BUFFALO CITY METROPOLITAN MUNICIPALITY
AUDITED SEPARATE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

I am responsible for the preparation of these Annual Financial Statements which are set out herewith, in terms of Section126(1) of the Municipal Finance Management Act (56 of 2003) and which I have signed on behalf of the Metropolitan Municipality.

I certify that the salaries, allowances and benefits of Councillors are disclosed within these Annual Financial Statements and are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (20 of 1998) and the Minister for Corporate Governance and Traditional Affairs determination in accordance with this Act except where identified as irregular expenditure in the Annual Financial Statements.

Mr. N. Ncunyana **Acting City Manager**	**Date**

General Information

Legal Form of Entity	Municipality
Nature of Business and Principal Activities	Local Government
Grading of Local Authority	Grade 6 Municipality
Acting Accounting Officer	Mr. N. Ncunyana
Chief Financial Officer	Mr. V. Pillay
Jurisdiction	The demarcation board has determined that Buffalo City Metropolitan Municipality (BUF) includes the towns of East London, Bhisho, King Williams Town, Berlin as well as the townships of Mdantsane, Gompo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Ilitha, Ginsberg and the surrounding rural areas.
Business address	Trust Centre Oxford Street East London 5201
Postal address	PO Box 134 East London 5200
Bankers	Absa Bank / Standard Bank
Auditors	Auditor General of South Africa
Members of Audit Committee	Mr. V Pangwa (Chairperson) - appointment 01 November 2011 Mr. S Mkebe (Member) - appointment 01 November 2011 Ms. E Ameyaw - Gyarko (Member) - appointment 01 November 2011 Ms. W Dukuza (Member) - appointment 03 March 2014 Mr. H Marsberg (Member) - appointment 03 March 2014 Prof. TM Jordan (Member) - appointment 03 March 2014
Legislation Governing the Municipality	The Constitution of the Republic of South Africa,1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)

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The statements and notes set out below comprise the audited separate annual financial statements:

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
Assets			
Current Assets			
Cash and cash equivalents	5	2,198,797,348	2,162,739,494
Inventories	6	44,878,411	50,597,990
Receivables from exchange transactions	7	320,652,236	375,933,168
Receivables from non-exchange transactions	8	374,124,867	201,436,468
VAT receivable	9	83,018,326	65,568,270
Current portion of operating leases	10	2,573,198	2,157,778
Current portion of long-term receivables	11	17,552	15,920
		3,024,061,938	**2,858,449,088**
Non-Current Assets			
Non-current portion of operating leases	10	66,444,415	64,286,181
Long-term receivables	11	9,440	26,992
Intangible assets	12	98,373,779	98,875,347
Investment property	13	328,302,103	333,211,336
Heritage assets	14	49,632,925	49,632,925
Property, plant and equipment	15	11,986,967,195	11,828,576,045
Investments in associate	16	81,908,295	59,548,855
		12,611,638,152	**12,434,157,681**
Total Assets		**15,635,700,090**	**15,292,606,769**
Liabilities			
Current Liabilities			
Borrowings	17	46,097,194	54,633,001
Consumer deposits	18	48,504,722	44,837,812
Finance lease obligation	19	2,738,106	2,783,463
Provisions	20	166,234,394	126,385,663
Payables from exchange transactions	21	535,179,089	641,524,593
Post-retirement medical obligation	23	15,665,595	14,779,624
Unspent conditional grants and receipts	22	205,714,609	213,717,743
		1,020,133,709	**1,098,661,899**
Non-Current Liabilities			
Borrowings	17	496,476,706	542,573,901
Finance lease obligation	19	767,176	3,425,027
Provisions	20	10,433,259	57,755,878
Post-retirement medical obligation	23	487,757,326	399,295,095
		995,434,467	**1,003,049,901**
Total Liabilities		**2,015,568,176**	**2,101,711,800**
Net Assets		**13,620,131,915**	**13,190,894,969**
Reserves:			
Revaluation reserve	24	4,236,662,873	4,185,854,579
Accumulated surplus		9,383,469,042	9,005,040,390
Total Net Assets		**13,620,131,915**	**13,190,894,969**

* See Note 2 & 48

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated
Revenue			
Revenue from exchange transactions			
Service charges	29	2,424,752,656	2,198,959,742
Rental of facilities and equipment	27	17,430,173	15,017,944
Licences and permits	27	14,034,279	14,160,878
Other revenue	27&31	221,465,548	243,576,732
Interest received	27&36	159,165,416	123,609,078
Total revenue from exchange transactions		**2,836,848,072**	**2,595,324,374**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	794,518,845	672,956,899
Transfer revenue			
Government grants & subsidies	27&30	1,563,731,034	1,546,689,231
Fines	27	5,499,648	7,571,936
Public contributions and donations - PPE	27	3,410,514	-
Fuel levy	27	361,639,000	343,412,000
Total revenue from non-exchange transactions		**2,728,799,041**	**2,570,630,066**
Total revenue	27	**5,565,647,113**	**5,165,954,440**
Expenditure			
Impairments	15	(504,750)	(16,867,247)
Loss on disposal of assets	15	(30,408,389)	(11,042,335)
General Expenses	32	(970,857,731)	(933,309,230)
Employee related costs	33	(1,192,330,837)	(1,134,596,421)
Remuneration of councillors	34	(47,682,188)	(45,087,768)
Debt impairment	35	(365,110,172)	(241,010,582)
Depreciation and amortisation	38	(729,375,005)	(629,728,066)
Finance costs	39	(60,670,766)	(65,775,074)
Contracted services	41	(14,606,853)	(9,742,994)
Grants and subsidies paid	42	(235,798,043)	(145,871,188)
Bulk purchases	43	(1,213,641,773)	(1,110,464,178)
Repairs and maintenance	63	(284,054,233)	(285,681,086)
Total expenditure		**(5,145,040,740)**	**(4,629,176,169)**
Revaluation realised	24	(66,573,130)	38,024,299
Fair value adjustments	13	(4,909,235)	29,081,150
Share of surplus of associate accounted for under the equity method	16	22,359,440	54,222,847
		(49,122,925)	**121,328,296**
Surplus for the year	62	**371,483,447**	**658,106,567**

Statement of Changes in Net Assets

Figures in Rand		Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported		2,415,539,829	8,393,101,912	10,808,641,741
Adjustments:				
Prior year adjustments	24&48	-	84,806,103	84,806,103
Opening balance as previously reported		**2,415,539,829**	**8,477,908,015**	**10,893,447,844**
Change in net assets:				
Surplus for the year	48	-	658,106,567	658,106,567
Take on PPE donated	15	-	1,816	1,816
Take on PPE donated	15	-	19,240	19,240
Take on Movable Assets	15	-	3,320,186	3,320,186
Take on Intagible Assets	12	-	6,139,502	6,139,502
Take on Motor Vehicles	15	-	5,657,274	5,657,274
Adjustment to Recreational Facilities	15	-	(106,657)	(106,657)
Take on Community Facilities	15	-	82,727	82,727
Revaluation reserve realised	24	(12,036,679)	-	(12,036,679)
Take on leases	24	-	115,363	115,363
PPE revaluation	15	1,782,351,433	-	1,782,351,433
Infrastructure adjustment	24	-	(146,203,643)	(146,203,643)
Total changes		1,770,314,754	527,132,375	2,297,447,129
Restated Balance at 01 July 2014		**4,185,854,583**	**9,005,040,390**	**13,190,894,973**
Changes in net assets:				
Surplus for the year	62	-	371,483,448	371,483,448
Aquarium animals adjustment	15	-	40,181	40,181
Zoo animals adjustment	15	-	328,985	328,985
Take on Movable assets	12	-	6,206,798	6,206,798
Take on New Jersey Barricades	15	-	369,240	369,240
Land revaluation	24	60,129,906	-	60,129,906
Revaluation reserve realised on derecognition	24	(9,321,617)	-	(9,321,617)
Total changes		50,808,289	378,428,652	429,236,941
Balance at 30 June 2015		**4,236,662,872**	**9,383,469,042**	**13,620,131,914**
Note(s)		24		

* See Note 2 & 48

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services	61	3,304,044,573	3,319,945,940
Government grants & subsidies	61	1,563,731,034	1,546,669,525
Interest received	36	159,165,412	123,609,074
		5,026,941,019	4,990,224,539
Payments			
Employee costs & Councillors remuneration	33&34	(1,240,013,025)	(1,179,684,189)
Suppliers	61	(2,712,860,451)	(2,787,101,399)
Finance costs	39	(60,670,766)	(65,775,074)
		(4,013,544,242)	(4,032,560,662)
Net cash flows from operating activities	44	**1,013,396,777**	**957,663,877**
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(930,050,010)	(565,083,025)
Proceeds from sale of property, plant and equipment	15	6,253,524	765,772
Purchase of intangible assets	12	-	(21,361,607)
Proceeds from sale of other intangible assets	12	110,944	-
Purchase of heritage assets	14	-	(2,554,604)
Proceeds from sale of heritage assets	14	-	462,948
Net movement on long-term receivables	11	15,920	14,441
Net movement on non-current investments		-	892,235
Net cash flows from investing activities		**(923,669,626)**	**(586,863,844)**
Cash flows from financing activities			
Net movement on borrowings	17	(54,633,002)	(49,970,262)
Net movement on consumer deposits	18	3,666,911	(681,453)
Net movement on finance leases	19	(2,703,208)	898,723
Net cash flows from financing activities		**(53,669,299)**	**(49,752,992)**
Net increase in cash and cash equivalents		**36,057,852**	**321,047,041**
Cash and cash equivalents at the beginning of the year		2,162,739,494	1,841,692,449
Cash and cash equivalents at the end of the year	5	**2,198,797,346**	**2,162,739,490**

* See Note 2 & 48

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	797,179,911	16,118,391	813,298,302	-		813,298,302	794,518,845		(18,779,457)	98 %	100 %
Service charges	2,420,087,636	(22,643,575)	2,397,444,061	-		2,397,444,061	2,424,752,656		27,308,595	101 %	100 %
Investment revenue	77,490,885	-	77,490,885	-		77,490,885	159,165,416		81,674,531	205 %	205 %
Transfers recognised - operational	825,736,342	103,564,338	929,300,680	-		929,300,680	948,238,761		18,938,081	102 %	115 %
Other own revenue	638,051,145	16,172,573	654,223,718	-		654,223,718	623,479,162		(30,744,556)	95 %	98 %
Total revenue (excluding capital transfers and contributions)	**4,758,545,919**	**113,211,727**	**4,871,757,646**	**-**		**4,871,757,646**	**4,950,154,840**		**78,397,194**	**102 %**	**104 %**
Employee costs	(1,237,215,012)	(3,909,992)	(1,241,125,004)	-	-	(1,241,125,004)	(1,192,330,837)	-	48,794,167	96 %	96 %
Remuneration of councillors	(52,254,296)	-	(52,254,296)	-	-	(52,254,296)	(47,682,188)	-	4,572,108	91 %	91 %
Debt impairment	(203,074,220)	15,999,999	(187,074,221)			(187,074,221)	(365,110,172)	-	(178,035,951)	195 %	180 %
Depreciation and asset impairment	(710,000,000)	5	(709,999,995)			(709,999,995)	(729,879,755)	-	(19,879,760)	103 %	103 %
Finance charges	(59,248,068)	-	(59,248,068)	-	-	(59,248,068)	(60,670,766)	-	(1,422,698)	102 %	102 %
Materials and bulk purchases	(1,201,856,097)	(12,928,320)	(1,214,784,417)	-	-	(1,214,784,417)	(1,213,641,773)	-	1,142,644	100 %	101 %
Transfers and grants	(204,012,957)	8,374,999	(195,637,958)	-	-	(195,637,958)	(235,798,043)	-	(40,160,085)	121 %	116 %
Other expenditure	(1,079,245,061)	(151,060,217)	(1,230,305,278)	-	-	(1,230,305,278)	(1,371,409,571)	-	(141,104,293)	111 %	127 %
Total expenditure	**(4,746,905,711)**	**(143,523,526)**	**(4,890,429,237)**	**-**	**-**	**(4,890,429,237)**	**(5,216,523,105)**	**-**	**(326,093,868)**	**107 %**	**110 %**
Surplus/(Deficit)	**11,640,208**	**(30,311,799)**	**(18,671,591)**	**-**		**(18,671,591)**	**(266,368,265)**		**(247,696,674)**	**1,427 %**	**(2,288)%**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	700,781,726	19,618,128	720,399,854	-		720,399,854	615,492,273		(104,907,581)	85 %	88 %
Contributions recognised - capital and contributed assets	-	458,860	458,860	-		458,860	-		(458,860)	-	-
Surplus (Deficit) after capital transfers and contributions	**712,421,934**	**(10,234,811)**	**702,187,123**	**-**		**702,187,123**	**349,124,008**		**(353,063,115)**	**50 %**	**49 %**
Share of surplus (deficit) of associate	-	-	-	-		-	22,359,440		22,359,440		
Surplus/(Deficit) for the year	**712,421,934**	**(10,234,811)**	**702,187,123**	**-**		**702,187,123**	**371,483,448**		**(330,703,675)**	**53 %**	**52 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	942,007,423	226,737,581	1,168,745,004	-		1,168,745,004	930,050,010		(238,694,994)	80 %	99 %
Sources of capital funds											
Transfers recognised - capital	700,781,726	19,618,128	720,399,854	-		720,399,854	615,492,273		(104,907,581)	85 %	88 %
Public contributions and donations	-	458,860	458,860	-		458,860	-		(458,860)	-	-
Internally generated funds	241,225,697	206,660,593	447,886,290	-		447,886,290	314,557,737		(133,328,553)	70 %	130 %
Total sources of capital funds	**942,007,423**	**226,737,581**	**1,168,745,004**	**-**		**1,168,745,004**	**930,050,010**		**(238,694,994)**	**80 %**	**99 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1,439,865,660	(26,964,336)	1,412,901,324	-		1,412,901,324	1,013,396,777		(399,504,547)	72 %	70 %
Net cash from (used) investing	(942,007,423)	(226,737,581)	(1,168,745,004)	-		(1,168,745,004)	(923,669,626)		245,075,378	79 %	98 %
Net cash from (used) financing	(54,633,002)	-	(54,633,002)	-		(54,633,002)	(53,669,299)		963,703	98 %	98 %
Net increase/(decrease) in cash and cash equivalents	**443,225,235**	**(253,701,917)**	**189,523,318**	**-**		**189,523,318**	**36,057,852**		**(153,465,466)**	**19 %**	**8 %**
Cash and cash equivalents at the beginning of the year	870,043,894	(870,043,894)	-	-		-	2,162,739,494		2,162,739,494	-	249 %
Cash and cash equivalents at year end	**1,313,269,129**	**(1,123,745,811)**	**189,523,318**	**-**		**189,523,318**	**2,198,797,346**		**2,009,274,028**	**1,160 %**	**167 %**

Accounting Policies

1. Presentation of Audited Separate Annual Financial Statements

The audited separate annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the audited separate annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited separate annual financial statements and related disclosures. Use of available information and the application of judgments is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited separate annual financial statements. Significant judgements include:

Trade receivables, investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management 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 has been made to write down stock 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 notes to the financial statements per inventory note 6.

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 end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

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.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 23.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both - or under construction) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services, or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property excludes owner-occupied property.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:
(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) commencement of development with a view to sale, for a transfer from investment property to inventories;
(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
(d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The initial cost of a property interest held under a lease and classified as an investment property has been recognised at the lower of the fair value of the property and the present value of the minimum lease payments.

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value except for furniture and fittings, which are depreciated using the diminishing balance method at 10% per annum.

