

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

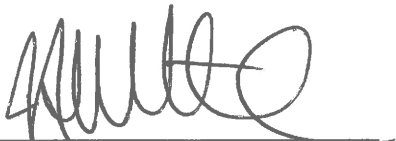
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2016

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 106, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



Johann Mettler
City Manager

02 December 2016

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016**

INDEX	Page
General Information	1
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	6
The Statement of Cash Flows	7
Accounting Policies	8
Notes to the Financial Statements	38
Appendix A: Segmental Statement of Financial Performance - Unaudited	98
Appendix B: Disclosures of Conditional Grants and Subsidies in terms of section. 123 of the MFMA, 56 of 2003 - Unaudited	99
Appendix C: Analysis of Total Accumulated Surplus - Unaudited	100
Appendix D: Appropriation Statement of Budget vs Actual - Unaudited	101 - 106

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

General Information

Legal form of entity	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Government
	The principal activities are:
	- To provide democratic and accountable government to the local communities;
	- To ensure sustainable service delivery to communities;
	- To promote social and economic development;
	- To promote a safe and healthy environment; and
	- Encourage the involvement of communities and community organisations in the matters of local government.
	The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.
Executive Mayor	Cllr D.A Jordaan
Deputy Executive Mayor	Cllr P.S Ndoni
Speaker	Cllr M.E Hermans
Chief Whip	Cllr L Suka
Members of the Mayoral Committee	Cllr A.C.G Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr B Lobishe (Roads and Transport) Cllr F Sibeko (Corporate Services) Cllr F Desi (Safety and Security) Cllr Z Jodwana (Economic Development, Tourism and Agriculture) Cllr A Mama (Sports, Recreation Arts and Culture) Cllr J Seale (Public Health) Cllr N Tontsi (Human Settlements) Cllr R Riordan (Budget and Treasury)
Accounting Officer (Acting City Manager)	J Mettler
Chief Financial Officer (CFO)	J.T Harper
Chief Operating Officer (COO)	M Clay

Chief of Staff	M Ncama
Metro Police Chief	P Mathabathe
Executive Directors	V Zitumane (Acting - Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) A Tolom (Public Health) M George (Acting - Human Settlements) P Nielson (Acting - Electricity and Energy) EW Shaidi (Infrastructure and Engineering) L Mti (Safety and Security)
Members of the Audit Committee	Mr G Billson (Chairperson) Ms T Cumming Mr J Neves Dr M Nicholls Ms L Smith
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Business Address	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Postal Address	P O Box 116 Port Elizabeth 6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road Vincent East London 5247
Postal Address of Auditors	P O Box 13252 East London 5217

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

Restated 2015 R		Actual 2016 R	Approved Original Budget 2016 R	Adjustments 2016 R	Approved Final Budget 2016 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
4,059,465,577	Service Charges	21.1	4,645,943,386	4,817,334,270	19,088,000	4,836,422,270	190,478,874	4%
83,176,981	Interest earned - Investments		113,598,806	70,145,283	11,925,130	82,070,410	(31,283,700)	-38%
117,386	Interest earned - Fair Value Adjustment		(244,696)	0	0	0	0	
100,678,758	Interest raised - Outstanding Debtors		106,336,043	104,543,530	(20,000)	104,523,530	(1,812,513)	-2%
9,695,407	Licences and Permits		9,332,097	11,963,160	(352,250)	11,610,910	2,278,813	20%
18,378,235	Rental of Facilities and Equipment		20,717,550	23,342,190	57,540	23,999,730	2,682,180	11%
2,246,476	Income for Agency Services		2,345,495	2,428,460	0	2,428,460	82,965	3%
351,789,877	Other Income	23	298,520,103	292,622,160	2,206,480	294,828,640	(3,691,463)	-1%
829,981	Gain on disposal of Property Plant and Equipment	35.9	27,900	0	28,000	28,000	100	0%
Non-exchange revenue								
1,332,134,909	Property Rates	20	1,519,447,232	1,504,945,280	65,500,000	1,570,445,280	50,998,048	3%
50,391,214	Interest raised - Outstanding Debtors		54,345,480	54,783,280	0	54,783,280	437,800	1%
40,884,562	Fines	21.2	223,579,941	11,861,110	214,975,950	226,837,060	3,257,119	1%
1,486,059,536	Government Grants and Subsidies - Operating	22	1,148,939,836	1,327,271,470	188,093,980	1,515,365,450	366,425,614	24%
784,204,088	Government Grants and Subsidies - Capital	22	777,512,325	962,059,432	(180,814,035)	781,245,397	3,733,072	0%
120,984,155	Government Grants - VAT recognised	23	113,831,721	138,064,070	1,842,210	139,906,280	26,074,559	19%
459,329,000	Fuel levy	23	472,552,000	472,952,010	119,990	473,072,000	520,000	0%
78,038,013	Public Contributions	23	52,011,251	53,000,000	0	53,000,000	988,749	2%
242,436	Other Income - MBDA	23	506,269	200,000	0	200,000	(306,269)	-153%
1,771,237	Interest earned - SARS		0	0	0	0	0	0%
290,665	Dividends received		76,692	0	0	(76,692)		100%
8,978,708,493	Total Revenue		9,559,379,441	9,847,515,702	322,650,995	10,170,166,697	610,787,256	
EXPENDITURE								
2,163,726,714	Employee Related Costs	24	2,342,754,936	2,289,516,510	(29,089,950)	2,260,426,560	(82,328,376)	-4%
58,161,095	Remuneration of Councillors	25	62,195,844	64,428,880	(1,143,090)	63,285,790	1,089,946	2%
407,409,770	Impairment - receivables	26	625,575,070	379,383,790	5,078,270	384,462,060	(241,113,010)	-63%
0	Collection Costs		0	0	0	0	0	0%
180,098,335	Finance cost	27	166,492,003	168,361,460	2,734,620	171,096,080	4,604,077	3%
26,694,718	Interest and Penalties	27	0	0	0	0	0	0%
2,455,085,768	Bulk Purchases	28	2,814,366,370	2,742,168,860	63,645,820	2,805,814,680	(8,551,690)	0%
25,691,323	Grants and Subsidies Paid	29	24,824,941	430,508,500	(10,264,650)	420,243,850	395,418,909	94%
349,464,756	Contracted Services	30.1	495,397,932	333,353,370	130,010,460	463,363,830	(32,034,102)	-7%
1,088,711,920	General Expenses	30.2	740,297,884	1,013,642,366	172,866,510	1,186,508,876	446,210,992	38%
559,522,910	Repairs and Maintenance		408,906,418	524,729,090	(9,588,000)	515,143,090	106,236,672	21%
803,125,952	Depreciation - Property, Plant and Equipment	31.1	674,053,253	873,746,470	(13,496,190)	860,250,280	60,005,124	7%
6,131,885	Depreciation - Investment Property	31.2	6,076,236	0	0	0	0	0%
59,104,792	Amortisation	31.3	120,115,667	0	0	0	0	0%
33,516,372	Impairment - Other	35.7	295,113,429	0	190,996,140	190,996,140	(104,117,289)	-55%
512,929	Loss on Disposal of Property Plant and Equipment	35.8	33,863	0	0	0	(33,863)	100%
8,216,959,239	Total Expenditure		8,776,203,846	8,819,839,296	501,751,940	9,321,591,236	545,387,390	
761,749,254	Surplus for the year		783,175,595	1,027,676,406	(179,100,945)	848,575,461	65,399,866	

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: Surplus for the year R783 175 595 less Government Grants and Subsidies - Capital R777 512 325 = True Profit for the year in the amount of R5 663 270)

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NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED	
30 JUNE 2016	
	<u>Accumulated Funds</u>
	R
Balance at 01 July 2014 as previously reported	11,159,498,415
Restatements (Refer note 40.2)	25,611,047
Restated Balance at 01 July 2014	11,185,109,462
Surplus for the year as previously reported	771,458,427
Decrease in Surplus (Refer note 40.1.1)	(9,709,173)
Restated Surplus for the year	761,749,254
Restated Balance at 30 June 2015	11,946,858,716
Balance at 01 July 2015	11,946,858,716
Surplus for the year	783,175,595
Balance at 30 June 2016	12,730,034,311

