | 91,000 | | | 1,500 |
| Spoornet | | | 62,636 | 8,382,909 | | | | 91,000 | | | 91,000 |
| TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | | | | 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/ADVO-CATE 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 | Plexoto v Msunduzi Municipality | Delictual Claim | 2006 | Internal | R 39 822, 89 plus interest at 15, 5 % per annum. | R 39 822, 89 plus interest at 15, 5 % per annum. |
| 19 | M.Zondi v Msunduzi Municipality | Delictual Claim | 2006 | Internal | R 50 000, 00 plus interest at 15, 5 % per annum. | R 50 000, 00 plus interest at 15, 5 % per annum. |
| 20 | Telkom S.A Ltd v Msunduzi Municipality | Delictual Claim | 2006 | 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 %. |
| 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.Rabiksson 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 | | |



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

| NO. | MATTER | MATTER TYPE | YEAR INITIATED | ATTORNEY/ADVO-CATE INSTRUCTED | Risk to the municipality as at 30 June 2010 | Risk to the municipality as at 30 June 2009 |
|-----|---|-------------------|----------------|---|--|--|
| 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.Terwolbleek 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 | |
| 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 Majazi | 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 | IT 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 %. | |