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

Item	**Average useful life (years)**
Land - landfill sites	50
Buildings	30
Plant and machinery	3 to 30
Motor vehicles	4 to 15
Office equipment	3 to 5
Electricity	10 to 60
Community	
• Buildings	30
• Recreation	20 to 30
Other properties	5 to 50

1.3 Property, plant and equipment (continued)

Finance Leased Assets	5
Roads	5 to 100
Wastewater network	5 to 80
Water network	5 to 150
Heritage Assets	Indefinite

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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 the municipality 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 and will be classified as revenue. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

Accounting Policies

1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - >a decrease in the liability is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit;
  - >an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets. If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

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

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, asset or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses except for servitudes which are carried at revalued amounts being the fair value at the date of revaluation.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

1.5 Intangible assets (continued)

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

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

Item	**Useful life**
Computer software	3 years

Intangible assets are derecognised:

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

1.6 Heritage assets

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

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

A class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the audited separate annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

If a municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies

1.6 Heritage assets (continued)

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.7 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other part or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality / entity. (Refer note 47)

1.8 Investment in associate

An associate is an entity over which the municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investment.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/ (deficits) less any dividends received.

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

The municipality uses the most recent available financial statements of the associate in applying the equity method. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

1.9 Financial instruments

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

- the entity designates at fair value at initial recognition; or

Accounting Policies

1.9 Financial instruments (continued)

- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are combined instruments that are designated at fair value and/or instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 25 :

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Non-current investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in note 26 :

Class	Category
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Accrued leave pay	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Other deposits	Financial liability measured at fair value

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Presentation

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

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

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

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

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

1.10 Leases

A lease is either a written of implied contract by which an owner (the lessor) of a specific asset grants a second party (the lessee) the right to its exclusive possession and use for a specific period and under spedific conditions, in return for specific periodic rental or lease payments.

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 or the incremental borrowing rate.

Minimum 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 reduction on the remaining balance of the liability.

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

1.10 Leases (continued)

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost, except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories 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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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 municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost 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 or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

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

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

The 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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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 and/or 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.

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

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

Identification

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

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

Value in use

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

The 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 and/or 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.

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

The useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

At each reporting date a review is carried out to determine whether there are any indications that any assets and non-cash-generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable amount of an asset or non-cash-generating unit is lower than its carrying amount, an impairment loss is recognised in surplus or deficit in respect of assets at historic cost, and recognised in the the revaluation reserve in respect of assets at revalued amounts.

Identification

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

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

Value in use

The value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of the non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits.

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. Within surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.15 Provisions and contingencies

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

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

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

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

A provision is used only for expenditures 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.

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - > the activity/operating unit or part of an activity/operating unit concerned;
  - > the principal locations affected;
  - > the location, function, and approximate number of employees who will be compensated for services being terminated;
  - > the expenditures that will be undertaken; and
  - > when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity 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.

Contingencies are disclosed in note 47 and note 61.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings have not been performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

To include all revenue in the financial period, calculations and accruals are made to account for consumption that took place during the last meter reading dates and the financial year end.

Services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes at the gross amount when the taxable event occurs and the asset recognition criteria are met.

Transfers

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.12 and 1.13. 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.

1.19 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

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

1.20 Comparative figures

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

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’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.

Accounting Policies

1.24 Use of estimates

The preparation of audited separate 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 municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the audited separate annual financial statements are disclosed in the relevant sections of the audited separate 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.

1.25 Offsetting

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

1.26 Revaluation reserve

The surplus arising from the revaluation of applicable property, plant and equipment per accounting policy 1.3 are credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.27 Investments

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

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.29 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

Comparative information is not required.

Differences between budget and actual amounts are regarded as material differences when a 10% difference exists. All material differences are explained in note 4 to the annual financial statements.

1.30 Value added tax (VAT)

The municipality accounts for value added tax on the payment basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position. Refer to note 9.

Accounting Policies

1.31 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. Refer to note 45.

2. Changes in accounting policy

The audited separate annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following new standards as issued by the Accounting Standard Board:

- GRAP 20: Related parties

Change in accounting policy and review of asset classification in line with the revised Immovable Asset Management Policy

During the year, the Metropolitan Municipality changed its accounting policy in respect of the subsequent measurement of Electricity, Water and Sanitation from the cost model to the revaluation model. The Metropolitan Municipality is of the opinion that the new subsequent measurement for these asset sub categories will result in fairer presentation of the financial position and operating results. Within the revaluation process there were multiple reclassifications between the various sub-categories in order to accurately revalue and classify the assets. Intangible servitudes were also recongised for electricity, water and sanitation servitudes. The change in accounting policy has been accounted for retrospectively and the comparative amounts have been restated, the revaluation was performed as at 30 June 2014. The effect of this change in accounting policy is as follows:

Statement of Financial Performance	**Electricity**	**Water**	**Sanitation**	**Intangible servitudes**	**Total**
Increase / (Decrease) in revaluation deficit	6,578,306	1,358,436	1,037,897	-	8,974,639
(Increase) / Decrease in revaluation first applied to revaluation deficit through profit/loss	(301,503)	(32,838,850)	(1,774,766)	-	(34,915,119)
(Increase) / Decrease in profit for the year	**6,276,803**	**(31,480,414)**	**(736,869)**	**-**	**(25,940,480)**

Statement of Financial Position	**Electricity**	**Water**	**Sanitation**	**Intangible servitudes**	**Total**
Electricity	326,849,520	-	-	-	326,849,520
Water	-	877,803,139	-	-	877,803,139
Sanitation	-	-	656,758,529	-	656,758,529
Land	(7,063,278)	(18,170,795)	(1,894,178)	-	(27,128,251)
Other properties	(1,888,294)	(223,900)	(1,118,846)	-	(3,231,040)
Roads	(47,661,383)	-	-	-	(47,661,383)
Increase / (Decrease) in PPE	270,236,565	859,408,444	653,745,505	-	1,783,390,514
Increase / (Decrease) in intangible assets	-	-	-	71,374,228	71,374,228

Statement of Changes in Net Assets	**Electricity**	**Water**	**Sanitation**	**Intangible servitudes**	**Total**
(Increase) / Decrease in accumulated surplus / deficit	-	-	-	(38,159,665)	(38,159,665)
(Increase) / Decrease in revaluation reserve	(276,513,368)	(827,928,029)	(653,008,635)	(33,214,563)	(1,790,664,595)

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	No major impact expected
• GRAP108: Statutory Receivables	01 April 2015	No major impact expected
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	No major impact expected

Notes to the Audited Separate Annual Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2016	Not applicable
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Not applicable
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Not applicable
• GRAP 107: Mergers	01 April 2014	Not applicable

Notes to the Audited Separate Annual Financial Statements

Figures in Rand

4. Explanation of significant variances on budget comparison to actuals

Reasons for material variances shown on the Statement of Comparison of Budget and Actual Amounts are detailed below:

REVENUE
Investment Revenue
The institution budgeted to incur expenditure from conditional grant funding from an earlier point in the financial year. This did not occur resulting in conditional grant funding being available for investment resulting in additional unbudgeted interest income.

EXPENDITURE
Debt Impairment
The increase in the debt impairment reflects continued economic pressure being experienced by BCMM consumers. Although the institution has provided for consumer debts in terms of the institution debt impairment procedure, the institution continues to attempt to investigate and recover amounts from those consumers who are in a position to settle their outstanding balances.

Depreciation and asset impairment
The budgeted figures are based on the capital budget, which is still budgeted for on a globular basis and not componentised per asset category. This results in the budgeted figures differing from the actuals due to differing useful lives of the assets. The difference between the budgeted and actual amounts can also be attributed to an increase in capital expenditure as well as the revaluation of electricity, water and wastewater assets.

Transfers and grants
Council decided to review and approve the Indigent Support Policy which the changes were implemented in 2014/15 financial year as follows:
- Primary Qualification - Property Value
- Secondary Qualification - Gross Income less Tax and Pension Deductions

The effect of this change increased the indigent register on implementation of the policy in October 2014.

CAPITAL EXPENDITURE AND FUNDS SOURCES
Public contributions & donations
Procurement challenges for fencing of Garcia Flats.
Internally generated funds
The major contributing factors on low expenditure are procurement and project management inefficiencies that resulted in the slow progress in implementing own funded capital projects, however most of the projects are already awarded and the funding of such projects is fully committed.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand

4. Explanation of significant variances on budget comparison to actuals (continued)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Virement - No amounts are reflected within this column in the Statement of Comparison of Budget and Actual Amounts as these amounts are accomodated within the final adjustment budget column.

Unauthorised Variance Expenditure - Refer to note 52 for disclosure.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014 Restated
Cash on hand	70,657	65,257
Bank balances	62,802,208	197,518,350
Short-term deposits	2,135,924,483	1,965,155,887
	2,198,797,348	**2,162,739,494**
Current assets	2,198,797,348	2,162,739,494
	2,198,797,347	**2,162,739,494**
Allocation of external investments (short-term deposits)		
Cash flow commited to operating and capital budgets	-	111,897,042
BCMET	585,857	1,134,278
Own funding (operating account commitments)	2,135,338,626	1,852,124,567
Total short-term deposits	**2,135,924,483**	**1,965,155,887**
Short-term deposits per institution		
ABSA (interest range 5.25% : 2014 4.5%-5%)	438,665,788	469,688,343
Nedbank (interest range 5.25% : 2014 4.5%-5%)	562,277,133	466,877,654
RMB (interest range 5.25% : 2014 4.5%-5%)	569,115,393	469,276,744
Standard bank (interest range 5.25% : 2014 4.5%-5%)	366,942,601	354,996,946
Stanlib (interest range 5.25%-6.35% : 2014 5.2%-5.85%)	198,923,568	204,316,200
	2,135,924,483	**1,965,155,887**

Own funding includes the insurance and Compensation for Occupational Injuries and Diseases (COID) purposes.

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

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

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

A cession by the Municipality in respect of the Department of Labour for COID amounts to R8 712 397 (2014: R8 362 058).

African Bank (ABIL) suffered a collapse which exposed the investment portfolio held with STANLIB to a loss amounting to R34 049 which was written-off againts Impairment loss on Investments during the current financial year. This amount is reflected on the face of the Statement of Financial Performance.

The municipality had the following bank accounts:

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA BANK - Primary Account - 408-009-0281	263,731,647	200,829,915	148,477,033	57,302,876	192,856,753	138,627,064
ABSA BANK - Prism Account - 408-009-0574	-	-	-	4,734,549	4,290,026	2,930,618
ABSA BANK - Market Account - 408-009-0639	2,978,166	108,809	2,465,727	764,783	371,570	2,764,475
ABSA BANK - Unpaid Account - 408-009-0697	-	33,668	53,575	-	-	-
Total	**266,709,813**	**200,972,392**	**150,996,335**	**62,802,208**	**197,518,349**	**144,322,157**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

6. Inventories

Electricity store (Electrical maintenance parts)	8,845,195	7,549,157
Workshop store (Mechanical maintenance parts)	492,725	352,891
General stores (Chiselhurst,Mdantsane,KWT)	18,583,553	19,395,291
Water store (Water maintenance parts)	17,341,712	21,068,303
Fuel (Diesel, Petrol)	1,541,077	1,872,745
Unsold water (Treated water in pipelines & reservoirs)	3,670,484	3,058,726
	50,474,746	53,297,113
Inventories (write-downs)	(5,596,335)	(2,699,123)
	44,878,411	**50,597,990**

Carrying value of stock is disclosed at the lower of cost and net realisable value.

The inventories (write-downs) amount is in respect of obsolete stock and not due to a change in accounting policy.

Inventory write-downs is included under note 32 : General Expenses - Other expenses.

Inventory pledged as security

No inventory was pledged as security.

7. Receivables from exchange transactions

Gross balances		
Electricity	199,865,559	183,720,681
Water	378,183,394	312,083,349
Sewerage	148,724,039	147,738,739
Refuse	190,376,047	186,008,990
Housing rental	3,131,277	2,831,022
	920,280,316	**832,382,781**
Less: Allowance for impairment		
Electricity	(130,226,627)	(41,396,792)
Water	(246,413,379)	(186,971,015)
Sewerage	(96,904,289)	(99,819,496)
Refuse	(124,043,535)	(126,143,079)
Housing rental	(2,040,250)	(2,119,231)
	(599,628,080)	**(456,449,613)**
Net balance		
Electricity	69,638,932	142,323,889
Water	131,770,015	125,112,334
Sewerage	51,819,750	47,919,243
Refuse	66,332,512	59,865,911
Housing rental	1,091,027	711,791
	320,652,236	**375,933,168**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

7. Receivables from exchange transactions (continued)

Electricity		
Current (0-30 days)	149,659,289	139,670,257
31 - 60 days	7,560,772	5,931,284
61 - 90 days	3,229,795	2,557,733
91 - 120 days	2,084,981	2,181,283
121 - 365 days	12,005,122	11,620,705
> 365 days	25,325,600	21,759,419
	199,865,559	**183,720,681**
Water		
Current (0-30 days)	67,474,816	52,857,480
31 - 60 days	28,685,375	14,009,568
61 - 90 days	20,030,545	13,679,276
91 - 120 days	14,118,926	11,575,537
121 - 365 days	76,964,095	72,274,700
> 365 days	170,909,637	147,686,788
	378,183,394	**312,083,349**
Sewerage		
Current (0-30 days)	19,365,305	16,958,604
31 - 60 days	6,181,539	7,214,315
61 - 90 days	3,834,382	4,450,849
91 - 120 days	3,279,806	4,055,850
121 - 365 days	24,372,324	34,961,279
> 365 days	91,690,683	80,097,842
	148,724,039	**147,738,739**
Refuse		
Current (0-30 days)	14,208,377	14,547,358
31 - 60 days	6,436,764	8,115,339
61 - 90 days	4,610,541	5,458,479
91 - 120 days	4,144,391	5,071,624
121 - 365 days	30,840,815	38,282,331
> 365 days	130,135,159	114,537,658
	190,376,047	**186,008,989**
Housing rental		
Current (0-30 days)	72,403	65,283
31 - 60 days	64,539	59,885
61 - 90 days	62,241	58,691
91 - 120 days	62,653	59,548
121 - 365 days	486,061	488,024
> 365 days	2,383,380	2,099,591
	3,131,277	**2,831,021**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification:
(This refers to the total debtor classification including exchange and non-exchange transactions as per the billing system i.e. this includes rates and other billing receivables)

Domestic Debtors (including rates & other receivables)		
Current (0 -30 days)	131,934,120	116,353,041
31 - 60 days	51,542,274	39,035,746
61 - 90 days	34,120,764	30,547,882
91 - 120 days	26,593,328	27,556,746
121 - 365 days	189,270,075	199,305,176
> 365 days	586,982,093	510,056,631
	1,020,442,654	922,855,222
Less: Allowance for debt impairment	(781,401,973)	(628,531,869)
	239,040,681	**294,323,353**
Industrial/ commercial (including rates and other receivables (billing))		
Current (0 -30 days)	175,311,915	146,699,103
31 - 60 days	16,827,326	11,250,866
61 - 90 days	11,649,165	5,343,870
91 - 120 days	9,214,042	4,411,964
121 - 365 days	61,296,100	23,138,515
> 365 days	63,055,099	54,313,698
	337,353,647	245,158,016
Less: Allowance for debt impairment	(118,343,383)	(57,594,431)
	219,010,264	**187,563,585**
National and provincial government (including rates and other receivables (billing))		
Current (0 -30 days)	16,221,240	15,268,090
31 - 60 days	1,567,083	1,036,282
61 - 90 days	411,706	403,669
91 - 120 days	1,545,703	165,675
121 - 365 days	1,362,624	3,630,085
> 365 days	1,981,212	2,351,730
	23,089,568	**22,855,531**
Total Debtors (including rates & other receivables billing)		
Current (0 -30 days)	323,467,274	278,318,234
31 - 60 days	69,936,683	51,322,895
61 - 90 days	46,181,634	36,295,421
91 - 120 days	37,353,073	32,134,385
121 - 365 days	251,928,799	226,073,777
> 365 days	652,018,404	566,724,058
	1,380,885,867	1,190,868,770
Less: Allowance for debt impairment	(899,745,357)	(686,126,300)
	481,140,510	**504,742,470**
Ageing of allowance for debt impairment (including rates & receivables billing)		
Current (0 -30 days)	(449,873)	(327,964)
31 - 60 days	(59,508,322)	(49,107,272)
61 - 90 days	(39,295,423)	(40,634,507)
91 - 120 days	(31,783,302)	(27,924,036)
121 - 365 days	(214,363,326)	(159,273,405)
> 365 days	(554,345,110)	(408,859,116)
	(899,745,356)	**(686,126,300)**

7. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

Credit quality of consumer debtors

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

Consumer debtors impaired

As at 30 June 2015, consumer debtors of R 599,628,079 (2014: R 456,449,613) were impaired and provided for.