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016	
	<u>Accumulated Funds</u>
	R
Balance at 01 July 2014 as previously reported	11,158,594,674
Restatements (Refer note 40.2)	25,611,047
Restated Balance at 01 July 2014	11,184,205,721
Surplus for the year as previously reported	770,865,490
Decrease in Surplus (Refer note 40.1.1)	(9,709,173)
Restated Surplus for the year	761,156,317
Restated Balance at 30 June 2015	11,945,362,038
Balance at 01 July 2015	11,945,362,038
Surplus for the year	777,162,556
Balance at 30 June 2016	12,722,524,594

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

ECONOMIC ENTITY

MUNICIPALITY

	Note	Actual 2016 R	Restated 2015 R	Actual 2016 R	Restated 2015 R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Funds		12,730,034,311	11,946,858,716	12,722,524,594	11,945,362,038
Non-current Liabilities					
		3,311,774,834	3,171,589,042	3,311,165,763	3,171,083,574
Long-term Liabilities	3	1,376,718,616	1,472,471,485	1,376,718,616	1,471,966,017
Deferred Income	3.1	609,071	0	0	0
Employee Benefit Obligation	4.1	1,472,243,701	1,369,345,626	1,472,243,701	1,369,345,626
Non-current Provisions	4.2	462,203,446	329,771,931	462,203,446	329,771,931
Current Liabilities					
		2,263,027,626	2,172,774,623	2,249,803,131	2,160,625,475
Current Employee Benefit Obligation	5.1	77,963,496	72,877,174	77,250,866	72,246,987
Current Provisions	5.2	47,776,422	85,649,120	47,776,422	85,649,120
Consumer Deposits	6	123,959,190	111,852,356	123,959,190	111,852,356
Creditors - Exchange Transactions	7	1,706,502,272	1,624,294,234	1,699,466,918	1,615,475,533
Unspent Conditional Grants and Receipts	8	200,573,914	171,308,712	196,616,549	171,308,712
VAT Payable	17	10,813,448	0	10,813,448	0
Current Portion of Long-term Liabilities	3	95,438,884	106,793,027	93,919,738	104,092,767
Total Net Assets and Liabilities		<u>18,304,836,771</u>	<u>17,291,222,381</u>	<u>18,283,493,488</u>	<u>17,277,071,087</u>
ASSETS					
Non-current Assets					
		14,816,177,182	14,047,314,825	14,808,667,465	14,045,818,148
Property, Plant and Equipment (PPE)	9	14,334,322,403	13,480,816,594	14,327,151,764	13,479,714,614
Heritage Assets	10	206,087,322	205,531,393	205,836,822	205,280,893
Intangible Assets	11	54,180,371	144,499,027	54,091,793	144,354,830
Investment Property	12	197,280,265	198,168,885	197,280,265	198,168,885
Long-term Receivables - Exchange Transactions	13	13,346,342	9,033,206	13,346,342	9,033,206
Long-term Receivables - Non-exchange Transactions	13	10,960,479	9,265,720	10,960,479	9,265,720
Current Assets					
		3,488,659,589	3,243,907,556	3,474,826,023	3,231,252,939
Current Portion of Long-term Receivables - Exchange Transactions	13	80	80	80	80
Inventory	14	145,373,625	139,994,538	145,373,625	139,994,538
Consumer Debtors - Exchange Transactions	15	1,037,542,429	912,635,081	1,037,542,429	912,635,081
Consumer Debtors - Non-exchange Transactions	15	269,584,746	229,399,410	269,584,746	229,399,410
Other Debtors - Exchange Transactions	16	407,966,061	459,120,802	430,707,436	502,635,831
VAT Refund	17	13,217,292	37,439,999	10,742,805	34,927,107
VAT Receivable	17	0	16,764,534	0	16,764,534
Short-term Investments	18	2,469,871	2,714,566	2,469,871	2,714,566
Short-term Investment Deposits	18	1,365,337,861	1,252,493,987	1,365,337,861	1,252,493,987
Bank Balances and Cash	19	247,167,624	193,344,559	213,067,170	139,687,805
Total Assets		<u>18,304,836,771</u>	<u>17,291,222,381</u>	<u>18,283,493,488</u>	<u>17,277,071,087</u>

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2016	2015	2016	2015
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		9,491,262,373	8,534,511,836	9,468,678,959	8,525,144,295
- Sale of goods and services, fines and taxes levied		7,348,882,829	6,138,981,582	7,330,295,659	6,132,947,000
- Grants		2,138,306,608	2,172,707,958	2,138,306,608	2,172,707,958
- Dividends received		76,692	290,665	76,692	290,665
- Interest received		3,996,244	222,531,631	0	219,198,672
Cash paid to suppliers and employees		(7,598,685,420)	(7,133,873,518)	(7,562,177,482)	(7,119,723,190)
- Employee Costs		(2,053,744,094)	(2,061,637,298)	(2,039,840,859)	(2,049,945,574)
- Suppliers		(5,376,103,382)	(4,863,641,367)	(5,353,498,679)	(4,861,182,763)
- Finance Cost	27	(168,837,944)	(208,594,853)	(168,837,944)	(208,594,853)
CASH GENERATED FROM OPERATIONS	32	1,892,576,953	1,400,638,318	1,906,501,477	1,405,421,105
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1,564,436,421)	(1,407,298,364)	(1,558,813,475)	(1,406,619,820)
Proceeds on Disposal of PPE		27,900	839,723	27,900	829,981
Loss on Disposal of PPE		0	(512,930)	0	(512,930)
Purchase of Intangible assets		(47,026,784)	(36,390,803)	(47,017,954)	(36,246,184)
Purchase of Investment Property		(5,187,617)	(6,056,124)	(5,187,617)	(6,056,124)
Purchase of Heritage Assets		(5,194,326)	(1,701,530)	(5,194,326)	(1,701,530)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1,621,817,248)	(1,451,120,028)	(1,616,185,472)	(1,450,306,607)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/ (Decrease) in Non-current Liabilities (construction contracts)		0	1,191,219	0	0
Repayment of Non-current Liabilities (external loan funding)	33	(104,092,766)	(112,968,099)	(104,092,766)	(112,968,099)
NET CASH FLOW FROM FINANCING ACTIVITIES		(104,092,766)	(111,776,880)	(104,092,766)	(112,968,099)
NET CHANGE IN CASH AND CASH EQUIVALENTS		166,666,939	(162,258,590)	186,223,239	(157,853,601)
Cash and cash equivalents at the beginning of the year		1,445,838,546	1,608,097,136	1,392,181,792	1,550,035,393
Cash and cash equivalents at the end of the year	34	1,612,505,485	1,445,838,546	1,578,405,031	1,392,181,792

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

Restated 2015 R		Actual 2016 R	Approved Original Budget 2016 R	Adjustments 2016 R	Approved Final Budget 2016 R	Variance between Final Budget and Actual R	%	No.	
REVENUE									
Exchange revenue									
4,059,652,974	Service Charges	21.1	4,646,027,311	4,817,334,270	19,088,000	4,836,422,270	190,394,959	4%	
79,844,022	Interest earned - Investments		109,602,562	66,845,280	11,225,130	78,070,410	(31,287,456)	-40%	1
117,388	Interest earned - Fair Value Adjustment		(244,696)	0	0	0	0		
100,678,758	Interest raised - Outstanding Debtors		106,336,043	104,543,530	(20,000)	104,523,530	(1,812,513)	-2%	
9,695,407	Licences and Permits		9,332,097	11,963,160	(352,250)	11,610,910	2,278,813	20%	2
18,378,235	Rental of Facilities and Equipment		20,717,550	23,342,190	57,540	23,399,730	2,682,180	11%	3
2,246,476	Income for Agency Services		2,345,495	2,428,460	0	2,428,460	82,965	3%	
351,789,877	Other Income	23	298,520,103	292,622,160	2,206,480	294,828,640	(3,691,463)	-1%	
829,981	Gain on disposal of Property Plant and Equipment	35.9	27,900	0	28,000	28,000	100	0%	
Non-exchange revenue									
1,332,134,909	Property Rates	20	1,519,447,232	1,504,945,280	65,500,000	1,570,445,280	50,998,048	3%	
50,391,214	Interest raised - Outstanding Debtors		54,345,480	54,783,280	0	54,783,280	437,800	1%	
40,884,562	Fines	21.2	223,579,941	11,861,110	214,975,950	226,837,060	3,257,119	1%	
1,486,059,536	Government Grants and Subsidies - Operating	22	1,148,939,836	1,320,241,070	188,093,980	1,508,335,050	359,395,214	24%	4
784,204,088	Government Grants and Subsidies - Capital	22	777,512,325	941,156,740	(180,814,035)	760,342,705	(17,169,620)	-2%	
120,984,155	Government Grants - VAT recognised	23	113,831,721	138,064,070	1,842,210	139,906,280	26,074,559	19%	4
459,329,000	Fuel levy	23	472,552,000	472,952,010	119,990	473,072,000	520,000	0%	
64,874,026	Public Contributions	23	43,971,951	53,000,000	0	53,000,000	9,028,049	17%	5
1,771,237	Interest earned - SARS		0	0	0	0	0	0%	
290,665	Dividends received		76,692	0	0	0	(76,692)	100%	6
8,964,256,508	Total Revenue		9,546,921,543	9,816,082,610	321,950,995	10,138,033,605	591,112,062		
EXPENDITURE									
2,152,034,990	Employee Related Costs	24	2,328,851,701	2,274,783,500	(30,664,950)	2,244,118,550	(84,733,151)	-4%	
58,161,095	Remuneration of Councillors	25	62,195,844	64,428,880	(1,143,090)	63,285,790	1,089,946	2%	
407,361,185	Impairment - receivables	26	625,533,331	379,333,790	5,078,270	384,412,060	(241,121,271)	-63%	7
0	Collection Costs		0	0	0	0	0	0%	
179,901,285	Finance cost	27	166,488,260	168,258,460	2,534,820	170,793,080	4,304,820	3%	
26,694,718	Interest and Penalties	27	0	0	0	0	0	0%	
2,455,085,768	Bulk Purchases	28	2,814,366,370	2,742,168,860	63,645,820	2,805,814,680	(8,551,690)	0%	
56,964,123	Grants and Subsidies Paid	29	71,005,638	507,605,200	(10,264,650)	497,340,550	426,334,912	86%	8
349,464,756	Contracted Services	30.1	495,397,932	333,353,370	130,010,460	463,363,830	(32,034,102)	-7%	
1,055,811,491	General Expenses	30.2	702,648,943	866,483,260	156,375,510	1,122,858,770	420,209,827	37%	9
559,424,447	Repairs and Maintenance		408,327,337	524,729,090	(9,586,000)	515,143,090	106,815,753	21%	10
802,955,151	Depreciation - Property, Plant and Equipment	31.1	673,698,136	873,646,470	(13,696,190)	859,950,280	60,120,078	7%	
6,131,885	Depreciation - Investment Property	31.2	6,076,236	0	0	0	0	0%	
59,079,996	Amortisation	31.3	120,055,830	0	0	0	0	0%	
33,516,372	Impairment - Other	35.7	295,113,429	0	190,996,140	190,996,140	(104,117,289)	-55%	11
512,929	Loss on Disposal of Property Plant and Equipment	35.8	0	0	0	0	0	100%	12
8,203,100,191	Total Expenditure		8,769,758,987	8,834,790,880	483,285,940	9,318,076,820	548,317,833		
761,156,317	Surplus for the year		777,162,556	981,291,730	(161,334,945)	819,956,785	42,794,229		

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: Surplus for the year R777 162 556 less Government Grants and Subsidies - Capital R777 512 325 = True Loss for the year in the amount of R349 769)

AUDITOR - GENERAL
SOUTH AFRICA
19 DEC 2016

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These Consolidated Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Consolidated Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Consolidated Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at historical cost unless otherwise stated.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the Economic Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

The accounting policies applied are consistent with those used to present the previous year's Consolidated Financial Statements, unless explicitly stated.

New standards now effective but not yet implemented:

Standard number	Standard name	Effective date from (if applicable)
GRAP 18	Segment Reporting	01 April 2016

Note: Municipalities, municipal entities, trading entities, Parliament and the Provincial Legislatures are not required to apply or early adopt GRAP 18 *Segment Reporting* as the Minister of Finance has not yet determined the effective date for application by these entities.

1.1 CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Municipality and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

1.2 MUNICIPAL ENTITIES

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Consolidated Financial Statements are presented in South African Rand.

The functional currency of the Economic Entity is South African Rand. Financial values are rounded to the nearest one Rand.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

In accordance with GRAP 1 and 24, the Budget information has been provided on the face of the Statement of Financial Performance in these Consolidated Financial Statements.

4.2 Prior year comparatives:

When the presentation or classification of items in the Consolidated Financial Statements are amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Consolidated Financial Statements.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

STANDARDS

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Economic Entity has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard number	Standard name	Effective date (if applicable)
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concession Arrangements - Grantor	No effective date
GRAP 108	Statutory Receivables	No effective date
GRAP 109	Accounting by Principals and Agents	No effective date

GRAP 20 – Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The standard does not have an effective date yet. It is expected that adoption of this standard will result in additional disclosures.

GRAP 32 - Service Concession Arrangements – Grantor

This Standard applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset) if certain conditions are met. The standard does not have an effective date yet. It is expected that adoption of this standard will not be significant.

GRAP 108 – Statutory Receivables

This standard deals with receivables that arise from legislation, supporting regulations or similar means and require settlement by another entity in cash or another financial asset. This standard does not yet have an effective date. It is expected that adoption of this standard will not be significant.

GRAP 109 – Accounting by Principals and Agents

This standard deals with principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This standard does not yet have an effective date. It is expected that adoption of this standard will not be significant.

INTERPRETATIONS

The following interpretations have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. These interpretations are expected to have an insignificant impact on the financial statements since they generally reflect the interpretation and principles already established under GRAP.

Standard number	Standard name	Effective date (if applicable)
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Effective date not yet determined

6. SIGNIFICANT JUDGEMENTS

The use of judgement, estimates and assumptions is inherent to the process of preparing consolidated financial statements. These judgements affect the amounts presented in the consolidated financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgement:

Allowances for Credit losses

On Consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

GRAP 5 Borrowing Costs

The Economic Entity has determined that it is inappropriate to capitalise borrowing costs, as it is unable to establish a clear link between borrowing costs and numerous individual assets falling within the broader range of specific capital projects. Refer to accounting policy Note 20.

Management's Going Concern Assessment:

Management considered the following matters relating to the Going Concern:

On 18 June 2015 the Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

Management has thus prepared the Consolidated Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost to rehabilitate the landfill sites in the future. The cost factors, as determined, have been applied and projected at an inflation rate of 6.3% (2015: 4.7%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 10.27% (2015: 11.04%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 2% (2015: 1.75%).

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was present valued at a rate of 10.27% (2015: 11.04%).

Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), other post-employment medical benefits, and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer to Note 47 of the Consolidated Financial Statements.

Provision for gratuity pensions

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund. A management decision was made to ensure that a provision be raised from 1975.

The provision is made up of two parts namely:

- Years' service prior to 1997: number of years' service prior to 1997 multiplied by the employee fortnightly wage rate in 1997 (R533) plus

- Years services after 1997: number of years' service multiplied by the employee fortnightly wage rate in 1997 (R533) increased per annum by the average earnings interest earned on investments of 6.48% (2015: 6.02%)

Property, plant and equipment including Investment Properties and Intangible Assets

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The Economic Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil for all assets.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 17.

Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that has been received by the Entity and which is reflected as payable to the funders of construction contracts and other capital projects.