Amounts totaling R 124,039,136 (2014: R 88,003,373) were written off as uncollectable against the debt impairment allowance account. This represents 0.016 % (2014: 0.017 %) of the total operating income for the year.

Reconciliation of allowance for impairment of consumer debtors

	2015	2014
Opening balance	(456,449,613)	(375,946,843)
Contributions during the year	(267,194,052)	(168,482,333)
Amounts written off as uncollectable	124,039,136	88,003,373
Other income	(23,550)	(23,810)
	(599,628,079)	**(456,449,613)**

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 35). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

Refer to note 8 regarding impairment of non-exchange transactions.

In terms of the arrangements to repay rates and services debt as at 30 June 2015, 2521 (2014: 4632) debtors had active outstanding arrangements to the value of value of R 9 655 381 (2014: R15 982 796). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

8. Receivables from non-exchange transactions

Property rates		328,375,040	235,652,416
Other receivables (billing)		132,230,512	122,831,455
Accrued income		188,795,171	50,985,054
Other debtors		10,910,667	8,478,464
Traffic fines		13,930,754	13,165,767
Impairment property rates and other receivables billing		(300,117,277)	(229,676,688)
		374,124,867	**201,436,468**
Property rates age analysis			
Current (0-30days)		62,520,144	44,329,208
31-60 days		18,109,157	11,729,779
61-90 days		12,221,058	6,839,589
91-120 days		11,654,734	5,629,840
121-365 days		86,861,530	46,073,549
> 365 days		137,008,417	121,050,451
		328,375,040	**235,652,416**
Other receivables (billing) age analysis			
Current (0-30days)		10,166,941	9,890,444
31-60 days		2,898,536	4,262,725
61-90 days		2,193,074	3,250,805
91-120 days		2,007,582	3,560,703
121-365 days		20,398,852	22,373,189
> 365 days		94,565,527	79,493,589
		132,230,512	**122,831,455**
		-	-
Prior period error - Other debtors	48		
Previously disclosed		-	21,644,231
Adjusted		-	(13,165,767)
Restated		**-**	**8,478,464**
Prior period error - Trafic fines			
Adjusted	48	-	13,165,767

Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

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

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

8. Receivables from non-exchange transactions (continued)

Trade and other receivables impaired

As at 30 June 2015, trade and other receivables from non-exchange transactions of R 300,117,277 (2014: R 229,676,688) were impaired and provided for.

Amounts totaling R27,475,531 (2014: R32,020,799) were written off as uncollectable against the debt impairment allowance account. This represents 0.005 % (2014: 0.006 %) of the total operating income for the year.

Reconciliation of allowance for impairment of non-exchange transactions

Opening balance	(229,676,688)	(189,169,239)
Contributed during the year	(97,916,120)	(72,528,248)
Amounts written off as uncollectable	27,475,531	32,020,799
	(300,117,277)	**(229,676,688)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 35). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

9. VAT receivable

VAT	83,018,326	65,568,270

VAT is payable on the receipt basis. VAT is only declared to SARS on receipt of payment from consumers.

10. Operating leases

Operating lease rentals	69,017,613	66,443,958

Operating lease rentals		
Current assets	2,573,198	2,157,778
Non-current assets	66,444,415	64,286,181
	69,017,613	**66,443,959**

Municipality as lessor: Operating leases minimum future receivables		
No later than one year	1,977,887	2,046,448
Later than one year no later than 5 years	9,391,518	7,683,235
Later than 5 years	168,945,431	155,784,345
	180,314,836	**165,514,028**

These leases are in respect of municipal properties that are leased to third parties. These leases are payable by lessees, either monthly or annually. Leases payable monthly and annually by lessees escalate at annual fixed rates that vary between 0% and 12.5% annually.

No contingent rent was recognised as revenue because rental increases are escalated at a fixed percentage. Increases are not based on indices or bases that result in a fluctuating interest rate.

The operating lease accrual arises from the differences between the actual rental and average rental at balance sheet date. During the 2014/15 financial year the net amount of R1 258 913 (2014: R2 265 211) has been accrued.

There are no sublease arrangements.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

11. Long-term receivables

	2015	2014
Financial assets at amortised cost		
Sporting bodies and other loans	26,992	42,912
Non-current assets		
Financial assets at amortised cost	9,440	26,992
Current assets		
Financial assets at amortised cost	17,552	15,920
	26,992	**42,912**

<u>**Sporting bodies**</u>: Loans were granted to sporting bodies before the implementation of the MFMA. No new loans have been issued and the remaining loans are redeemable until 2016. The above amounts relate to two loans that were issued to Beacon Bay Country Club on 30 June 1995 and 30 June 1996 payable over 21.5 and 20.5 years with the last payment due on 31 December 2016 respectively.

No security is held for any of the long-term receivables.

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

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

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

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

12. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	25,383,036	(14,404,991)	10,978,045	24,784,089	(15,205,538)	9,578,551
Intangible assets under development	16,021,506	-	16,021,506	17,922,568	-	17,922,568
Servitudes	71,374,228	-	71,374,228	71,374,228	-	71,374,228
Total	**112,778,770**	**(14,404,991)**	**98,373,779**	**114,080,885**	**(15,205,538)**	**98,875,347**

Reconciliation of intangible assets - 2015

	Opening balance	Disposals	WIP transfers	Amortisation	Total
Computer software	9,578,553	(110,944)	1,901,063	(390,629)	10,978,043
Intangible assets under development	17,922,569	-	(1,901,063)	-	16,021,506
Servitudes	71,374,228	-	-	-	71,374,228
	98,875,350	**(110,944)**	**-**	**(390,629)**	**98,373,777**

12. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Non-cash additions	Revaluations	Amortisation	Total
Computer software	855,211	3,439,039	6,139,502	-	(855,198)	9,578,553
Intangible assets under development	-	17,922,568	-	-	-	17,922,568
Servitudes	38,159,665	-	-	33,214,563	-	71,374,228
	39,014,876	**21,361,607**	**6,139,502**	**33,214,563**	**(855,198)**	**98,875,349**

	Note	2015	2014
Intangible assets			
Balance previously reported		-	30,497,320
Prior period adjustment	48	-	68,378,027
Restated		**-**	**98,875,347**

Non-cash movements - Intangible assets 2014		
Carrying value previously reported 2013	-	3,851,407
Minus - Opening carying value 2014	-	(39,014,876)
Minus - Revaluation	-	(33,214,563)
Restated	**-**	**(68,378,032)**

Pledged as security

No Intangible Assets were pledged as security.

Intangible assets under development refers to computer software which are not yet available for use and are not amortised.

13. Investment property

	2015			2014		
	Cost/Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost/Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	328,302,103	-	328,302,103	333,211,336	-	333,211,336

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	333,211,337	(4,909,235)	328,302,102

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

13. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	302,914,233	30,297,103	333,211,336

	Note	2015	2014 Restated
Prior period error - fair value adjustments			
Balance previously reported		-	30,297,103
Adjusted to profit	48	-	(1,215,953)
Restated		**-**	**29,081,150**
Investment property			
Balance previously reported		-	333,278,305
Prior period adjustment	48	-	(66,969)
Restated		**-**	**333,211,336**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

No Investment Properties were pledged as security.

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to R9,929,583 (2014: R16,343,801), including repairs and maintenance expenses on investment properties.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available as these expenses pertaining to investment properties are not budgeted for separately on the budget.

Per accounting policies note 1.2 the municipality is on the fair value model for investment property.

There are no restrictions on investment properties.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 4678/9.

The value of investment property, comprising of land and buildings was determined by using a combination of three valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparible market transactions.

The preferred valuation methodology applied was that of comparible market related sales, based on use, location and extent. In cases where no reasonable comparible sales were available, the discounted cash flow methodology was used based on market related rentals for similar properties.

In the case of properties which were deemed to be classified as investment properties, for which no comparible market related sales nor rentals exist, such as golf courses, land was valued by multiplying the extent, as confirmed through the deeds office and cadastre, with comparible market related sales based on similar zoning, and not use. In the case of buildings associated with such properties, for which no comparible sales, past or present, could be established, the replacement cost of the buildings were deemed to reflect a fair value of the property.

Rental income from investment properties in respect of monthly and annual leases amounted to R10,144,643 (2014: R8,613,691).

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

14. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Heritage sites	49,632,925	-	49,632,925	49,632,925	-	49,632,925

Reconciliation of heritage assets - 2015

	Opening balance	Total
Heritage sites	49,632,925	49,632,925

Reconciliation of heritage assets - 2014

	Opening balance	Additions	Disposals	Total
Heritage sites	47,541,269	2,554,604	(462,948)	49,632,925

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. (This is an accounting disclosure)

Where practical, heritage assets were valued on the replacement value method and retrospectively restated on 01 July 2012 in accordance with the transitional provision applicable to GRAP 103. However, due to the nature of certain heritage assets, it is not possible or practical to establish a fair value associated with these assets and have been recognised in accordance with GRAP 103.94.

		2015	2014
Heritage assets			
Balance previously reported		-	42,272,778
Prior period adjustment	48	-	7,360,147
Restated		**-**	**49,632,925**

15. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	386,313,045	-	386,313,045	402,144,885	-	402,144,885
Plant and equipment	91,920,894	(64,105,922)	27,814,972	85,206,115	(55,263,713)	29,942,402
Furniture and fittings	36,779,074	(15,238,114)	21,540,960	34,793,718	(14,374,723)	20,418,995
Motor vehicles	327,563,913	(138,712,691)	188,851,222	300,975,932	(137,494,497)	163,481,435
Office equipment	40,275,066	(20,162,522)	20,112,544	36,535,803	(17,540,219)	18,995,584
Electricity	4,491,716,250	(2,709,511,676)	1,782,204,574	4,298,328,194	(2,631,480,032)	1,666,848,162
Other properties	1,149,409,102	(556,045,456)	593,363,646	1,148,379,941	(524,332,851)	624,047,090
Work in progress (WIP)	1,214,458,013	-	1,214,458,013	789,507,566	-	789,507,566
Recreational facilities	479,957,910	(296,183,554)	183,774,356	477,831,041	(278,899,302)	198,931,739
Finance Leased Assets	9,052,311	(4,529,712)	4,522,599	11,393,254	(3,714,760)	7,678,494
Roads	7,909,306,951	(4,273,323,315)	3,635,983,636	7,857,524,093	(4,014,226,092)	3,843,298,001
Wastewater network	4,127,689,297	(2,687,208,527)	1,440,480,770	4,092,598,985	(2,596,771,882)	1,495,827,103
Water network	5,370,328,994	(3,365,503,073)	2,004,825,921	5,294,732,011	(3,225,473,121)	2,069,258,890
Community buildings	1,132,044,766	(649,323,829)	482,720,937	1,108,476,428	(610,280,729)	498,195,699
Total	**26,766,815,586**	**(14,779,848,391)**	**11,986,967,195**	**25,938,427,966**	**(14,109,851,921)**	**11,828,576,045**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Non-cash additions	Disposals	Revaluation	Transfers	Adjustments	WIP capitalised	Depreciation	Impairment loss	Total
Land	402,144,885	-	-	(67,000)	(15,764,840)	-	-	-	-	-	386,313,045
Plant and equipment	29,942,402	2,578,216	-	-	-	(10,659)	4,248,398	-	(8,615,735)	(327,650)	27,814,972
Furniture and fittings	20,418,995	1,639,203	1,964,547	(5,195)	-	(802,074)	-	-	(1,543,286)	(131,230)	21,540,960
Motor vehicles	163,481,434	48,370,427	-	(12,100,457)	-	(761,147)	-	-	(10,139,035)	-	188,851,222
Office equipment	18,995,584	3,650,361	27,700	(2,590)	-	(81,886)	335,392	-	(2,800,197)	(11,820)	20,112,544
Electricity	1,666,848,167	131,606,894	-	(16,656,581)	-	-	-	106,856,002	(106,449,908)	-	1,782,204,574
Other properties	624,047,090	-	-	-	-	1,029,161	-	-	(31,712,605)	-	593,363,646
Work in progress (WIP)	789,507,566	617,326,572	-	-	-	-	-	(192,376,126)	-	-	1,214,458,013
Recreational facilities	198,931,739	1,757,702	-	-	-	-	369,167	-	(17,284,252)	-	183,774,356
Finance Leased Assets	7,678,494	-	493,860	(2,320,925)	-	-	-	-	(1,328,830)	-	4,522,599
Roads	3,843,297,999	31,121,848	3,410,512	(4,344,206)	-	-	-	40,559,906	(278,062,423)	-	3,635,983,636
Wastewater network	1,495,827,103	15,625,228	-	-	-	-	-	19,465,084	(90,436,645)	-	1,440,480,770
Water network	2,069,258,884	66,358,761	-	(20,158)	-	-	-	9,540,586	(140,312,152)	-	2,004,825,921
Community buildings	498,195,698	10,014,798	-	(1,144,801)	-	-	-	15,954,548	(40,299,306)	-	482,720,937
	11,828,576,040	**930,050,010**	**5,896,619**	**(36,661,913)**	**(15,764,840)**	**(626,605)**	**4,952,957**	**-**	**(728,984,374)**	**(470,700)**	**11,986,967,195**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Non-cash additions	Disposals	Revaluation	Transfers	Adjustments	WIP capitalised	Depreciation	Impairment (loss) / reversal	Total
Land	429,606,136	-	-	(268,000)	(27,129,251)	(64,000)	-	-	-	-	402,144,885
Plant and equipment	36,632,000	3,553,370	-	-	-	-	59,807	7,881	(10,310,656)	-	29,942,402
Furniture and fittings	18,972,217	1,753,888	-	-	-	-	973,488	521,937	(1,802,535)	-	20,418,995
Motor vehicles	167,875,167	10,800,174	5,657,274	(1,206,620)	-	-	-	-	(12,813,902)	(6,830,658)	163,481,435
Office equipment	9,120,335	9,228,553	-	-	-	-	2,286,891	1,862,496	(3,502,691)	-	18,995,584
Electricity	1,350,281,328	82,709,357	-	-	326,849,519	-	-	981,975	(93,974,012)	-	1,666,848,167
Other properties	650,683,753	63,336	-	(658,339)	(3,231,040)	16,761,420	-	-	(32,329,604)	(7,242,436)	624,047,090
Work in progress (WIP)	541,271,371	306,348,182	-	-	-	-	-	(58,111,987)	-	-	789,507,566
Recreational facilities	216,322,651	-	(106,659)	-	-	-	-	-	(17,284,253)	-	198,931,739
Finance Leased Assets	6,254,541	-	3,030,074	-	-	-	-	-	(1,606,121)	-	7,678,494
Roads	4,081,586,264	95,667,094	1,815	(8,717,513)	(47,661,381)	-	-	-	(277,518,346)	(59,932)	3,843,298,001
Wastewater network	891,369,357	11,333,379	-	(12,307)	656,758,529	-	-	17,549,891	(81,171,746)	-	1,495,827,103
Water network	1,186,632,544	24,642,037	-	-	877,803,139	-	-	37,187,807	(57,006,643)	-	2,069,258,884
Community buildings	522,250,086	18,983,655	-	(945,328)	-	146,727	-	-	(39,552,362)	(2,687,080)	498,195,698
	10,108,857,750	**565,083,025**	**8,582,504**	**(11,808,107)**	**1,783,389,515**	**16,844,147**	**3,320,186**	**-**	**(628,872,871)**	**(16,820,106)**	**11,828,576,043**