8. HOUSING DEVELOPMENT FUND

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

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

9. ACCUMULATED FUNDS

The Economic Entity maintains various internal reserves in terms of specific requirements, which include:

- Capital Replacement Reserve (CRR): Internal reserve administered within the Accumulated Surplus for control purposes
- Capitalisation Reserve (CR): Internal reserve administered within the Accumulated Surplus for control purposes
- Donations and Public Contributions Reserve: Internal reserve administered within the Accumulated Surplus for control purposes
- Self-Insurance Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Compensation for Occupational Injuries and Diseases (COID) Reserve

The Economic Entity has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Economic Entity deposit cash and/or securities relating to COID with the Commissioner. The combined market values shall not be less than the capitalised value of the continuing liability of the Economic Entity as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities annually and the Economic Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December.

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 2).

- Government Grant Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.

10. EMPLOYEE BENEFITS

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

When employees render services that increase their entitlement to future compensated absences;
and

Non-accumulating absences:

When absences occur.

Leave pay accrual

The liability for accumulating compensated absences is based on the total amount of leave days accumulated by employees at reporting date and on the total remuneration package of the employees.

Bonus incentive and performance related payments

The Economic Entity recognises the expected cost of performance bonus when, and only when, it 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 provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Economic Entity, or not.

Post-employment benefits

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Recognition and measurement

The Economic Entity has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Economic Entity has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Economic Entity but do it as a whole for all the Municipalities together.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Economic Entity nor can they be paid directly to the Economic Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Economic Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Economic Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion, as determined by Council from time to time, of the medical aid membership fee and the Economic Entity for the remaining portion.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Economic Entity before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of years' service and adjusted annually based on the average interest earned on investments.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2 500. The cash award is included in the employee's salary in the month of the service anniversary.

Defined contribution plans:

Retirement benefits

The Economic Entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Economic Entity has a present obligation (legal or constructive) as a result of past events and 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 amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

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

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Economic Entity: The Economic Entity's Legal Council assesses the list of claims against the Economic Entity on an annual basis. The Economic Entity recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

12. FINANCIAL INSTRUMENTS

Initial Recognition

The Economic Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity becomes a party to the contractual provisions of the instrument.

The Economic Entity recognises financial assets using trade date accounting.

Distinguishing liabilities and residual interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound financial instruments

The Economic Entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement of financial assets and financial liabilities

When a financial asset or financial liability is recognised initially, the Economic Entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

Concessionary loans

The Economic Entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, the Economic Entity analyses a concessionary loan into its component parts and accounts for each component separately. The Economic Entity accounts for that part of a concessionary loan that is:

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

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Subsequent Measurement of financial assets and financial liabilities

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- b) Financial instruments at amortised cost
 - Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Economic Entity designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost
 - Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Economic Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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

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 of financial assets

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

The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 (i.e. the effective

interest rate computed at initial recognition). The carrying amount of the asset is reduced 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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may 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.

Derecognition of financial assets:

The Economic Entity derecognises financial assets using trade date accounting.

The Economic Entity derecognises a financial asset only when:

- a) The contractual right to the cash flow from the financial asset expire, are settled or waived;
- b) The Economic Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another party.

Derecognition of financial liabilities:

The Economic Entity removes a financial liability from its statement of financial position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation:

Interest, losses and gains

Interest, 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

Offsetting a financial asset and a financial liability

The Economic Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right to set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in equity for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

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, other than investment property, or for administrative purposes and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

Measurement at recognition

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 the Economic Entity. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

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

The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Fencing, Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACCOUNTING POLICIES OF THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

21

Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 – 100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Air Monitoring, Emergency & Medical Equipment	5 – 20
Vehicles & Plant	4 – 30
Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	3 – 8

Community Assets	Useful Life Range in Years
Libraries	15 – 50
Fire Stations	15 – 50
Library Books	5 – 20
Cemeteries	15 – 50
Clinics	15 – 50
Community Centres	15 – 50
Public Conveniences	15 – 50
Swimming Pools	15 – 50
Recreational Facilities	15 – 50
Selling & Letting Schemes	15 – 50

Impairment:

Recognition and measurement of an impairment loss for an item of property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The carrying amount of an asset is reduced to its recoverable amount if, and only if, its recoverable amount is less than its carrying amount.

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Residual values are assumed to be zero, unless otherwise stated.

14. HERITAGE ASSETS

Initial recognition and measurement

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

Heritage assets are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

When an asset, does not meet the initial recognition criteria of a heritage asset, the Economic Entity discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised at cost on acquisition date.

The cost 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 the Economic Entity.

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

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Subsequent to initial recognition, the Economic Entity uses the cost model to measure its heritage assets.

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

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

Impairment

The Economic Entity does not depreciate its heritage assets, but at each financial year end, it assesses whether there is an indication that the assets may be impaired. If such an indication exists, the Economic Entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible assets acquired through non-exchange transactions:

Internally generated intangible assets:

Research phase

The Economic Entity does not recognise any intangible asset arising from a research phase of an internal project. Expenditure on research phase of an internal project is recognised as an expense when incurred.

Development phase

An intangible asset arising from development phase is recognised if, and only if the Economic Entity can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so it will be available for use or resale;
- b) Its intention to complete the intangible asset and use it or sell it;
- c) Its ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Exchanges of assets

The cost of an intangible asset acquired in exchange for another is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

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

The cost of an intangible asset is amortised over its useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use.

The annual amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. INVESTMENT PROPERTY

Initial recognition and measurement

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

Investment property is initially recognised as an asset when, and only when, it is probable that future economic benefits and or service potential will flow to the Economic Entity and the cost or fair value can be measured reliably.

At initial recognition, the Economic Entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where the Economic Entity acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Economic Entity accounts for such property in accordance with the policy stated under investment property up to the date of change in use. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

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

Investment Property	Useful Life Range in Years
Land	Indefinite Life
Buildings	15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Land is not depreciated.

Fair Value

The assumptions for determining the fair value of the investment property is set out in Note 12 of the Consolidated Financial Statements.

Derecognition

An investment property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and are recognised in the Statement of Financial Performance.

17. INVENTORIES

Initial recognition and measurement

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The Economic Entity purchases its water. The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other direct costs attributable to the acquisition. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

18. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Recognition

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the Economic Entity estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Economic Entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The Economic Entity will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the

period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.

- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only 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 reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

19. REVENUE

19.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Economic Entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

The recognition criteria is usually applied separately to each transaction

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

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

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

Sale of goods

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

- (a) the Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the Economic Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange-revenue sources

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read and the related revenue adjustment is recognised in the same period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Rental income arising from the use of investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on on-going leases.

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned; and
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

19.2 Revenue from Non-Exchange Transactions

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

Recognition

Recognition of revenue

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition of assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Economic Entity and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Specific non-exchange-revenue sources

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Economic Entity the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity. Where public contributions have been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of related conditions. Where the grant, transfer or donation has been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Measurement of revenue from non-exchange transactions

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets, recognised by the entity.

Fines

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

Bequests

Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations

On initial recognition, gifts and donations are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met. Therefore the best estimate of the amount required to settle the present obligation at the reporting date will be recognised as a liability.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Non-exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Expenditure from non-exchange transactions is recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Economic Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance using the effective interest method.

21. LEASES

Leases in the financial statements of lessees

Operating leases

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight line basis over the lease term. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Derecognition

The operating lease liability is derecognised when the Economic Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Economic Entity no longer anticipates economic benefits to flow from the asset.

Leases in the financial statements of lessors

Operating leases

The Economic Entity presents assets subject to operating leases in its Statement of Financial Position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred by the Economic Entity in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the Economic Entity's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the Standards of GRAP on Property, Plant and Equipment and Intangible Assets.

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Operating lease liabilities are derecognised when the Economic Entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Economic Entity's right to the underlying cash flows expire or the Economic Entity no longer expects economic benefits to flow from the operating lease asset.

22. REPORTING FOREIGN CURRENCY TRANSACTION IN THE FUNCTIONAL CURRENCY

Initial recognition

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

Reporting at subsequent reporting dates

At each reporting date:

- (a) foreign currency monetary items shall be translated using the closing rate;
- (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of exchange differences

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

23. VALUE ADDED TAX (VAT)

The Economic Entity accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT refundable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Economic Entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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 incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

27. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The Economic Entity uses the acquisition method in accounting for transactions relating to transfer of functions, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the acquirer obtains control of the acquiree.