	Note	2015	2014
Proceeds on disposal of PPE			
Balances as previously stated		-	(11,041,337)
Prior period adjustments	48	-	(998)
Restated		**-**	**(11,042,335)**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

15. Property, plant and equipment (continued)

Proceeds on disposal of PPE	2015	2014
Carrying value of PPE	36,661,913	11,808,107
Net gain/(loss) on disposal of assets	(30,408,389)	(11,042,335)
Total	**6,253,524**	**765,772**

Finance leased assets			
Balance previously reported			7,563,132
Prior period adjustment	48		115,362
Restated			**7,678,494**
Electricity			
Balance previously reported			1,339,998,648
Prior period adjustment	48	-	326,849,519
Restated			**1,666,848,167**
Other Properties			
Balance previously reported		-	606,563,962
Prior period adjustment	48	-	17,483,128
Restated		**-**	**624,047,090**
Recreational facilities			
Balance previously reported		-	120,582,107
Prior period adjustment	48	-	78,349,632
Restated		**-**	**198,931,739**
Roads			
Balance previously reported		-	3,890,959,382
Prior period adjustment	48	-	(47,661,383)

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

15. Property, plant and equipment (continued)

Restated		**-**	**3,843,297,999**
Wastewater network			
Balance previously reported		-	904,581,503
Prior period adjustment	48	-	591,245,600
Restated		**-**	**1,495,827,103**
Water network			
Balance previously reported		-	1,191,455,745
Prior period adjustment	48	-	877,803,139
Restated		**-**	**2,069,258,884**
Community buildings			
Balance previously reported		-	454,618,308
Prior period adjustment	48	-	43,577,390
Restated		**-**	**498,195,698**
Non-cash movements 2014			
Carrying value previously reported 2013		-	10,068,299,657
Minus opening carrying value 2013	48	-	(10,108,857,750)
Restated		**-**	**(40,558,093)**
Land			
Balance previously reported		-	449,310,105
Prior period adjustment	48	-	(47,165,220)
Restated		**-**	**402,144,885**
Buildings			
Balance previously reported		-	5,214,457
Prior period adjustment	48	-	(5,214,457)

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

15. Property, plant and equipment (continued)

Restated		**-**	**-**
Work-in-progress (WIP)			
Balance previously reported		-	1,041,706,616
Prior period adjustment	48	-	(252,199,050)
		-	**789,507,566**
Impairment			
Balance per PPE reconciliation statement		-	504,750
Balance per Statement of Financial Performance		-	(470,700)
Rounding of various amounts		-	(10)
Cash Flow movement	44&61	**-**	**34,040**

Impairment loss of R16 820 106 disclosed under 2014 impairment loss above differs from the disclosure of R 16 867 247 within the Statement of Financial Performance due to 2014 impairment on assets released from the revaluation reserve as offset against impairment expenditure.

Impairment loss of R 470 700 disclosed under 2015 impairment loss above differs from the disclosure of R 504 750 within the Statement of Financial Performance due to 2015 impairment on assets released from the revaluation reserve as offset against impairment expenditure

There are currently 7 565 assets that have carrying values between R0.00 and R1.00, which are still in use.

As at 30 June 2015 the total cost of all fully depreciated assets amount to R 135 745 358 (2014 restated: R 1 075 169 233).

As at 30 June 2015 there are assets retired from active use and held for disposal.

For future capital commitments refer to note 45.

Pledged as security

No assets were pledged as security except for those assets subject to finance lease as disclosed below.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

15. Property, plant and equipment (continued)

Borrowing costs capitalised

No borrowing costs were capitalised during the year.

Assets subject to finance lease (Net carrying amount)

Leases - Office equipment	4,522,599	7,678,495
Other properties	-	(7,242,436)
	4,522,599	**436,059**

Revaluations

The values were determined by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 4678/9.

The value of property, comprising of land and buildings was determined by using a combination of three valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparible market transactions.

The preferred valuation methodology applied was that of comparible market related sales, based on use, location and extent. In cases where no reasonable comparible sales were available, the discounted cash flow methodology was used based on market related rentals for similar properties

Land and buildings are re-valued every 4 years. The last valuation was performed on 01 July 2013.

The fair values were determined directly by reference to observable prices and an active market or recent market transactions at arms length terms.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has taken all reasonable steps to ensure the completeness of the fixed asset register by using the best international and local methodologies and practices for asset verification, within the limits of the available organisational, human and financial capacity.

16. Investment in associate

Name of entity	% holding 2015	% holding 2014	Carrying amount 30 June 2015	Carrying amount 30 June 2014
East London Industrial Development Zone (Pty) Ltd (IDZ)	26.00 %	26.00 %		
BCMM share in IDZ - 26,000 shares @ 0,01c included in the carrying amount	26.00 %	26.00 %	81,908,295	59,548,855
			81,908,295	59,548,855

The carrying amount of the associate is shown net of impairment losses.

Movements in carrying value

	Note	2015	2014
Opening balance		59,548,855	5,326,008
Share of surplus/(deficit)	44	22,359,440	54,222,847
		81,908,295	**59,548,855**

Investment in associate amounted to R 81,908,295 (2014: R 59,548,855).

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

16. Investment in associate (continued)

Fair value

Management could not make a reliable estimate of the fair value of the associate as the information to determine the fair value is not readily available. Management however believes that the face value approximates the fair value of the shares.

Principal activities, country of incorporation and voting power

Legal name	Principal activity	Country	Proportion of voting power
East London Industrial Development Zone (Pty)Ltd	Development of East London's Industrial Development Zone.	SA	26%

Summary of controlled entity's interest in associate

	2015	2014
Total equity	81,908,295	59,548,855
Total liabilities	444,072,195	453,861,203
Total assets	525,980,490	495,600,534
Surplus	22,359,440	54,222,847
Revenue	25,081,369	15,836,977

Associate with different reporting dates

The financial statements of East London Industrial Development Zone (Proprietary) Limited are prepared for the accounting period 01 April 2014 to 31 March 2015 and the quarter ending 30 June 2015.

Per Accounting Police 1.8, the municipality uses the most recent available financial statement of the associate in applying the equity method.

17. Borrowings

	2015	2014
Held at amortised cost		
Annuity loans	542,573,900	597,206,902
	542,573,900	**597,206,902**

The entity did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the borrowings were re-negotiated.

	2015	2014
Non-current liabilities		
At amortised cost	496,476,706	542,573,901
Current liabilities		
At amortised cost	46,097,194	54,633,001
	542,573,900	**597,206,902**

18. Consumer deposits

	2015	2014
Electricity	27,773,961	25,425,246
Water	20,730,761	19,412,566
	48,504,722	**44,837,812**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

18. Consumer deposits (continued)

The amounts reflected represent a cost value as Management believes that the cost value approximates the fair value.

Guarantees held in lieu of Electricity and Water Deposits amounted to R18 677 096 (2014: R17 103 000).

The consumer deposits are reflected at nominal value as they are utilised as part of the settlement of final consumer accounts.

19. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	3,193,893	3,974,784
- in second to fifth year inclusive	809,307	3,959,196
	4,003,200	7,933,980
less: future finance charges	(497,918)	(1,725,490)
Present value of minimum lease payments	**3,505,282**	**6,208,490**
Present value of minimum lease payments due		
- within one year	2,738,106	2,783,463
- in second to fifth year inclusive	767,176	3,425,027
	3,505,282	**6,208,490**
Non-current liabilities	767,176	3,425,027
Current liabilities	2,738,106	2,783,463
	3,505,282	**6,208,490**

The average lease term was 3-5 years and the average effective borrowing rate was 15.34% (2014: 17.16%).

Interest rates are either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements. The contingent rentals were recognised as an expense for the period.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated.

After the initial period the leases shall automatically be renewed on a monthly basis unless cancelled by either party.

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased asset.

There are no restrictions imposed on the lease arrangements.

There are no sublease arrangements.

The contingent rent for the current year amounted to nil. (2014: nil).

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

20. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Adjustment	Total
Landfill sites	184,141,541	(7,473,888)	176,667,653

Reconciliation of provisions - 2014

	Opening Balance	Adjustment	Total
Landfill sites	167,380,121	16,761,420	184,141,541

	2015	2014
Non-current liabilities	10,433,259	57,755,878
Current liabilities	166,234,394	126,385,663
	176,667,653	**184,141,541**

With regards to the Provision for Landfill sites it is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoil, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used:
- Interest rate used is BCMM's borrowing rate at 10.16% (2014: 10.13%).

- The valuation for the landfill site provision in 2015 was done by Munitech (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 1988/761/07 and the SAACE membership number is 439.

The expense relating to the provision is included under note 32: General Expenses - Other expenses.

21. Payables from exchange transactions

	2015	2014
Trade payables	216,156,846	341,882,156
Payments received in advance	101,785,623	70,227,093
Retension monies	60,216,942	44,932,360
Market creditors	42,879	42,879
Accrued leave pay	61,322,806	58,342,567
Deposits received	5,617,590	5,340,051
Other creditors	90,036,403	120,757,487
	535,179,089	**641,524,593**

	Note	2015	2014
Prior period errors - Other creditors	48		
Balance previously reported		-	107,614,301
Overtime		-	278,357
R293 Employees		-	7,350,220
Scarce skills		-	5,514,610
Restated		**-**	**120,757,488**

Accrued leave pay represents the total value of all leave due to staff as at 30 June 2015.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Government grants	4,254,729	11,989,008
Provincial grants	37,595,689	41,532,844
Other conditional grants	18,243,359	18,427,926
Agency - Land Affairs	145,620,832	141,767,965
	205,714,609	**213,717,743**

22. Unspent conditional grants and receipts (continued)

Movements on grants

Grant description	Unspent balance 30 June 2014	Receipts	Interest	Transfer operating expenditure	Transfer capital expenditure	Other transfers	Unspent balance 30 June 2015
Transitional Grant	113,769	-	-	-	-	-	113,769
Finance Management Grant	93,180	1,500,000	-	(1,473,687)	-	(96,496)	22,997
Land Affairs Grant - West Bank	75,398,192	-	4,380,406	-	-	-	79,778,598
Urban Settlement Development Grant	651,701	673,289,000	-	(78,087,345)	(540,452,290)	(55,399,782)	1,285
Municipal Infrastructure Grant	8,244,260	-	-	-	-	(8,244,260)	-
Energy Efficient Technology Grant ***	5,588,975	-	-	-	-	-	5,588,975
European Commission Grant	879,526	-	44,452	-	-	-	923,978
Land Affairs Grant - East Bank	66,369,776	-	3,565,181	(81,506)	-	-	69,853,451
Infrastructure Skills Development Grant	2,881,809	5,500,000	-	(5,376,094)	-	(2,897,037)	108,678
Department of Water Affairs Grant	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant	-	5,000,000	-	-	(4,884,639)	(112,969)	2,392
Expanded Public Works Program Grant	-	1,890,000	-	(1,595,500)	-	(19,459)	275,041
Municipal Support Programme Grant	-	-	-	-	-	-	-
Local Economic Development Grant	3,312,282	-	-	-	-	(3,312,282)	-
Provincial Government Premiers Grant	67,421	-	-	-	-	-	67,421
Mdantsane Urban Renewal Grant (Mount Ruth) ***	8,636,383	-	436,492	-	-	-	9,072,875
Health Management Systems Grant	176,266	-	-	-	-	-	176,266
Aids Training Information Centre Grant ***	7,890,529	-	-	-	-	-	7,890,529
Department of Sports Recreation Arts & Culture	9,391,080	-	-	-	(1,376,872)	-	8,014,208
Ward Committee Training Grant	375,372	-	-	216,287	-	-	591,659
Amatole District Municipality Grant	1,979,270	-	-	(306,000)	-	-	1,673,270
Buffalo City Metropolitan Transport Grant	701,557	-	-	-	(256,283)	42,225	487,499
Donation and Public Contribution Grant	5,744,790	101,820	-	-	-	-	5,846,610
Sector Education Training Authority Grant	335,276	2,263,551	-	-	-	(2,324,111)	274,716
Department Economic Affairs and Tourism Grant	127,126	-	-	(3,393,351)	(116,585)	3,382,811	-
Vuna Award Grant	1,048,758	-	-	(8,692)	-	-	1,040,066
Gavle Grant	746,181	647,589	66,402	-	-	-	1,460,172
Glasgow Partnership Grant	89,858	-	-	-	-	-	89,858

22. Unspent conditional grants and receipts (continued)

Public Development Areas Development Fund	1,158,306	-	-	-	-	-	1,158,306
Eastern Cape Development Agency Grant	67,359	-	-	-	-	-	67,359
Umsobomvu Youth Grant	744,585	-	29,846	(466,994)	-	-	307,437
Compost Waste Management Grant	60,640	-	-	-	-	-	60,640
Leiden Grant	153,893	-	8,258	(40,530)	-	-	121,621
Human Settlement Development Grant	-	106,798,332	693,540	(197,121,881)	(47,828,616)	137,458,625	-
Housing and Infrastructure Development Grant	379,594	-	19,689	-	-	-	399,283
Electricity Demand Side Management Grant	1,234	-	-	-	-	(1,234)	-
Integrated National Electrification Programme	3,055	20,587,000	-	-	(20,576,987)	(10,847)	2,221
Mdantsane Upgrade Water Supply Grant	34,423	-	1,785	-	-	-	36,208
Mdantsane Upgrade Water and Sewerage Grant	160,890	-	8,345	-	-	-	169,235
Water Supply to Cove Rock Grant	327,858	-	-	-	-	-	327,858
Bequests	136,785	-	4,552	-	-	-	141,337
Sundry Grants	4,010,717	-	15,005	(500,940)	-	300,421	3,825,203
Other Grants ex Amatole District Council	427,765	-	861	-	-	-	428,626
Sundry Housing Grants	5,207,301	-	107,661	-	-	-	5,314,962
	213,717,742	**817,577,292**	**9,382,475**	**(288,236,233)**	**(615,492,272)**	**68,765,605**	**205,714,609**

Prior period errors	48		
Balance previously reported		-	216,555,243
ATIC - Prior years revenue not recognised		-	(2,817,795)
ATIC - 13/14 Grant expenditure - recognised as revenue		-	(19,706)
Restated		**-**	**213,717,742**

*** These grants were received from government institutions in prior years for service delivery projects. The projects earmarked for these funds have reached their conclusion and the institution is in the process of confirming with the funders whether these funds need to be returned to the institutions or whether they could be utilised for other service delivery projects. The future use of these funds will depend on the response to this correspondence.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

22. Unspent conditional grants and receipts (continued)

Though an amount of R205.7 million is reported as unspent conditional grants, this figure includes the following:
- An amount of R149.6 million that BCMM administers on behalf of the WestBank and EastBank Land Restitution (Section 21 Company), BCMM has no control on the spending of use of the funding.
- Small balances that were left as unspent or savings after the projects that the conditional grants were given for have been completed.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

23. Post - retirement medical obligation

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

Carrying value			
Balance at beginning of year		414,074,719	368,460,641
Interest cost		36,636,940	30,252,855
Current service cost		19,861,974	15,115,233
Actual employer benefit payments		(15,665,595)	(14,779,624)
Actuarial loss/(gain) recognised in the year		48,514,883	15,025,614
Net liability		**503,422,921**	**414,074,719**

Net costs			
Interest cost		36,636,940	30,252,855
Current service cost		19,861,974	15,115,233
Actuarial (gain)/loss recognised in the year		48,514,883	15,025,614
Net cost per Statement of Financial Performance	32	**105,013,797**	**60,393,702**

Prior period error			
Previously reported		-	399,048,859
Adjusted	48	-	15,025,614
Restated		**-**	**414,074,473**

Prior period error			
Previously reported		-	72,265,660
Adjusted	48	-	(11,871,958)
Restated		**-**	**60,393,702**

Non-current liabilities		(487,757,326)	(399,295,095)
Current liabilities		(15,665,595)	(14,779,624)
		(503,422,921)	**(414,074,719)**

The best estimates for the employer benefit payments in the 2015/16 financial period is expected to be R15 947 688 (The actual employer benefit payments in the 2014/15 financial period was R15 665 595).

The municipality employees contribute to 5 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med and Hosmed. Pensioners continue on the option they belonged to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was prepared in August 2015 by One Pangaea Financial using the Projected Unit Credit Method.

The municipality opted not to recognise the actuarial loss applying the "Corridor" method.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

23. Post - retirement medical obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.01 %	8.99 %
Medical aid inflation rate	8.12 %	8.09 %
Net effective discount rate	0.82 %	0.83 %
Post retirement subsidy	60.00 %	60.00 %

Retirement age		
Males	63	63
Females	63	63
Number of eligible members	2,688	2,523
Number of pensioners	521	509
1% change in the assumed medical inflation:		
Projected liability increase/(decrease) - 2016	90,616,126	(80,547,667)
Projected liability increase/(decrease) - 2015	65,009,731	(52,587,489)
Projected liability increase/(decrease) - 2014	51,876,352	(47,885,863)
Projected liability increase/(decrease) - 2013	51,234,423	(40,987,539)
Projected liability increase/(decrease) - 2012	54,628,164	(44,385,384)
Projected liability increase/(decrease) - 2011	42,114,610	(36,499,296)

Mortality during employment - SA 85-90 Ultimate table adjusted for female lives.

Mortality post retirement - PA901 Ultimate table rated down one year.

23. Post - retirement medical obligation (continued)

Sensitivity results

The liability at the Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed rate of health care cost inflation;
- A 1% increase and decrease in the discount rate;
- A one-year age reduction in the assumed rates of post-retirement mortality;
- A one-year decrease in the assumed average retirement age; and
- A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		291.235	212.188	503.423	
Health care inflation	1%	349.712	232.481	582.192	16%
	-1%	241.097	193.566	434.663	-14%
Discount Rate	1%	240.474	193.838	434.312	-14%
	-1%	356.921	233.838	590.759	17%
Post-retirement mortality	-1yr	302.041	221.127	523.167	4%
Average retirement age	-1yr	320.064	212.188	532.252	6%
Continuation of membership at retirement	-10%	262.112	212.188	474.299	-6%

Note : The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 16% higher than that shown.

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2015.

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		19,861,974	36,636,940	56,498,914	
Health care inflation	+1%	22,980,304	42,388,940	65,369,244	16%
	-1%	17,339,503	31,984,049	49,323,552	-13%
Discount Rate	+1%	17,489,110	35,458,850	52,947,960	-6%
	-1%	23,284,387	38,238,360	61,522,748	9%
Post-retirement mortality	-1yr	21,609,828	39,860,991	61,470,819	9%
Average retirement age	-1yr	21,574,120	38,767,977	60,342,098	7%
Continuation of membership at retirement	-10%	17,875,734	34,484,080	52,359,814	-7%

These figures were derived at the last valuation and were also presented in that report.

The table below summarises the resuts of this analysis on the Current-service and Interest Costs for the year ending 30 June 2016.

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		23,246,500	44,656,400	67,902,900	
Health care inflation	+1%	28,530,500	51,753,600	80,284,100	18%
	-1%	18,768,400	38,460,900	57,229,300	-16%
Discount rate	+1%	18,943,500	42,696,300	61,639,800	-9%
	-1%	28,886,400	46,694,500	75,580,900	11%
Post-retirement mortality	-1yr	24,112,100	46,435,400	70,547,500	4%
Average retirement age	-1yr	25,250,400	47,253,900	72,504,300	7%
Continuation of membership at retirement	-10%	20,921,800	420,328,300	62,954,100	-7%

Figures in Rand		2015	2014 Restated

23. Post - retirement medical obligation (continued)

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous periods.

Liability History	**30/06/2011**	**30/06/2012**	**30/06/2013**	**30/06/2014**	**30/06/2015**
Present value of accrued liability	314.541	318.261	368.461	414.075	503.423
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	-314.541	-318.261	-368.461	-414.075	-503.423

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occured.

Experience adjustments	**Year ending 30/06/2011**	**Year ending 30/06/2012**	**Year ending 30/06/2013**	**Year ending 30/06/2014**	**Year ending 30/06/2015**
Liabilities: (Gain) / Loss	14.052	-16.259	18.314	7.896	37.093
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

24. Revaluation reserve

		2015	2014 Restated
Opening balance		4,185,854,583	2,415,539,829
Change during the year		-	1,782,351,434
Revaluation realised		(9,321,616)	(12,036,680)
Revaluation reserve realised on derecognition		60,129,906	-
		4,236,662,873	**4,185,854,583**
Prior period error			
Previously reported		-	2,415,539,829
Revaluation realised		-	(12,036,680)
PPE revalued	48	-	1,782,351,434
Restated		**-**	**4,185,854,583**
Prior period error - Statement of Financial Performance			
Revaluation realised - previously disclosed		-	12,083,819
Adjusted	48	-	25,940,480
Restated		**-**	**38,024,299**
Statement of Financial Performance - Revaluation realised			
Revaluation of land first applied to revaluation deficit-profit & loss		(35,961,901)	-
Revaluation deficit of land in the current year		111,856,648	-
Revaluation of Community Assets in the current year		(57,034)	-
Revaluation of Electricity Network in the current year		(2,907,340)	-
Revaluation of Roads, Rail & Storm-water in the current year		(6,347,245)	-
Revaluation of Water Supply Network in the current year		(9,998)	-
Total revaluation realised through profit & loss		**66,573,130**	**-**

Refer to the Statement of Changes in Net Assets for movements in the reserve.

25. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

25. Financial assets by category (continued)

2015

		Financial assets at amortised cost	Total
Long-term receivables: Other financial assets	11	26,992	26,992
Trade and other receivables from exchange transactions	7	320,652,236	320,652,236
Other receivables from non-exchange transactions	8	374,124,867	374,124,867
Cash and cash equivalents	5	2,198,797,348	2,198,797,348
Vat receivable	9	83,018,326	83,018,326
		2,976,619,769	**2,976,619,769**

2014

		Financial assets at amortised cost	Total
Long-term receivables: Other financial assets	11	42,913	42,913
VAT receivable	9	65,568,270	65,568,270
Trade and other receivables from exchange transactions	7	375,933,168	375,933,168
Other receivables from non-exchange transactions	8	188,270,702	188,270,702
Cash and cash equivalents	5	2,162,739,493	2,162,739,493
		2,792,554,546	**2,792,554,546**

26. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2015

		Financial liabilities at amortised cost	Measured at fair value	Total
Accrued leave pay	21	61,322,806	-	61,322,806
Payments received in advance	21	101,785,623	-	101,785,623
Borrowings: Other financial liabilities	17	542,573,900	-	542,573,900
Trade and other payables	21	366,453,071	-	366,453,071
Consumer deposits	18	-	48,504,723	48,504,723
Other deposits	21	-	5,617,590	5,617,590
Unspent conditional grants	22	205,714,609	-	205,714,609
		1,277,850,009	**54,122,313**	**1,331,972,322**

2014

		Financial liabilities at amortised cost	Measured at fair value	Total
Accrued leave pay	21	58,342,567	-	58,342,567
Payments received in advance	21	70,227,093	-	70,227,093
Borrowings: Other financial liabilities	17	597,206,902	-	597,206,902
Trade and other payables	21	507,614,882	-	507,614,882
Consumer deposits	18	-	44,837,812	44,837,812
Other deposits	21	-	5,340,051	5,340,051
Unspent conditional grants	22	213,717,743	-	213,717,743
		1,447,109,187	**50,177,863**	**1,497,287,050**

		2015	2014
Adjustment of financial liabilities previously reported	48		
Balance previously reported		-	1,486,981,364
Salaries,overtime & allowances paid in 14/15 iro 2013 & prior	21	-	13,143,186
ATIC - 13/14 Grant expenditure - recognised as revenue	22	-	(2,837,500)
Restated		**-**	**1,497,287,050**

27. Revenue

	2015	2014
Service charges	2,424,752,656	2,198,959,742
Rental of facilities and equipment	17,430,173	15,017,944
Licences and permits	14,034,279	14,160,878
Other revenue	221,465,547	243,576,732
Interest received - investment	159,165,416	123,609,078
Property rates	794,518,845	672,956,899
Government grants & subsidies	1,563,731,034	1,546,689,231
Fines	5,499,648	7,571,936
Public contributions and donations - PPE	3,410,514	-
Fuel levy	361,639,000	343,412,000
	5,565,647,112	**5,165,954,440**

Figures in Rand	2015	2014 Restated

27. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2,424,752,656	2,198,959,742
Rental of facilities and equipment	17,430,173	15,017,944
Licences and permits	14,034,279	14,160,878
Other revenue	221,465,547	243,576,732
Interest received - investment	159,165,416	123,609,078
	2,836,848,071	**2,595,324,374**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

27. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:			
Taxation revenue			
Property rates		794,518,845	672,956,899
Transfer revenue			
Government grants and subsidies		1,563,731,034	1,546,689,231
Fines		5,499,648	7,571,936
Public contributions and donations - PPE		3,410,514	-
Fuel levy		361,639,000	343,412,000
		2,728,799,041	**2,570,630,066**

Fines			
Library - Revenue recovered		93,440	110,281
Littering - Revenue recovered		45,722	43,484
Traffic - Revenue recovered		5,360,485	7,418,171
Total fines		**5,499,647**	**7,571,936**

Traffic fines are made up as follows:			
Traffic fines accrued		764,987	1,661,965
Revenue received		4,595,498	5,756,206
Revenue raised		**5,360,485**	**7,418,171**

Total fines outstanding from period 2012-2015 is R 42 214 405 after eliminating untraceable and collected fines. A probability factor of 33% (35% : 2014) collection of total outstanding fines was calculated which amounted to R 13 930 753 (R 1 661 965 : 2014 and R 11 503 802 : 2013).

The lifespan of traffic fines is as follows:

- Traffic offences in respect of which the admission of guilt amount is below R500: one year from date of issue of the warrant.
- Traffic offences in respect of which the admission of guilt amount is from R500 up to the maximum amount that may be determined by a peace officer in terms of section 56(1) of Act 51 of 1977: two years from the date of issue of the warrant.

The above arrangement also applies in traffic cases where a notice in terms of section 341 of Act 1977 is followed up by a summons setting admission of guilt up to the above maximum amount.

Prior period error - Other Government grants and subsidies			
Previously reported		-	1,546,669,525
Adjusted	48	-	19,706
Restated		**-**	**1,546,689,231**

Prior period error - Traffic fines			
Previously reported		-	5,756,206
Adjusted	48	-	1,661,965
Restated		**-**	**7,418,171**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

28. Property rates

Rates received

Residential	352,831,669	339,969,835
Commercial	359,231,227	317,876,795
Municipal	23,539	256,354
Public Benefit Organisation	56,779	52,545
Educational	9,796,001	9,094,469
Agricultural	6,194,688	3,775,429
Public Service Infrastructure	1,606,014	563,765
Vacant land	87,976,727	27,583,998
Less: Income forgone	(23,197,797)	(26,216,291)
	794,518,847	**672,956,899**

Valuations

Residential	46,111,809,700	41,611,111,930
Commercial	17,470,636,500	15,459,429,730
Public Benefit Organisation	27,616,000	25,557,000
Municipal	2,592,000	23,027,790
Rural Communal Land	3,120,430,661	3,197,894,420
Educational	1,701,580,800	1,579,723,610
Agricultural	3,012,980,400	1,836,298,340
Public Service Infrastucture	781,134,980	274,204,940
Vacant land	3,565,564,000	1,117,937,840
	75,794,345,041	**65,125,185,600**

The Buffalo City Metropolitan Municipality is required, in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on land and buildings every 4 years and a supplementary valuation at least once a year. The second valuation in terms of MPRA was done in 2013 and the implementation date is 1 July 2014. The valuation date is 1 July 2013.

Rates are levied on a monthly basis (the due date for monthly accounts is the 15th of every month). Consumers must apply if they want to pay annually with the final date for payment for annual accounts being 30 September 2015. Interest at a standard rate (as amended from time to time), is levied on rates outstanding after 30 September, except where the owner is paying in installments.

Tariffs levied R/cents

Agricultural	0.002056	0.002056
Business	0.020562	0.020562
Educational	0.005757	0.005757
Public Service Infrastructure	0.002056	0.002056
Residential	0.008225	0.008225
Vacant Land	0.024674	0.024674

Newly developed commercial/Industrial properties with the value of R50 000 000 or above.

The rebate will be phased in over a period of 5 years, from the effective date of the valuation of the improvements in the municipality's valuation roll as follows:

Year 1 - 50%
Year 2 - 40%
Year 3 - 30%
Year 4 - 20%
Year 5 - 10%, thereafter, full rates will be payable.

A rebate/discount of up to 75%, where the Municipality does not supply some or all of the following services:

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

28. Property rates (continued)

Constructed public roads	15.0 %	15.0 %
Water supply	22.5 %	22.5 %
Refuse removal service	7.5 %	7.5 %
Electricity supply	15.0 %	15.0 %
Sewerage service	15.0 %	15.0 %
	75.00 %	**75.00 %**

Buffalo City Metropolitan Municipality grants rebates, in terms of the Municipality's rates policy to the following category of owners:
A rebate to senior citizens if they meet certain requirements.
A percentage rebate granted to the different gross income levels will be as set out in table below:

Gross monthly income Rand	**Rebate**
0 - 3000	100%
3001 - 4500	85%
4501 - 6000	70%
6001 - 7500	55%
7501 - 9000	40%
9001 - 10500	25%

- Impermissible rates (Section 17 of the MPRA):
  Section 17(1)(a) - First 30% of the market value of public service infrastructure.
  Section 17(1)(h) - R15 000 on market value of residential properties.
  Section 17(1)(i) - Properties registered in the name of and used for public worship by religious communities, including an official residence registered in the name of that community which is occupied by an office bearer of that community.

29. Service charges

Sale of electricity	1,465,814,133	1,383,883,601
Sale of water	394,281,598	325,359,981
Sewerage and sanitation charges	278,831,681	248,672,891
Refuse removal	261,806,838	228,894,570
Other service charges	24,018,406	12,148,699
	2,424,752,656	**2,198,959,742**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

30. Government grants and subsidies

Operating grants		
Government grants - operating projects	93,852,534	33,684,569
Other Government grants and subsidies	660,002,528	665,285,647
Government grants - housing projects	194,383,699	113,216,227
	948,238,761	812,186,443
Capital grants		
Government grants (capital: PPE)	615,492,273	734,502,788
	615,492,273	734,502,788
	1,563,731,034	**1,546,689,231**

Equitable Share

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

	Note		
Prior period error - Other Government grants and subsidies	48		
Previously reported		-	665,265,941
ATIC - 13/14 Grant expenditure - recognised as revenue		-	19,706
Restated		**-**	**665,285,647**

Unspent conditional grants and receipts

Conditions still to be met - remaining liabilities (see note 22).