Economic Entity as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

29. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Consolidated Financial Statements are authorised for issue. Two types of events can be identified:

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

Adjusting events after reporting date

The Economic Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date

Non-adjusting events after the reporting date

The Economic Entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The Economic Entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

30. RELATED PARTIES

The Economic Entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Economic Entity and one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Economic Entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Economic Entity's legal mandate.

Further details about those transactions are disclosed in the notes to the financial statements.

31. PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently

presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

Presentation and disclosure

The Economic Entity presents a comparison of budget and actual amounts as additional budget columns in the primary financial statements because the financial statements and the budget are prepared on a comparable basis.

Changes from approved to final budget

The Economic Entity presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or of other factors:

- (a) by way of note disclosure in the financial statements; or
- (b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Comparable basis

All comparisons of budget and actual amounts are presented on a comparable basis to the budget.

The Economic Entity is 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 Economic Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

32. COMMITMENTS

Items are classified as commitments when the Economic Entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded capital expenditure approved and contracted for before/at reporting date;

- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

33. GRANTS-IN-AID

The Economic Entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Economic Entity does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

34. IMPAIRMENT

Impairment of cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of non-cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

35. CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Project Funding. The cash received is invested until it is utilised.

NMA Nelson Mandela Bay - Reconciliation of Table A1 Budget Summary

Description	2015/16							2014/15				
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	1,504,945	65,500	1,570,445	1,519,447		(50,998)	96.8%	101.0%				1,332,135
Service charges	4,817,334	19,088	4,836,422	4,645,943		(190,479)	96.1%	96.4%				4,059,466
Investment revenue	70,145	11,925	82,070	113,431		31,360	138.2%	161.7%				83,585
Transfers recognised - operational	1,327,271	188,094	1,515,365	1,148,940		(366,426)	75.8%	86.6%				1,486,060
Other own revenue	1,165,760	218,858	1,384,618	1,354,106		(30,512)	97.8%	116.2%				1,233,259
Total Revenue (excluding capital transfers and contributions)	8,885,456	503,465	9,388,921	8,781,867		(607,054)	93.5%	98.8%				8,194,504
Employee costs	2,289,517	(29,090)	2,260,427	2,342,755	-	82,328	103.6%	102.3%	-	-	-	2,163,727
Remuneration of councillors	64,429	(1,143)	63,286	62,196	-	(1,090)	98.3%	96.5%	-	-	-	58,161
Debt impairment	379,384	5,078	384,462	625,575	-	241,113	162.7%	164.9%	-	-	-	407,410
Depreciation & asset impairment	873,746	177,500	1,051,246	1,095,359	-	44,112	104.2%	125.4%	-	-	-	901,879
Finance charges	168,361	2,735	171,096	166,492	-	(4,604)	97.3%	98.9%	-	-	-	180,098
Materials and bulk purchases	3,266,898	54,060	3,320,958	3,223,273	-	(97,685)	97.1%	98.7%	-	-	-	3,014,609
Transfers and grants	430,509	(10,265)	420,244	24,825	-	(395,419)	5.9%	5.8%	-	-	-	25,691
Other expenditure	1,346,996	302,877	1,649,873	1,235,730	-	(414,143)	74.9%	91.7%	-	-	-	1,465,384
Total Expenditure	8,819,839	501,752	9,321,591	8,776,204	-	(545,387)	94.1%	99.5%	-	-	-	8,216,959
Surplus(Deficit)	65,617	1,713	67,330	5,663		(61,667)	8.4%	8.6%				(22,455)
Transfers recognised - capital	962,059	(180,814)	781,245	777,512		(3,733)	99.5%	80.8%				784,204
Contributions recognised - capital & contributed assets	-	-	-	-		-	-	-				-
Surplus(Deficit) after capital transfers & contributions	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus(Deficit) for the year	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	962,059	(162,369)	799,691	777,512		(22,178)	97.2%	80.8%				784,204
Public contributions & donations	53,000	-	53,000	47,747		(5,253)	90.1%	90.1%				56,854
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	597,451	123,300	720,751	526,641		(194,110)	73.1%	88.1%				610,383
Total sources of capital funds	1,612,510	(39,069)	1,573,441	1,351,900		(221,541)	85.9%	83.8%				1,451,441
Cash flows												
Net cash from (used) operating	1,981,340	(255,455)	1,725,884	1,892,577		166,693	109.7%	95.5%				1,400,638
Net cash from (used) investing	(1,596,933)	(128,163)	(1,725,096)	(1,621,817)		103,279	94.0%	101.6%				(1,451,120)
Net cash from (used) financing	(104,093)	16,524	(87,568)	(104,093)		(16,524)	118.9%	100.0%				(111,777)
Cash/cash equivalents at the year end	1,194,875	163,881	1,358,756	1,612,505		253,749	118.7%	135.0%				1,445,839

NMA Nelson Mandela Bay - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	2,480,327	72,651	2,552,977	2,723,629		170,652	106.7%	109.8%				2,547,839
Executive and council	37	28	66	116		50	175.9%	310.5%				650
Budget and treasury office	2,452,237	59,161	2,511,398	2,676,829		165,431	106.6%	109.2%				2,521,629
Corporate services	28,052	13,461	41,513	46,684		5,171	112.5%	166.4%				25,560
Community and public safety	429,443	360,095	789,539	733,647		(55,891)	92.9%	170.8%				798,200
Community and social services	23,252	5,411	28,663	26,411		(2,252)	92.1%	113.6%				27,477
Sport and recreation	26,527	(31)	26,496	19,651		(6,845)	74.2%	74.1%				22,912
Public safety	10,240	214,525	224,765	228,863		4,098	101.8%	2234.9%				40,503
Housing	366,447	137,545	503,993	455,307		(48,686)	90.3%	124.2%				701,604
Health	2,976	2,645	5,621	3,415		(2,206)	60.8%	114.8%				5,703
Economic and environmental services	910,091	(161,929)	748,162	351,751		(396,411)	47.0%	38.7%				537,701
Planning and development	428,566	6,292	434,858	184,148		(250,710)	42.3%	43.0%				215,195
Road transport	473,756	(168,157)	305,599	160,757		(144,842)	52.6%	33.9%				305,815
Environmental protection	7,770	(65)	7,705	6,846		(859)	88.9%	88.1%				16,692
Trading services	6,009,402	50,624	6,060,025	5,732,851		(327,174)	94.6%	95.4%				5,078,871
Electricity	3,729,081	21,809	3,750,891	3,703,262		(47,629)	98.7%	99.3%				3,288,877
Water	959,791	22,570	982,361	996,552		14,191	101.4%	103.8%				805,052
Waste water management	965,986	(2,111)	963,875	750,764		(213,112)	77.9%	77.7%				729,022
Waste management	354,543	8,356	362,899	282,274		(80,624)	77.8%	79.6%				255,920
Other	18,253	1,211	19,464	17,501		(1,963)	89.9%	95.9%				16,098
Total Revenue - Standard	9,847,516	322,651	10,170,167	9,559,379		(610,787)	94.0%	97.1%				8,978,708
Expenditure - Standard												
Governance and administration	1,267,034	(18,154)	1,248,879	1,232,555	(16,324)	(16,324)	98.7%	97.3%	-	-	-	1,095,178
Executive and council	208,398	10,370	218,769	187,109	(31,660)	(31,660)	85.5%	89.8%	-	-	-	182,709
Budget and treasury office	653,584	16,360	669,944	750,705	80,761	80,761	112.1%	114.9%	-	-	-	601,830
Corporate services	405,051	(44,885)	360,167	294,742	(65,425)	(65,425)	81.8%	72.8%	-	-	-	310,640
Community and public safety	1,411,549	195,130	1,606,679	1,550,216	(56,462)	(56,462)	96.5%	109.8%	-	-	-	1,544,467
Community and social services	174,913	46,717	221,630	187,149	(34,481)	(34,481)	84.4%	107.0%	-	-	-	180,960
Sport and recreation	185,646	5,453	191,099	211,274	20,175	20,175	110.6%	113.8%	-	-	-	189,075
Public safety	441,352	7,562	448,914	608,556	159,642	159,642	135.6%	137.9%	-	-	-	455,489
Housing	420,516	134,710	555,226	411,984	(143,243)	(143,243)	74.2%	98.0%	-	-	-	520,186
Health	189,122	688	189,810	131,254	(58,555)	(58,555)	69.2%	69.4%	-	-	-	198,758
Economic and environmental services	1,114,013	211,015	1,325,029	1,022,324	(302,705)	(302,705)	77.2%	91.8%	-	-	-	1,246,760
Planning and development	482,150	236,212	718,362	543,514	(174,847)	(174,847)	75.7%	112.7%	-	-	-	529,514
Road transport	475,652	(28,993)	446,659	322,978	(123,682)	(123,682)	72.3%	67.9%	-	-	-	584,010
Environmental protection	156,212	3,796	160,008	155,832	(4,176)	(4,176)	97.4%	99.8%	-	-	-	133,236
Trading services	5,012,969	112,511	5,125,480	4,955,599	(169,881)	(169,881)	96.7%	98.9%	-	-	-	4,311,687
Electricity	3,444,088	100,029	3,544,116	3,499,027	(45,089)	(45,089)	98.7%	101.6%	-	-	-	3,040,348
Water	693,203	12,886	706,089	702,708	(3,381)	(3,381)	99.5%	101.4%	-	-	-	626,581
Waste water management	563,621	894	564,515	482,618	(81,896)	(81,896)	85.5%	85.6%	-	-	-	444,905
Waste management	312,057	(1,298)	310,760	271,245	(39,514)	(39,514)	87.3%	86.9%	-	-	-	199,853
Other	14,274	1,250	15,524	15,509	(15)	(15)	99.9%	108.7%	-	-	-	18,867
Total Expenditure - Standard	8,819,839	501,752	9,321,591	8,776,204	(545,387)	(545,387)	94.1%	99.5%	-	-	-	8,216,959
Surplus/(Deficit) for the year	1,027,676	(179,101)	848,575	783,176	(65,400)	(65,400)	92.3%	76.2%	-	-	-	761,749

NMA Nelson Mandela Bay - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Budget and Treasury	2,452,249	59,161	2,511,411	2,679,048		167,637	106.7%	109.2%				2,520,975
Vote 2 - Public Health	369,305	12,381	381,687	299,708		(81,979)	78.5%	81.2%				287,386
Vote 3 - Human Settlements	595,215	133,988	729,204	479,174		(250,030)	65.7%	80.5%				729,690
Vote 4 - Economic Development and Recreational Ser	148,508	4,176	152,684	109,035		(43,650)	71.4%	73.4%				130,352
Vote 5 - Corporate Services	19,503	12,584	32,087	34,141		2,053	106.4%	175.1%				19,828
Vote 6 - Rate and General Engineers	454,311	(167,113)	287,198	147,279		(139,919)	51.3%	32.4%				297,661
Vote 7 - Water Services	959,791	22,570	982,361	996,552		14,191	101.4%	103.8%				805,052
Vote 8 - Sanitation Services	965,986	(2,111)	963,875	750,764		(213,112)	77.9%	77.7%				721,528
Vote 9 - Electricity and Energy	3,729,081	21,809	3,750,891	3,703,262		(47,629)	98.7%	99.3%				3,288,877
Vote 10 - Executive and Council	1,317	5,314	6,631	6,360		(271)	95.9%	482.9%				2,639
Vote 11 - Safety and Security	33,812	214,020	247,832	247,644		(188)	99.9%	732.4%				60,570
Vote 12 - Nelson Mandela Bay Stadium	48,500	-	48,500	50,932		2,432	105.0%	105.0%				42,112
Vote 13 - Strategic Programmes Directorate	31,362	1,945	33,308	22,426		(10,882)	67.3%	71.5%				37,689
Example 14 - Vote14	38,573	3,926	42,499	33,057		(9,442)	77.8%	85.7%				34,350
Example 15 - Vote15	-	-	-	-		-	-	-				-
Total Revenue by Vote	9,847,516	322,651	10,170,167	9,559,379		(610,787)	94.0%	97.1%				8,978,708
Expenditure by Vote to be appropriated												
Vote 1 - Budget and Treasury	632,490	10,880	643,369	720,774		77,404	112.0%	114.0%			-	584,219
Vote 2 - Public Health	680,753	521	681,274	654,044		(27,230)	96.0%	96.1%			-	531,312
Vote 3 - Human Settlements	566,695	131,569	698,264	563,319		(134,945)	80.7%	99.4%			-	683,113
Vote 4 - Economic Development and Recreational Ser	121,822	20,682	142,504	113,874		(28,630)	79.9%	93.5%			-	120,349
Vote 5 - Corporate Services	385,446	7,409	392,855	294,798		(98,057)	75.0%	76.5%			-	362,049
Vote 6 - Rate and General Engineers	614,648	(41,178)	573,470	407,715		(165,756)	71.1%	66.3%			-	708,090
Vote 7 - Water Services	693,203	12,886	706,089	702,719		(3,370)	99.5%	101.4%			-	626,582
Vote 8 - Sanitation Services	505,654	(1,204)	504,451	425,738		(78,713)	84.4%	84.2%			-	386,167
Vote 9 - Electricity and Energy	3,444,088	100,029	3,544,116	3,499,027		(45,089)	98.7%	101.6%			-	3,040,348
Vote 10 - Executive and Council	244,414	22,108	266,522	231,739		(34,783)	86.9%	94.8%			-	221,930
Vote 11 - Safety and Security	452,496	199,925	652,421	620,845		(31,576)	95.2%	137.2%			-	467,520
Vote 12 - Nelson Mandela Bay Stadium	167,939	19,211	187,150	215,030		27,880	114.9%	128.0%			-	182,259
Vote 13 - Strategic Programmes Directorate	20,986	6,942	27,928	22,737		(5,191)	81.4%	108.3%			-	33,937
Example 14 - Vote14	289,205	11,971	301,177	303,845		2,669	100.9%	105.1%			-	269,085
Example 15 - Vote15	-	-	-	-		-	-	-			-	-
Total Expenditure by Vote	8,819,839	501,752	9,321,591	8,776,204	-	(545,387)	94.1%	99.5%	-	-	-	8,216,959
Surplus/(Deficit) for the year	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749