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

31. Other revenue

Administration fees	46,219	37,833
Admission fees	2,614,434	2,449,545
Application: Town planning	42,974	46,467
Cemetery fees	6,880,758	6,680,255
Cold storage fees	709,412	547,131
Commission	18,083,876	18,700,954
Coupons and clip tickets	647,970	1,197,039
Dog tax and penalties	703,072	733,935
Fire brigade	565,110	788,389
Fire levy charges	58,358,226	52,485,446
Grazing fees	54,857	54,750
Hire charges	21,328	211,969
Insurance	5,140,458	860,945
Levy on gates	34,452	79,320
Library	17,814	26,816
Meter test fees	30,934	21,995
Parking meters	1,841	41,747
Photocopies	83,131	84,065
Plan approval fees	6,173,843	7,247,343
Private works	3,918,697	2,584,608
Sale of plants and animals	8,126	14,377
Scrap	3,113,518	3,759,514
Service connections and reconnections	22,848,208	28,868,629
Street frontage and administration fees	350,501	339,033
Sub division fees	1,850,849	1,271,954
Sundry income	57,387,407	80,743,338
Tender receipts	376,479	716,871
Towing fees	59,182	43,233
Vehicle registrations	31,341,872	32,939,231
	221,465,548	**243,576,732**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

32. General expenses

Advertising	2,787,216	2,984,268
Assessment rates & municipal charges	353,691	1,810,173
Assets expensed	1,306,505	1,579,393
Auditors remuneration	12,571,538	11,692,400
BCMET	135,125	109,729
Bank charges	6,324,841	7,409,958
Chemicals	12,279,070	12,800,852
Cities network	-	353,692
Cleaning	4,241,602	5,277,334
Commission paid	17,030,075	13,498,746
Computer expenses	7,941,136	4,082,237
Conferences and seminars	2,712,792	2,825,016
Consulting and professional fees	26,421,302	39,259,418
Consumables	5,909,720	6,166,756
DWAF	5,302,871	5,622,063
Disconnections	9,667,756	8,757,614
Electricity	52,861,194	50,667,131
Entertainment	2,311,676	2,423,254
Essential user cost	16,931,536	14,396,321
Fuel and oil	38,273,910	40,568,403
Hire (labour and plant)	222,979	279,546
IT expenses	3,424,713	4,160,236
Insurance	20,849,733	16,112,196
Lease rentals on operating lease	62,523,931	59,664,515
Levies	20,587,099	22,144,760
Magazines, books and periodicals	632,153	762,110
Marketing	438,099	548,449
Motor vehicle expenses	4,822,923	4,698,359
Operating and housing projects ex grants	263,279,958	207,289,564
Other expenses	84,489,492	70,163,634
Post-retirement medical obligation net cost	105,013,797	60,393,702
Postage and courier	5,817,320	5,858,606
Printing and stationery	5,666,913	7,313,583
Projects ex surplus and other	76,882,177	154,742,967
Promotions	190,590	593,361
Refuse	11,115,629	10,290,040
Royalties and license fees	8,514,790	7,883,985
Security (Guarding of municipal property)	444,380	862,161
Software expenses	961,662	920,857
Special events	2,190,570	3,150,662
Subscriptions and membership fees	11,098,046	10,407,362
Telecommunication costs (telephones, faxes and cell phones)	23,028,770	21,988,947
Title deed search fees	26,700	19,265
Training	2,765,093	3,018,416
Travel - local	9,377,789	12,183,104
Travel - overseas	1,718,090	1,098,776
Uniforms	7,034,955	6,925,609
Water	12,375,824	7,549,700
	970,857,731	**933,309,230**

Prior year error	48		
Previously reported		-	823,443,362
Projects ex surplus and other - corrected		-	121,737,826
Post retirement benefit obligation actuarial valuation adjusted 13/14		-	(11,871,958)
Restated		**-**	**933,309,230**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

32. General expenses (continued)

Hire (labour and plant) - mapping correction		
Previously reported	-	2,044,385
Classification correction (to lease rentals on operating leases)	-	(1,764,839)
Restated	**-**	**279,546**

Lease rentals on operating leases - mapping correction		
Previously reported	-	57,899,676
Classification correction (from hire - labour and plant)	-	1,764,839
Restated	**-**	**59,664,515**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

33. Employee related costs

Basic emoluments		709,687,300	657,584,732
Medical aid contributions		52,912,912	46,872,273
UIF		7,475,875	7,262,800
Leave pay contribution		29,230,388	22,094,145
Pension fund contribution		127,907,120	120,364,342
Overtime payments		107,200,176	80,707,106
Long-service awards		16,269,660	14,839,638
13th Cheque's		57,181,842	53,860,105
Car allowance		20,473,104	18,630,906
Housing benefits and allowances		3,507,535	3,219,132
Group life		5,733,497	5,468,219
Other allowances		54,741,228	50,357,223
Job evaluation settlement agreement		10,200	53,335,800
		1,192,330,837	**1,134,596,421**

Prior period errors - Other allowances	48		
Other allowances previously reported		-	45,006,419
Adjusted		-	5,350,804
Restated		**-**	**50,357,223**

Summary of prior period errors	48		
Balance previously reported		-	1,129,245,617
Adjusted		-	5,350,804
Restated		**-**	**1,134,596,421**

Remuneration of City Manager

Remuneration		1,095,250	966,587
Travel Allowance		180,000	180,000
UIF		1,785	1,785
Contributions to UIF, Medical and Pension Funds		213,574	206,777
Allowance		334,809	357,250
		1,825,418	**1,712,399**

Remuneration of Chief Financial Officer

Remuneration		912,709	856,200
Travel Allowance		288,000	288,000
Allowance		85,172	64,072
UIF		1,785	1,785
Medical aid		38,448	35,597
Pension contributions		177,978	166,958
Group life		17,090	14,387
		1,521,182	**1,426,999**

Remuneration of Director Executive Support Services

Remuneration		220,498	-
Housing subsidy		2,180	-
Travel allowance		69,121	-
Allowance		25,434	-
UIF		595	-
Medical aid		6,842	-

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

33. Employee related costs (continued)

Pension contributions	39,888	-
Group life	2,938	-
	367,496	**-**

The position was filled on 01 March 2015.
Acting allowance to the value of R137 102 was paid in the 2014/15 financial year in respect of vacant Director Executive Support Services position.

Remuneration of Chief Operations Officer

The position was vacant for 2014/15.
If the position was filled for the entire year the remuneration would have amounted to R1 102 490. Acting allowance to the value of R183 349 was paid in the 2014/15 financial year in respect of vacant Chief Operations Officer position.

Remuneration of Director Corporate Services

Remuneration	220,498	-
Allowance	108,227	-
UIF	595	-
Medical aid	5,929	-
Pension contributions	32,248	-
	367,497	**-**

The position was filled on 01 March 2015.
Acting allowance to the value of R105 825 was paid in the 2014/15 financial year in respect of vacant Director Corporate Services position.

Remuneration of Director Health and Public Safety

The position was vacant for 2014/15.
If the position was filled for the entire year the remuneration would have amounted to R1 102 490. Acting allowance to the value of R167 084 was paid in the 2014/15 financial year in respect of vacant Director Health and Public Safety position.

Remuneration of Director Engineering Services

Remuneration	801,323	784,393
Travel allowance	154,000	168,000
Allowance	179,194	174,814
UIF	1,636	1,785
Medical aid	16,531	14,972
Pension contributions	149,464	152,957
Group life	10,164	10,401
	1,312,312	**1,307,322**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

33. Employee related costs (continued)

Remuneration of Director Development and Planning

Remuneration	836,163	653,661
Travel allowance	64,000	112,000
Allowance	417,308	203,190
UIF	1,785	1,487
Medical aid	26,194	19,571
Pension contributions	40,763	89,225
Group life	7,392	10,301
	1,393,605	**1,089,435**

Remuneration of Director Community Services

Remuneration	-	275,990
Travel allowance	-	60,000
Allowance	-	116,750
UIF	-	892
Pension contributions	-	76,478
Group life	-	7,344
	-	**537,454**

The position was vacant for 2014/15.
If the position was filled for the entire year the remuneration would have amounted to R1 102 490. Acting allowance to the value of R210 441 was paid in the 2014/15 financial year in respect of vacant Director Community Service position.

Guarantees by the municipality in respect of commercial bank housing loans for officials amount to R105 400 (2014: R195 820).

34. Remuneration of Councillors

Executive Mayor (2015: appointed on 09 June 2015)	678,810	672,937
Deputy Mayor (2015: appointed on 09 June 2015)	544,791	538,349
Speaker	546,425	538,349
Chief Whip	494,836	480,668
Mayoral Committee Members	4,140,380	4,061,650
MPAC - Chairperson	478,121	471,055
Councillors (Allowance = R 235 528: 87 Councillors)	22,451,264	20,803,186
Councillors pension contribution	3,046,769	2,833,204
Councillors housing subsidy	2,514,804	2,524,589
Councillors medical aid	1,539,291	1,368,179
Travel allowance	11,246,697	10,795,602
	47,682,188	**45,087,768**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

34. Remuneration of Councillors (continued)

In-kind benefits

The Executive Mayor, Deputy Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R6 880 131 (2014: R4 826 411).

The House Keeper's cost to Council amounts to R118 079 (2014: R 61 710).

The Executive Mayor, Deputy Mayor, and Speaker each have the use of a Council owned vehicle for official duties. Operating costs of the vehicles amounts to R141 697 (2014: R95 286). An amount of R2 515 396 (2014: R1 472 147) was incurred for hired vehicles.

The Executive Mayor, Deputy Mayor and Speaker each have full-time bodyguards and an official driver. Cost of 17 bodyguards amounts to R7 631 123 (2014: R5 051 767).

35. Debt impairment

	2015	2014
Contributions to debt impairment allowance account	365,110,172	241,010,582

Refer to Note 4.

36. Interest received

	2015	2014
Interest revenue		
Unlisted financial assets	111,675,176	85,781,445
Bank	12,491,246	10,650,128
Interest charged on trade and other receivables	34,993,173	27,057,186
Interest on sporting body loans	5,821	6,426
Interest received - SARS	-	113,893
	159,165,416	**123,609,078**

37. Fair value adjustments and discounting of receivables and payables

In terms of GRAP 104 Paragraph AG 87 the initial period granted for short-term payables and receivables is 30 days. As the normal municipal receivables and payables terms are within 30 days and is consistent with established practice and legislation, no discounting needs to be performed.

38. Depreciation and amortisation

	Note	2015	2014
Property, plant and equipment	15	728,984,376	628,872,868
Intangible assets - amortisation	12	390,629	855,198
		729,375,005	**629,728,066**
Prior period errors	48		
Property, plant and equipment previously reported		-	643,304,174
Adjusted		-	(14,431,306)
Restated		**-**	**628,872,868**

39. Finance costs

	2015	2014
Non-current borrowings	60,670,766	65,775,074

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

40. Auditor General remuneration

Audit fees	32	12,571,538	11,692,400

41. Contracted services

Other Contractors	14,606,853	9,742,994

42. Grants and subsidies paid

Grants-in-Aid		
Other Organisations	1,216,328	1,148,925
Subsidies-Churches,sport and other welfare org.	3,022,612	2,927,522
Buffalo City Tourism	14,999	-
Buffalo City Development Agency	1,878,074	1,034,296
Mayoral Social Responsibility	463,202	434,930
Publicity Association Grant	5,930,121	-
Sponsored Sporting Events	19,730,568	11,321,082
Social Welfare Grant (Poor relief)	203,542,139	129,004,433
	235,798,043	**145,871,188**

43. Bulk purchases

Electricity	1,043,185,522	952,084,304
Water	170,456,251	158,379,874
	1,213,641,773	**1,110,464,178**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

44. Net cash flows from operating activities

Surplus		371,483,446	658,106,569
Non-cash movements			
Depreciation and amortisation	38	729,375,005	629,728,066
(Gain)/Loss on the sale of property, plant and equipment	15	30,408,389	11,042,335
Share of profit of associate	16	(22,359,440)	(54,222,847)
Fair value adjustment on Investment Property revalued	13	4,909,235	(29,081,150)
Impairment deficit	15	504,750	16,867,247
Debt impairment	35	365,110,172	241,010,582
Movement in operating leases	10	(2,573,654)	(2,265,211)
Movement in post retirement medical aid benefit obligation	23	89,348,202	72,511,896
Movement in provisions relating to landfill sites	20	(7,473,888)	16,761,420
Adjustments in SoCNA	61	6,945,204	(58,204,768)
Non cash and adjustments on PPE	15	(10,849,576)	(11,902,690)
2014 opening balance adjustment on PPE	15	-	(40,558,093)
Revaluation on PPE 2014	15	15,764,840	(1,783,389,515)
Revaluation recognized in SoCNA	15	50,808,289	1,782,351,433
Impairment	15	(34,040)	(47,139)
Non cash and adjustments on Intangible assets	12	-	(68,378,032)
Opening balance adjustment on Heritage and Investment properties	15	-	(8,509,126)
Non-cash intangible asset additions	12	-	(6,139,502)
Non-cash property, plant and equipment transfers	15	626,604	(16,844,147)
Movement in inventory	6	5,719,579	8,767,056
Movement in receiveables from non-exchange transactions	8	(172,688,398)	10,795,706
Movement in receivables from exchange transactions	7	(309,829,240)	(232,959,253)
Movement in payables from exchange transactions	21	(106,345,504)	69,468,620
Movement in VAT receivables	9	(17,450,056)	(367,773)
Net movement on unspent conditional grants	22	(8,003,134)	(246,877,801)
		1,013,396,785	**957,663,883**

Adjustments in SoCNA		
Prior to 2014 adjustments	-	84,806,103
Take on Finance leased assets	-	115,363
Infrastructure adjustment	-	(146,203,643)
Revaluation reserve realised	-	(12,036,679)
Take on PPE donated	-	21,056
Take on of Movable Assets	-	3,320,186
Take on of Intangible Assets	-	6,139,502
Take on of Motor Vehicles	-	5,657,274
Adjustment to Recreational Facilities	-	(106,657)
Take on Community Facilities	-	82,727
Aquarium animals adjustment	40,181	-
Zoo animals adjustment	328,985	-
Take-on Movable assets	6,206,798	-
Take on	369,240	-
	6,945,204	**(58,204,768)**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

45. Commitments

Authorised capital expenditure

Approved and contracted for - Property, Plant and Equipment		
• Community (including housing)	668,844,677	369,565,360
• Infrastructure	676,749,553	764,147,620
• Other	52,713,642	32,006,345
	1,398,307,872	**1,165,719,325**

Prior Year Adjustments		
• Previously disclosed 2012/13 annual financial year	-	1,171,903,213
• Revised disclosure 2012/13 annual financial year	-	1,124,327,201
• Previously disclosed 2013/14 annual financial year	-	1,206,223,487
• Revised disclosure 2013/14 annual financial year	-	1,165,719,324
	-	**-**

Previously disclosed 2013/14 annual financial year		
Community (including housing)	-	387,353,490
Infrastructure	-	788,026,833
Other	-	30,843,164
	-	**1,206,223,487**

This committed expenditure relates to Infrastructure, Community and other Property, Plant and Equipment.
The above amounts exclude VAT. Refer to note 54: Irregular Expenditure in respect of prior year adjustment narration.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	9,811,302	10,660,877
- in second to fifth year inclusive	7,685,056	10,506,237
	17,496,358	**21,167,114**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rental increases escalates between 0% and 12% annually.

No contingent rent is payable.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

46. Contingent assets

Contingent assets

A counterclaim of R27 140 802 (2014: R27 140 802) has been instituted by Council against Dormell Properties trading as Alliance Communications for repayment of amounts paid to them relating to the forensic investigation on Dr Zitha's appointments.