NMA Nelson Mandela Bay - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	1,504,945	65,500	1,570,445	1,519,447		(50,998)	96.8%	101.0%				1,332,135
Property rates - penalties & collection charges		-	-			-	-	-				
Service charges - electricity revenue	3,519,222	-	3,519,222	3,463,707		(55,515)	98.4%	98.4%				3,085,314
Service charges - water revenue	639,699	-	639,699	660,223		20,524	103.2%	103.2%				519,528
Service charges - sanitation revenue	436,338	15,500	451,838	377,421		(74,417)	83.5%	86.5%				323,716
Service charges - refuse revenue	222,076	3,588	225,664	144,592		(81,072)	64.1%	65.1%				130,907
Service charges - other		-	-			-	-	-				
Rental of facilities and equipment	23,342	58	23,400	20,718		(2,682)	88.5%	88.8%				18,378
Interest earned - external investments	70,145	11,925	82,070	113,431		31,360	138.2%	161.7%				83,585
Interest earned - outstanding debtors	159,327	(20)	159,307	160,682		1,375	100.9%	100.9%				151,070
Dividends received		-	-			-	-	-				
Fines	11,861	214,976	226,837	223,580		(3,257)	98.6%	1885.0%				40,885
Licences and permits	11,963	(352)	11,611	9,332		(2,279)	80.4%	78.0%				9,695
Agency services	2,428	-	2,428	2,345		(83)	96.6%	96.6%				2,246
Transfers recognised - operational	1,327,271	188,094	1,515,365	1,148,940		(366,426)	75.8%	86.6%				1,486,060
Other revenue	956,838	4,169	961,007	937,421		(23,586)	97.5%	98.0%				1,010,155
Gains on disposal of PPE		28	28	28		(0)	99.6%	#DIV/0!				830
Total Revenue (excluding capital transfers and contributions)	8,885,456	503,465	9,388,921	8,781,867		(607,054)	93.5%	98.8%				8,194,504
Expenditure By Type												
Employee related costs	2,289,517	(29,090)	2,260,427	2,342,755		82,328	103.6%	102.3%				2,163,727
Remuneration of councillors	64,429	(1,143)	63,286	62,196		(1,090)	98.3%	96.5%				58,161
Debt impairment	379,384	5,078	384,462	625,575		241,113	162.7%	164.9%				407,410
Depreciation & asset impairment	873,746	177,500	1,051,246	1,095,359		44,112	104.2%	125.4%				901,879
Finance charges	168,361	2,735	171,096	166,492		(4,604)	97.3%	98.9%				180,098
Bulk purchases	2,742,169	63,646	2,805,815	2,814,366		8,552	100.3%	102.6%				2,455,086
Other materials	524,729	(9,586)	515,143	408,906		(106,237)	79.4%	77.9%				559,523
Contracted services	333,353	130,010	463,364	495,398		32,034	106.9%	148.6%				349,465
Transfers and grants	430,509	(10,265)	420,244	24,825		(395,419)	5.9%	5.8%				25,691
Other expenditure	1,013,642	172,867	1,186,509	740,298		(446,211)	62.4%	73.0%				1,115,407
Loss on disposal of PPE		-	-	34		34	#DIV/0!	#DIV/0!				513
Total Expenditure	8,819,839	501,752	9,321,591	8,776,204	-	(545,387)	94.1%	99.5%	-	-	-	8,216,959
Surplus/(Deficit)	65,617	1,713	67,330	5,663		(61,667)	8.4%	8.6%				(22,455)
Transfers recognised - capital	962,059	(180,814)	781,245	777,512		(3,733)	99.5%	80.8%				784,204
Contributions recognised - capital		-	-			-	-	-				
Contributed assets		-	-			-	-	-				
Surplus/(Deficit) after capital transfers & contributions	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749
Taxation		-	-			-	-	-				
Surplus/(Deficit) after taxation	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749
Attributable to minorities		-	-			-	-	-				
Surplus/(Deficit) attributable to municipality	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749
Share of surplus/ (deficit) of associate		-	-			-	-	-				
Surplus/(Deficit) for the year	1,027,676	(179,101)	848,575	783,176		(65,400)	92.3%	76.2%				761,749

NMA Nelson Mandela Bay - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2015/16								2014/15			
	Original Budget	Total Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Budget and Treasury	74,000	1,872	75,872	36,129		(39,743)	48%	49%				31,028
Vote 2 - Public Health	38,433	22,280	60,713	61,598		866	101%	160%				66,980
Vote 3 - Human Settlements	175,108	-	175,108	180,459		5,351	103%	103%				201,395
Vote 4 - Economic Development and Recreational Services	60,947	30,088	91,035	13,324		(77,711)	15%	22%				97,310
Vote 5 - Corporate Services	27,050	-	27,050	47,180		20,130	174%	174%				34,918
Vote 6 - Rate and General Engineers	412,220	(159,092)	253,128	229,317		(23,811)	91%	56%				282,611
Vote 7 - Water Services	165,003	15,346	180,349	182,704		2,355	101%	111%				177,645
Vote 8 - Sanitation Services	267,450	(19,915)	247,535	232,984		(14,551)	94%	87%				263,307
Vote 9 - Electricity and Energy	218,992	14,760	233,752	215,917		(17,835)	92%	99%				203,273
Vote 10 - Executive and Council	6,850	-	6,850	3,422		(3,428)	50%	50%				2,376
Vote 11 - Safety and Security	7,300	(700)	6,600	6,442		(158)	98%	88%				10,020
Vote 12 - Nelson Mandela Bay Stadium	-	13,168	13,168	11,725		(1,443)	89%	#DIV/0!				6,832
Vote 13 - Strategic Programmes Directorate	8,060	8,685	16,745	1,016		(15,729)	6%	13%				3,333
Vote 14 - Recreational and Cultural Services	104,500	12,400	116,900	66,717		(50,183)	57%	64%				25,020
Example 15 - Vote15	-	-	-	-		-	-	-				-
Capital multi-year expenditure	1,565,912	(61,108)	1,504,804	1,288,934	-	(215,870)	86%	82%	-	-	-	1,406,047
Single-year expenditure												
Vote 1 - Budget and Treasury	3,000	(150)	2,850	1,953		(897)	69%	65%				3,527
Vote 2 - Public Health	16,200	11,620	27,820	13,269		(14,551)	48%	82%				6,960
Vote 3 - Human Settlements	-	1,200	1,200	-		(1,200)	-	-				-
Vote 4 - Economic Development and Recreational Services	-	-	-	-		-	-	-				-
Vote 5 - Corporate Services	-	-	-	-		-	-	-				818
Vote 6 - Rate and General Engineers	6,380	4,300	10,680	8,030		(2,650)	75%	126%				4,426
Vote 7 - Water Services	2,500	1,554	4,054	4,072		17	100%	163%				1,181
Vote 8 - Sanitation Services	2,500	3,015	5,515	5,921		406	107%	237%				-
Vote 9 - Electricity and Energy	10,800	(200)	10,600	26,413		15,813	249%	245%				25,765
Vote 10 - Executive and Council	-	-	-	-		-	-	-				-
Vote 11 - Safety and Security	5,218	700	5,918	3,308		(2,610)	56%	63%				2,717
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-		-	-	-				-
Vote 13 - Strategic Programmes Directorate	-	-	-	-		-	-	-				-
Vote 14 - Recreational and Cultural Services	-	-	-	-		-	-	-				-
Example 15 - Vote15	-	-	-	-		-	-	-				-
Capital single-year expenditure	46,598	22,039	68,637	62,966	-	(5,672)	92%	135%	-	-	-	45,384
Total Capital Expenditure - Vote	1,612,510	(39,069)	1,573,441	1,351,900	-	(221,541)	86%	84%	-	-	-	1,451,441
Capital Expenditure - Standard												
Governance and administration	110,900	14,890	125,790	100,408	-	(25,381)	80%	91%	-	-	-	79,499
Executive and council	6,850	13,168	20,018	15,147		(4,871)	76%	221%				9,208
Budget and treasury office	77,000	1,722	78,722	38,081		(40,640)	48%	49%				34,555
Corporate services	27,050	-	27,050	47,180		20,130	174%	174%				35,735
Community and public safety	294,626	13,600	308,226	258,846	-	(49,380)	84%	88%	-	-	-	240,205
Community and social services	27,000	11,400	38,400	13,459		(24,941)	35%	50%				3,755
Sport and recreation	77,500	1,000	78,500	53,258		(25,242)	68%	69%				21,265
Public safety	12,518	-	12,518	9,750		(2,768)	78%	78%				12,737
Housing	175,108	1,200	176,308	180,459		4,151	102%	103%				201,395
Health	2,500	-	2,500	1,919		(581)	77%	77%				1,052
Economic and environmental services	522,539	(111,018)	411,520	290,957	-	(120,563)	71%	56%	-	-	-	450,927
Planning and development	69,007	38,773	107,780	14,340		(93,440)	13%	21%				100,643
Road transport	416,600	(154,792)	261,808	237,347		(24,461)	90%	57%				287,037
Environmental protection	34,933	5,000	39,933	39,270		(662)	98%	112%				63,247
Trading services	694,446	43,460	737,906	701,689	-	(36,217)	96%	103%	-	-	-	690,811
Electricity	229,792	14,560	244,352	242,331		(2,021)	99%	105%				229,039
Water	167,503	16,900	184,403	186,776		2,373	101%	112%				178,826
Waste water management	269,950	(16,900)	253,050	238,904		(14,146)	94%	88%				263,307
Waste management	17,200	28,900	46,100	33,678		(12,422)	73%	196%				9,640
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	1,612,510	(39,069)	1,573,441	1,351,900	-	(221,541)	86%	84%	-	-	-	1,451,441
Funded by:												
National Government	941,157	(180,814)	760,343	760,841		499	100%	81%				781,938
Provincial Government	-	-	-	-		-	-	-				-
District Municipality	-	-	-	-		-	-	-				-
Other transfers and grants	20,903	18,445	39,348	16,671		(22,677)	42%	80%				2,266
Transfers recognised - capital	962,059	(162,369)	799,691	777,512	-	(22,178)	97%	81%	-	-	-	784,204
Public contributions & donations	53,000	-	53,000	47,747	-	(5,253)	90%	90%	-	-	-	56,854
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	597,451	123,300	720,751	526,641	-	(194,110)	73%	88%	-	-	-	610,383
Total Capital Funding	1,612,510	(39,069)	1,573,441	1,351,900	-	(221,541)	86%	84%	-	-	-	1,451,441