BCMM purchased property in the amount of R762 440 (2014: R762 440) from Roger Rodney Smith who has now instituted a claim against Council for the sale to be reversed. If successful, BCMM will be refunded the amount.

Summons in the amount of R492 050 (2014: R492 050) have been issued to parties to recover costs incurred relating to a forensic investigation undertaken in respect of services rendered for waste sites.

A claim of approximately R515 946 (2014: R515 946) has been instituted by Council against ASBF Marking, Imigudu Joint Venture and Others due to contractor disputes whereby the contractor defaulted from their obligations in terms of the contract.

A claim in reconvention of R7 327 965 (2014: R7 327 965) has been instituted by Council against Phumelela Africa Professional Engineers t/a Phumaf Consulting Engineers (Pty) Ltd for repayment of amounts paid to them as the procurement processes were not followed.

A claim in reconvention of R0 (2014: R11 672 660) has been instituted by Council against Ronnies Motors Trust for repayment of amounts paid to them due to the cancellation of the contract and return of the buses. (Resolved)

A claim of R120,000 (2014: R0) has been instituted by Council against Yekela for payment of taxed costs in favour of BCMM.

47. Related parties

Associate	Refer to note 16

Buffalo City Development Agency (BCDA) (a Section 21 company registration no 2004/016829/08):

The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCMM. BCDA is 100% controlled by BCMM. BCMM Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2005.

BCMM relationship with BCDA: Subsidiary - Buffalo City Development Agency (SOC) Ltd.

The municipality issued grants of R1 850 658 (VAT exclusive) to the development agency during the current financial year (2014: R838 874 - VAT exclusive).

BCDA has paid no consumer accounts during the current and 2014 financial years.

There are no share based payments.

There are no post-employment benefits for key personnel.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

BCMM paid an amount of R1 767 681 (2014: R1 208 204) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2014/15 financial year to the East London IDZ.

South African Cities Network is an organ of state. BCMM's Mayor and City Manager serves on the board.
BCMM paid an amount of R0 (2014: R22 860 691) VAT exclusive in respect of professional fees for services rendered to BCMM.

BCDA - New Board members were appointed with effect from 01 February 2014.

For key management and Councillors remuneration refer to notes 33 and 34.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

48. Prior period adjustments

During the year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods:

The correction of the error(s) results in adjustments as follows:

Accumulated Surpluses Prior to 2014			
Salaries, overtime and allowances paid in 2015 iro 2013	33	-	(7,792,382)
Aids training info centre prior years revenue recognised	22	-	2,817,795
Community facilities-adjustments made iro detailed review	15	-	47,096,125
Intangible assets revaluation	12	-	38,159,665
Land revaluation	15	-	(20,035,969)
Other properties revaluation	15	-	15,839,455
Recreational facilities revaluation	15	-	84,971,524
Sanitation revaluation	15	-	(77,678,388)
Heritage assets adjustments due to revaluation iro prior years	14	-	7,360,147
Investment property adjustments due to revaluation iro prior years	13	-	1,148,985
Revaluation reserve adjustments	15	-	8,313,162
Adjustment to traffic fines recognised 2013 and prior	8&27	-	11,503,802
Post retirement benefit obligation actuarial valuation adjustment 2013 and prior	23	-	(26,897,818)
Total changes to accumulated surpluses			**84,806,103**
Statement of Financial Position 2014			
Salaries, overtime and allowances paid in 2015 iro 13/14	21		13,143,186
Aids training info centre grant-prior years revenue recognised iro 13/14	22		(2,837,500)
Intangible assets revaluation	12	-	(68,378,027)
Investment property revaluation	13	-	66,969
Heritage assets revaluation	14	-	(7,360,147)
Community facilities revaluation	15	-	(43,577,390)
Other properties revaluation	15	-	(17,483,128)
Recreational facilities revaluation	15	-	(78,349,632)
Wastewater network revaluation	15	-	(591,245,600)
Water network revaluation	15	-	(877,803,139)
Electricity revaluation	15	-	(326,849,519)
Land revaluation	15	-	47,165,220
Buildings revaluation	15	-	5,214,457
Roads revaluation	15	-	47,661,383
Finance lease assets adjustment	15	-	(115,362)
Work-in-progress adjustment	15	-	252,199,050
Traffic fines - recognised receivables iro 2013/14 and prior	8	-	(13,165,767)
Post retirement benefit obligation actuarial valuation adjustment 13/14	23	-	15,025,860
Total changes to the Statement of Financial Position 2014			**(1,646,689,086)**
Accumulated Surplus 2014			
Finance leases PPE take on	15		(115,363)
Work in progress, assets included in the revaluation as at 30.06.2014	15		146,203,643
Total changes to Accumulated Surplus 2014			**146,088,280**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

48. Prior period adjustments (continued)

Statement of Financial Performance 2014			
Surplus for the year as per audited financial statements			732,486,733
Aids training info centre grant expenditure recognised as revenue iro 13/14	30		19,705
Salaries, overtime and allowances paid in 2015 iro 13/14	33		(5,350,804)
Transfer capex relating to opex projects during 13/14	32	-	(121,737,823)
Revaluation reserve realised during 13/14	24	-	25,940,480
Adjustment to profit on fair value during 134/14	13	-	(1,215,953)
Adjustment to depreciation due to revaluation during 13/14	38	-	14,431,306
Adjustment to proceeds on disposal of PPE during 13/14	15	-	(998)
Adjustment to traffic fines recognised iro 13/14	27	-	1,661,964
Post retirement benefit obligation actuarial valuation adjustment 13/14	23	-	11,871,958
Net affect on surpluses for 2014			**(74,380,165)**
Restated surpluses for 2014			**658,106,568**

Summary: Adjustments affecting Net Assets	
Changes to opex accounts in prior-prior years	84,806,103
Changes to opex accounts in the 2014 year	(74,380,165)
Changes to accumulated surplusses for 2014	(146,088,280)
Total changes affecting Net Assets	**(135,662,342)**

Reconciliation of the restated balance of the accumulated surpluses as at 1July 2014	
Balance as per audited financial statements	9,140,702,732
Changes affecting net changes	(135,662,342)
Balance as at 1 July 2014 as restated	**9,005,040,390**

Reconciliation of the restated balance of the accumulated surpluses as at 1July 2013	
Balance as per audited fianacial statements	8,393,101,912
Changes affecting net changes	84,806,103
Balance as at 1 July 2013 as restated	**8,477,908,015**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

49. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables	8.75 %	777,795,428	-	-	-	-
Cash in current banking institutions	5.25 %	62,872,865	-	-	-	-
Call investment deposits	5.32 %	2,135,924,483	-	-	-	-
Trade and other payables	7.75 %	(366,453,071)	-	-	-	-
Long term borrowings	10.16 %	(46,097,194)	(96,806,225)	(144,447,789)	(197,019,812)	(299,456,894)

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

Figures in Rand	2015	2014 Restated

49. Risk management (continued)

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value 30 June 2015	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Trade and other receivables	8.75 %	777,795,428	715,214,187	721,851,905	708,697,429
Trade and other payables	7.75 %	(366,453,071)	(340,095,658)	(343,281,565)	(336,968,341)
Cash in current banking institutions	5.25 %	62,872,865	59,736,689	60,309,703	59,174,461
Call investment deposits	5.32 %	2,135,924,483	2,028,033,121	2,047,473,623	2,008,958,317

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur. The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

Credit risk

Credit risk consists mainly of cash deposits (refer note 5) and trade debtors (refer notes 7&8). The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

50. Going concern

The audited separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

51. Events after the reporting date

BCMM has written to National Treasury in respect of USDG roll-over funds and enquired whether these funds can be utilised or need to be returned. BCMM is awaiting National Treasury's response.

52. Unauthorised expenditure

	2015	2014
Opening balance	186,767,984	14,477,908
Unauthorised expenditure for the year	245,299,178	172,290,076
Approved by Council or condoned	-	-
	-	-
Closing balance	**432,067,162**	**186,767,984**

The unauthorised expenditure can be attributed to difficulty of achieving budget accuracy for each expenditure type due to varying operational requirements.

The unauthorised expenditure comprises the following:
- Debt impairment of R178.04 million (refer to note 4)
- Depreciation and asset impairment of R12.79 million (refer to note 4)
- Finance charges of R1.16 million
- Transfers and grants of R33.98 million due to an increase in the indigent register
- Other expenditure of R19.33 million as a result of transfers that were made between capital and operating expenditure

The overall operating budget is overspent by R190.79 million.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

53. Fruitless and wasteful expenditure

Opening balance	4,663,023	4,262,326
Acts of negligence.	479,457	244,168
Payment made iro yearly bus licences.	-	130,032
Interest charged on overdue accounts due to late payment.	164	26,497
	5,142,644	**4,663,023**

Staff members involved in acts of negligence resulted in the municipality incurring losses totalling R479 621 (2014: R244 168).

Payment made iro yearly bus licences in terms of the National Road Traffic Act of 1996 to the amount of R0 (2014: R130 032). The busses were sold in the 2014/15 financial year.

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

54. Irregular expenditure

Opening balance	1,338,224,213	1,197,734,147
Irregular Expenditure - current year	479,245,175	724,100,214
Less: Amounts written-off approved by Council	-	(583,610,148)
	1,817,469,388	**1,338,224,213**

Figures in Rand	2015	2014 Restated

54. Irregular expenditure (continued)

Analysis of expenditure written-off and awaiting condonation per age classification

Current year	479,245,175	724,100,214
Prior years	1,338,224,213	1,197,734,147
Less: Amounts written-off approved by Council	-	(583,610,148)
	1,817,469,388	**1,338,224,213**

Details of irregular expenditure

Procurement made outside SCM regulations	21,955,212	26,453,267
BCC contracts	79,221,509	109,548,461
Annual contracts	222,308,106	207,837,923
Electricity contracts	110,250	4,200,067
Expired leases on machinery and other expired leases	74,157	2,300,028
Expired leases on hygiene products	179,746	1,282,774
Irregular expenditure made on 3 quotation system	4,504,736	107,597,685
Database transactions below R30 000	180,590	-
Formal contracts	4,627,975	18,613,663
Informal contracts	957,016	1,910,273
Identified by BCMM review of poulation	-	208,330,592
Non-approved deviations by Council - MFMA Reg 36 on SCM	95,545,663	27,854,504
Suppliers in service of state	49,580,215	8,170,977
	479,245,175	**724,100,214**

The Auditor General expressed a qualified audit opinion in the prior year relating specifically to irregular expenditure. In an ongoing attempt to ensure all financial information disclosed in the Annual Financial Statements is fairly stated, management undertook a project to analyse all expenditure transactions for 2012/13 and 2013/14 against procurement processes which had been followed in those financial years as well as an assessment of the awards made during those financial years to determine a revised disclosure relating to irregular expenditure as well as the amounts relating to commitments. The conclusion of this project has resulted in the following adjustments and additional irregular expenditure being identified resulting in adjustments being processed in the 2014/15 Annual Financial Statements as follows:

Prior Year Adjustment

As previously disclosed 2011/12 annual financial year	-	664,006,652
Revised disclosure 2011/12 annual financial year	-	676,397,742
As previously disclosed 2012/13 annual financial year	-	930,984,815
Revised disclosure 2012/13 annual financial year	-	1,197,734,147
As previously disclosed 2013/14 annual financial year	-	746,546,748
Revised disclosure 2013/14 annual financial year	-	1,338,224,213
	-	**-**

Details of irregular expenditure - Previously disclosed 2013/14

Procurement made outside SCM regulations	-	21,949,563
BCC contracts	-	64,223,818
Annual contracts	-	178,025,157
Electricity contracts	-	4,200,067
Expired leases on machinery and other expired leases	-	2,300,028
Expired leases on hygiene products	-	1,282,774
Irregular expenditure made on 3 quotation system	-	102,100,912
Formal contracts	-	10,118,898
Informal contracts	-	1,434,136
Non-approved deviations by Council - MFMA Reg 36 on SCM	-	13,536,728
	-	**399,172,081**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

54. Irregular expenditure (continued)

Irregular expenditure summary - Previously disclosed 2013/14

Opening balance	-	930,984,815
Irregular Expenditure - current year	-	399,172,081
Less: Amounts written-off approved by Council	-	(583,610,148)
	-	**746,546,748**

55. In-kind donations and assistance

FELZOO donated assistance to BCMM	71,149	67,210
FELA donated assistance BCMM	3,800	18,600
	74,949	**85,810**

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	11,096,000	10,400,000
Amount paid - current year	(11,096,000)	(10,400,000)
	-	-

Contributions to SA Cities Network

Current year subscription / fee	1,500,000	353,692
Amount paid - current year	(1,500,000)	(353,692)
	-	-

Audit fees

Current year fee	12,571,538	11,692,400
Amount paid - current year	(12,571,538)	(11,692,400)
	-	-

PAYE, UIF and Skills

Current year subscription / fee	179,341,768	170,654,949
Amount paid - current year	(179,341,768)	(170,654,949)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	278,218,096	251,027,630
Amount paid - current year	(278,218,096)	(251,027,630)
	-	-

Amounts in respect of June 2015 were paid by 07 July 2015 as per legislation, therefor there were no outstanding amounts for the financial year 2014/15.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

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

VAT

VAT receivable	83,018,326	65,568,270

VAT output payables and VAT input receivables are shown in note 9 as net VAT receivable.

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

Councillors and officials arrear consumer accounts

Arrear Councillors accounts totalling R30 811 were outstanding for more than 90 days at 30 June 2015 (2014: R21 860) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

30 June 2015	Outstanding more than 90 days R
Councillor N.P. Peter - existing stop order deduction	14,067
Councillor A.M. Matana - water leak query and existing stop order deduction	11,459
Councillor M.G. Nkula - existing stop order deduction	2,833
Councillor R.N. May - existing stop order deduction	1,720
Councillor T. Mtintsilana - existing stop order deduction	732

30 June 2014	Outstanding more than 90 days R
Councillor N.P. Peter - water leak query and existing stop order deduction	19,128
Councillor N.D. Mgezi - existing stop order deduction	2,295
Councillor D. Rwexu - since 30 June 2014 amount paid	348
Councillor Z. Makatala - since 30 June 2014 amount paid	88

During the year officials accounts totalling R668 455 (2014: R765 036) were outstanding for more than 90 days.

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

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

Material losses

ELECTRICITY LOSSES	**AMOUNT**	**%**	**AMOUNT**	**%**
Technical	67,757,414	6.50%	61,767,819	6.50%
Non-technical	95,054,359	9.12%	88,353,699	9.30%
Total electricity loss	**162,811,773**	**15.62%**	**150,121,518**	**15.80%**

Technical losses: Losses within the network which are inherent in any network.

Non-technical losses: Theft, faults and billing errors.

Attempts are currently being made to reduce these non-technical losses.

WATER LOSSES	**AMOUNT**	**%**	**AMOUNT**	**%**
Technical	86,523,456	30.00%	68,348,734	30.00%
Non-technical	12,805,471	4.44%	21,575,417	9.47%
Total water loss	**99,328,927**	**34.44%**	**89,924,151**	**39.47%**

Technical losses: Per National Treasury Circular 71 issued 17 January 2014 technical losses for water losses is set between 15% to 30%. Therefore, the municipality has elected to use the maximum percentage allowed as the distribution loss is higher than 30%.

Non-technical losses: Losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

The above losses include rural areas and informal settlements.

57. Utilisation of Long-term liabilities reconciliation

Finance leases raised	493,860	3,030,075
Used to finance property, plant and equipment	(493,860)	(3,030,075)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

58. Deviation from supply chain management regulations

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Regulation 36 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the audited separate annual financial statements.

During the financial year under review goods/services totaling R3 163 213 (2014: R36 436 061) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

Nature of deviation	No of contracts	Value of contracts
Emergency	4	1,194,633
Sole supplier	8	1,773,644
Other exceptional cases	4	194,936
	16	**3,163,213**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

59. Retirement benefit information

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- SAMWU National Provident Fund
- SALA Pension Fund
- East London Municipal A Band Provident Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningfonds vir Kaapse Plaaslike Owerhede

The Cape Joint Pension Fund's last actuarial valuation was at 30 June 2014 conducted by S. Neethling from Metropolitan Life Limited. The fund was 100% funded at valuation date. BCMM has both defined contributions (8) and defined benefit (28) members within this fund. The fund includes a number of municipalities and it is therefore not possible to identify each municipalities performance as the assets of the fund cannot be separately identified. Due to the low number of members it is envisaged that a surplus or deficit will not have a material effect on future contributions.

The Cape Retirement Fund's last actuarial valuation was at 30 June 2014 conducted by S. Neethling from Metropolitan life Limited who certified that the fund was in a sound financial position.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2014 conducted by E. Du Toit from Alexander Forbes Financial Services who certified that the structure of the assets and the matching of the assets with the liabilities is adequate. The funding level level was at 100% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2012 conducted by A. Nel . The funding level at this date was 100%.

SAMWU National Provident Fund's last actuarial valuation was at 30 June 2008 conducted by E.J. Potgieter from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position.

The SALA Pension Fund's last valuation was at 30 June 2012 conducted by J.F. Rosslee of Genesis Actuarial Solutions. The fund was 100% funded as at valuation date. The valuator was satisfied with the investment policy of the fund and the nature of the assets are in his opinion, suitable for the nature of the liabilities of the fund at the date of valuation.

The Municipal Employees Pension Fund's last interim valuation was at 28 February 2011 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The funding level at this date was 107.9%.

The Municipal Councillors Pension Fund's last interim valuation was at 30 June 2012 prepared by A. Botha from Simeka Consultants and Actuaries (Pty) Ltd. The report stated that the funding level was 99.5% at the time of valuation.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R 15.7 million.

An amount of R 185 million (2014: R 169 million) was contributed by Council, Councillor's and employee's in respect of Councillor and employee retirement funding. These contributions have been expensed.

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede is a fixed/defined contribution fund. It is therefore not necessary to perform an actuarial valuation for this fund.

The National Fund for Municipality Worker's last Actuarial Valuation was at 30 June 2014 and prepared by G. Grobler and A. Bezuidenhout from Alexander Forbes Financial Services. The funding level at this date was 100.10%

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

60. Contingent liabilities

Litigation Issues		
Claims have been instituted against Council due to alleged assault and defamation. Legal advice has been sought and Council will defend the claim.	400,000	400,000
Claims have been instituted against Council due to alleged outstanding payments, contractual disputes and various damage claims.	4,662,975	4,654,219
A claim has been instituted against Council by Dalwick Trading in respect of alleged breach of contract. The contractor presented BCMM with a letter of appointment regarding a 2010 Legacy Project but there is no record within BCMM of the contractor tendering or being awarded the contract (Date of incident August 2008 and summons received by BCMM November 2010).	1,563,415	1,563,415
A claim has been instituted against Council by M.Sithole for damages suffered as a result of his appointment as Municipal Manager being rejected by Council (Date of incident August 2009 and summons received by BCMM June 2011).	1,382,118	1,382,118
A claim has been instituted against Council by RJW Ikusasa JV due to cancellation of a contract to lay a bulk sewer pipe due to non performance (Summons received by BCMM November 2007).	9,780,185	9,780,185
A claim has been instituted against Council by Tshiki & Sons Inc. seeking a court order to compel Council to pay fees allegedly due in respect of Conveyancing work done on Council's behalf (Date of incident September 2011 and letter of demand received by BCMM June 2014).	11,993,894	11,993,894
A claim has been instituted against Council by Nurcha Development & Tusk Construction for alleged breach of contract (Cession agreement signed by the Contractor New Boss CC) (Date of incident June 2011 and summons received by BCMM January 2012).	7,261,174	7,261,174
A claim has been instituted against Council by Mkwanazi Construction (Pty) Ltd claiming for damages arising from alleged delays and disruptions in the construction project (Date of incident October 2011 and summons received by BCMM April 2012).	36,861,290	36,861,290
A claim has been instituted against Council by Faye Heuer claiming for damages against Council due to an accident allegedly caused by potholes (Date of incident February 2009 and summons received by BCMM February 2012).	2,209,820	2,209,820
Contracts awarded during Dr.Zitha's tenure as acting Municipal Manager were investigated by forensic auditors. The forensic investigation has been completed and a final report has been submitted to Council. Council is to decide on the outcome of the report.	20,474,866	20,474,866
A claim has been instituted against Council by Reigerton Farms for Gonubie Main Road (Letter of demand received April 2013).	15,812,736	15,812,736
A claim has been instituted against Council by Ranamane Mokalane Incorporated for professional fees owed for services rendered by them (Date of incident April and May 2010 and summons received March 2013).	2,724,871	2,724,871
A claim has been instituted against Council by Willards Travel Services (PTY) Ltd for fees owed for services rendered by them (Date of incident November 2013 to January 2014 and letter of demand received February 2014).	1,324,451	1,324,451
A claim has been instituted against Council by Ursa Give JV for work allegedly completed by them for BCMM (Date of incident March 2014 and summons received December 2014).	5,222,154	-
A claim has been instituted against Council by Primelands Properties for cancellation of a tender awarded to them by BCMM (Letter of demand received July 2014).	14,400,000	-
A claim has been instituted against Council by Civcon for cancellation of a tender awarded to them by BCMM (Date of incident December 2013 and summons received October 2014).	15,536,453	-
A claim has been instituted against Council by THM Engineers & Others for payment of additional fees relating to a contract to construct toilets (Date of incident May 2014 and summons received October 2014).	1,157,925	-
Total Contingent Liabilities in respect of Litigation Issues	**152,768,327**	**116,443,039**

Labour Issues

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated
60. Contingent liabilities (continued)		
Directors bonuses	5,771,204	4,795,228
Labour disputes which have resulted in possible claims by employees.	2,898,117	3,032,001
Certain former R293 employees received a lesser total package when they were transferred to the Municipality in April 2000. (Resolved)	-	3,720,000
Unfair Labour Practice in relation to progression of Fire Fighters with effect from 01 April 2010.	6,345,582	6,345,582
Total Contingent Liabilities in respect of Labour Issues	**15,014,903**	**17,892,811**
Insurance Issues		
Claims have been instituted against Council due to alleged assault, unlawful/wrongful arrest, defamation and various personal injury claims. Legal advice has been sought and Council will defend claims where so advised.	6,458,450	7,286,082
Claims have been instituted against Council due to various damage claims.	1,767,074	1,004,140
A claim has been instituted against Council by Mercedes-Benz SA in respect of a voltage fluctuation which allegedly fell outside the time periods and parameters as agreed upon in the electricity supply agreement between BCMM and MBSA resulting in damage to body shop machinery (Date of incident September 2009 and claim received by BCMM November 2009).	2,300,235	2,300,235
A claim has been instituted against Council by M. Gwentsha, K. Poni, N. Magxwalisa, T. Nzuzo and D. Sam in respect of an alleged shooting incident (Date of incident January 2009 and claim received by BCMM March 2009).	2,500,000	2,500,000
A claim has been instituted against Council by T Bejia and D.H.E. Bejia in respect of personal injury and vehicle damages caused by a pothole (Date of incident July 2012 and claim received by BCMM December 2012).	7,001,517	7,001,517
A claim has been instituted against Council by S. Tsolekile in respect of personal injury caused by tripping in an open manhole (Date of incident January 2013 and Summons received by BCMM November 2013).	4,000,000	4,000,000
A claim has been instituted against Council by B.B. Sparks in respect of personal injury and vehicle damages caused by smoke from fire (Date of incident November 2013 and claim received by BCMM February 2014).	1,950,000	1,950,000
A claim has been instituted against Council by K. Kapu and T. Lawu in respect of death of their child as a result of electrocution caused by a live wire (Date of incident March 2014 and claim received by BCMM June 2014). (Resolved).	-	3,000,000
A claim has been instituted against Council by R.J. Janse Van Rensburg in respect of personal injury caused by an open stormwater manhole (Date of incident May 2014 and claim received by BCMM August 2014). (Resolved).	-	1,550,000
A claim has been instituted against Council by A.N. Ndzamela in respect of financial loss caused by the incorrect approval of a plan (Date of incident October 2007 and claim received by BCMM August 2014).	1,500,000	1,500,000
A claim has been instituted against Council by Collectall Properties Trust, Collectall Group (Pty) Ltd, Haddpack (Pty) Ltd and Actebis 312CC t/a D&T Engineering in respected of property damaged by a fire (Date of incident June 2014 and claim received by BCMM December 2014).	7,342,358	-
A claim has been instituted against Council by S. Sithole in respect of personal injury caused by a sliding gate (Date of incident June 2015 and claim received by BCMM July 2015).	3,800,000	-
Total Contingent Liabilities in respect of Insurance issues	**38,619,634**	**32,091,974**
Total Contingent Liabilities	**206,402,864**	**166,427,824**

Notes to the Audited Separate Annual Financial Statements

Figures in Rand		2015	2014 Restated

61. Cash flows from operating activities

Receipts: Sale of goods and services			
Total revenue as per Statement of Financial Performance		5,565,647,112	5,165,954,440
Less: Fair value adjustments	13	(4,909,235)	29,081,150
Less: Interest received	36	(159,165,416)	(123,609,078)
Less: Government grants and subsidies received	27	(1,563,731,034)	(1,546,669,525)
Loss on sale of assets	15	30,408,389	11,042,335
Movement in receivables from non-exchange transactions	8	(172,688,398)	10,795,706
Fair value adjustment on Investment Property revalued	13	4,909,235	(29,081,150)
Increase in receivables from exchange transactions	7	(309,829,240)	(232,959,253)
Decrease in VAT receivables	9	(17,450,056)	(367,773)
Revaluation reserve realised	24	(66,573,130)	38,024,299
Movement in operating lease receivable	10	(2,573,654)	(2,265,211)
Net revenue from sale of goods and services as per the cash flow statement		**3,304,044,573**	**3,319,945,940**

Payment: Suppliers			
Total expenditure as per the Statement of Financial Performance		(5,145,040,740)	(4,629,176,169)
Employee costs and Councillors remuneration	33&34	1,240,013,025	1,179,684,189
Interest paid	39	60,670,766	65,775,074
Depreciation and amortisation	38	729,375,005	629,728,066
Reversal of impairments	15	504,750	16,867,247
Debt impairment	35	365,110,172	241,010,582
Non-cash property, plant and equipment transfers	15	626,604	(16,844,147)
Net movement on unspent conditional grants	48	(8,003,134)	(246,877,801)
Movement in post retirement medical aid benefit obligation	23	89,348,202	72,511,896
Movement in provisions relating to landfill sites	20	(7,473,888)	16,761,420
Ajustments in SoCNA	15	6,945,204	(58,204,768)
Non-cash and adjustments on PPE	15	(10,849,576)	(11,902,690)
Opening balance PPE adjustment 2014	15	-	(40,558,093)
Impairment	15	(34,040)	(47,139)
Revaluation of property plant and equipment	13	15,764,840	(1,783,389,515)
Revaluation recognized in SoCNA	13	50,808,289	1,782,351,433
Movement in payables from exchange transactions	44	(106,345,504)	69,468,620
Non-cash intangible asset additions	12	-	(6,139,502)
Movement in inventory	44	5,719,579	8,767,056
Non cash and adjustments on Intangible assets	24	-	(68,378,032)
Opening balance adjustment on Heritage and Investment properties	15	-	(8,509,126)
Net payments to suppliers as per cash flow statement		**(2,712,860,446)**	**(2,787,101,399)**

62. Surplus / (Deficit) for the year

Reconciliation of actual operating results to net income/ (deficit)			
Net income for the period		371,483,446	658,106,569
Offset depreciation		703,426,489	656,323,701
Items not provided for in the operating budget		(133,010,417)	(139,624,801)
Capital expenditure ex grant funding	30	(615,492,273)	(734,502,788)
Actual operating results		**326,407,245**	**440,302,681**

Items not provided for in the operating budget			
Gains on disposal of assets and liabilities	15	(30,408,389)	(11,042,335)
Fair value adjustment on Investment property revalued	13	(4,909,235)	29,081,150
Actuarial adjustments	23	85,151,823	45,278,469
Share of deficit of associate accounted for under the equity method	16	22,359,440	54,222,847
Other income and expenditure not bugeted for		**133,010,417**	**139,624,801**

Figures in Rand	2015	2014 Restated

62. Surplus / (Deficit) for the year (continued)

When items of property, plant and equipment are financed from Government grants these grants are recorded as revenue in the Statement of Financial Performance. (Revenue from non-exchange transactions). Depreciation expenses that will occur over the useful lives of Government funded items of property, plant and equipment will be offset by the accumulated revenue portion of the items of property, plant and equipment within accumulated surplus.

Other income and expenditure as set out in the table above, are those items falling outside the scope of the operational revenue and expenditure but affects the surplus/(deficit) for the year.

63. Repairs and maintenance

Repairs and maintenance summary		
Repairs and maintenance - Buildings	9,929,583	16,343,801
Repairs and maintenence - Vehicles	12,766,088	15,780,049
Repairs and maintenance - Equipment	7,199,305	9,966,750
Repairs and maintenance - Minor improvements	1,581,585	2,595,254
Repairs and maintenance - Office machines	4,494,560	4,200,984
Repairs and maintenance - Roads	41,773,059	38,091,193
Repairs and maintenance - Furniture	135,382	138,850
Repairs and maintenance - Electricity	11,290,888	12,727,601
Repairs and maintenance - Deffered maintenance	81,687,111	81,490,768
Repairs and maintenance - Sewerage	15,201,703	12,709,838
Repairs and maintenance - Water network	17,363,973	16,292,785
Repairs and maintenance - Mechanical repairs	2,208,153	1,680,317
Repairs and maintenance - Stormwater	8,758,345	6,773,800
Repairs and maintenance - Radio equipment	35,531	46,615
Repairs and maintenance - Maintenance contracts	60,951,782	59,153,793
Repairs and maintenance - Grounds	2,153,434	1,961,144
Repairs and maintenance - General	2,327,613	2,257,441
Repairs and maintenance - Extinguishers	209,689	57,974
Repairs and maintenance - Health and Public safety	1,039,638	637,790
Repairs and maintenance - Community services	2,946,811	2,774,339
Total repairs and maintenance	**284,054,233**	**285,681,086**

64. Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R 2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Notes to the Audited Separate Annual Financial Statements

Figures in Rand	2015	2014 Restated

64. Bids awarded to family of employees in service of the State (continued)

Connected person	Position held in BCMM	2015	2014
T. Nyati	SCM Secretary	266,777	-
T. Ceshemba	Beneficiary Officer	157,895	-
C. Sam	Office Manager	-	371,669
H. Lestig	Handyman	85,867	-
S. Majambe	Buyer	22,105	-
U. Gazi	Senior Buyer	22,895	-
Total		**555,539**	**371,669**

Connected person	Name of institution	2015	2014
V.Y. Weitz	Department of Education	967,930	1,454,493
A.L. Jacobus	Department of Health	-	20,635,501
P. Baxter	South African Revenue Services	-	83,822,440
I. Joubert	Department of Higher Education	235,965	-
B. Nxamleko	SIU	129,960	-
F. Ngewangu	EC Provincial Planning & Treasury	579,003	-
C.M. Poonsamy	EC Department of Labour	444,063	-
Y. Phosa	CT Parliament	171,750	-
Total		**2,528,671**	**105,912,434**