NMA Nelson Mandela Bay - Reconciliation of Table A7 Budgeted Cash Flows

Description	2015/16							2014/15
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	6,547,926	115,631	6,663,557	7,348,883	685,326	110.3%	112.2%	6,138,982
Government - operating	1,355,719	99,195	1,454,915	1,206,016	(248,899)	82.9%	89.0%	1,173,071
Government - capital	1,093,822	(206,128)	887,694	932,291	44,597	105.0%	85.2%	999,637
Interest	70,045	12,025	82,070	3,996	(78,074)	4.9%	5.7%	222,532
Dividends			-	77	77	#DIV/0!	#DIV/0!	291
Payments								
Suppliers and employees	(6,889,818)	(268,622)	(7,158,440)	(7,324,471)	(166,031)	102.3%	106.3%	(6,810,136)
Finance charges	(168,361)	(2,535)	(170,896)	(168,838)	2,058	98.8%	100.3%	(208,595)
Transfers and Grants	(27,993)	(5,022)	(33,015)	(105,376)	(72,361)	319.2%	376.4%	(115,142)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,981,340	(255,455)	1,725,884	1,892,577	166,693	109.7%	95.5%	1,400,638
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			-		-	-	-	
Decrease (Increase) in non-current debtors		(6,208)	(6,208)		6,208	-	-	
Decrease (increase) other non-current receivables			-		-	-	-	
Decrease (increase) in non-current investments			-		-	-	-	
Payments								
Capital assets	(1,596,933)	(121,956)	(1,718,889)	(1,621,817)	97,071	94.4%	101.6%	(1,451,120)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1,596,933)	(128,163)	(1,725,096)	(1,621,817)	103,279	94.0%	101.6%	(1,451,120)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			-		-	-	-	
Borrowing long term/refinancing			-		-	-	-	
Increase (decrease) in consumer deposits		16,524	16,524		(16,524)	-	-	
Payments								
Repayment of borrowing	(104,093)		(104,093)	(104,093)	-	100.0%	100.0%	(111,777)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(104,093)	16,524	(87,568)	(104,093)	(16,524)	118.9%	100.0%	(111,777)
NET INCREASE/ (DECREASE) IN CASH HELD	280,314	(367,094)	(86,780)	166,667				(162,259)
Cash/cash equivalents at the year begin:	914,561	530,975	1,445,536	1,445,839				1,608,097
Cash/cash equivalents at the year end:	1,194,875	163,881	1,358,756	1,612,505	253,749	118.7%	135.0%	1,445,839

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
RESERVES GOVERNED BY AN ACT: Note 1 and Note 2				
1 HOUSING DEVELOPMENT FUND				
Housing Revolving Fund	109,731,779	108,605,509	109,731,779	108,605,509
Housing Reserves	0	1,126,270	0	1,126,270
Total Housing Development Fund	109,731,779	109,731,779	109,731,779	109,731,779

The amount for this note has been included in the Total Accumulated Funds.

Housing Revolving Fund

Balance at the beginning of the year	108,605,509	108,605,509	108,605,509	108,605,509
Transfer from Housing Reserves	1,126,270	0	1,126,270	0
Balance at the end of the year	109,731,779	108,605,509	109,731,779	108,605,509

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

HOUSING RESERVES

Community Facilities	0	160,631	0	160,631
Replacement and Renewals	0	965,639	0	965,639
Balance at the end of the year	0	1,126,270	0	1,126,270

Community Facilities

Balance at the beginning of the year	160,631	160,631	160,631	160,631
Transfer to Housing Revolving Fund	(160,631)	0	(160,631)	0
Balance at the end of the year	0	160,631	0	160,631

Replacement and Renewals

Balance at the beginning of the year	965,639	965,639	965,639	965,639
Transfer to Housing Revolving Fund	(965,639)	0	(965,639)	0
Restated Balance at beginning of year	0	965,639	0	965,639

The housing reserves are required in terms of National Housing Fund regulations. The housing reserves can only be utilised to maintain housing stock.

2 COID RESERVE

Balance at the beginning of the year	24,831,196	21,413,380	24,831,196	21,413,380
Premiums received - transfer from accumulated surplus	5,437,233	5,136,637	5,437,233	5,136,637
Expenditure funded during the year - transfer to accumulated surplus	(1,710,869)	(1,718,821)	(1,710,869)	(1,718,821)
Balance at the end of the year	28,557,560	24,831,196	28,557,560	24,831,196

The amount for this note has been included in the Total Accumulated Funds.

The COID Reserve is required in terms of Section 84 of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) as the Nelson Mandela Bay Municipality (NMBM) has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. LONG-TERM LIABILITIES	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
Financial Liabilities:				
Development Bank of Southern Africa (DBSA)	382,915,356	411,715,278	382,915,356	411,715,278
Amalgamated Banks of South Africa (ABSA)	45,000,000	75,000,000	45,000,000	75,000,000
Rand Merchant Bank	424,725,205	436,262,056	424,725,205	436,262,056
Nedbank	601,402,307	637,507,985	601,402,307	637,507,985
Total External Loans	1,454,042,868	1,560,485,319	1,454,042,868	1,560,485,319
Construction Contract Retention	1,519,146	3,205,728	0	0
Brookes Bequest	16,595,486	15,573,465	16,595,486	15,573,465
Total Long-term Liabilities	1,472,157,500	1,579,264,512	1,470,638,354	1,576,058,784
Less : Current portion transferred to current liabilities	95,438,884	106,793,027	93,919,738	104,092,767
Development Bank of Southern Africa (DBSA)	12,406,679	28,081,918	12,406,679	28,081,918
Amalgamated Banks of South Africa (ABSA)	30,000,000	30,000,000	30,000,000	30,000,000
Rand Merchant Bank	12,750,812	11,200,036	12,750,812	11,200,036
Nedbank	38,762,247	34,810,813	38,762,247	34,810,813
Construction Contract Retention	1,519,146	2,700,260	0	0
	1,376,718,616	1,472,471,485	1,376,718,616	1,471,966,017

The Financial liabilities are measured at amortised cost taking into account relevant interest rates.

In line with Chapter 6 of the MFMA, no loans are secured.

ABSA

The loan was taken up during the 2007/08 financial year and is repayable over 10 years in 20 half-yearly instalments, by 31 December 2017, at a fixed interest rate of 11.85% per annum. The loan was used to finance various electricity reticulation projects. A capital amount of R30 000 000 and interest of R8 025 534 was repaid during the financial year. (2015: Capital repaid R30 000 000 and Interest paid R11 561 0555)

DBSA

Various loans were consolidated into one single loan amounting to R238 297 599 with effect from 30 September 2005, repayable over 10 years in 20 half-yearly instalments, by 30 September 2015, including accrued interest. There are two choices of variable interest rate linked to the 6 month JIBAR or to the 3 month JIBAR and a fixed interest rate linked to Government Bond R157. From 1 October 2005 to 30 September 2006 the interest was calculated linked to the six month JIBAR, but on 1 October 2006 the interest rate was fixed, linked to the Government Bond R157 at 9.38%. Council has the right to amend the interest rate between variable or fixed. A capital amount of R17 107 749 and interest of R804 552 was repaid during the financial year. (2015: Capital repaid R31 952 612 and Interest paid R3 871 989)

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. A capital amount of R10 974 169 and interest of R44 328 564 was repaid during the financial year. (2015: Capital repaid R9 909 502 and Interest paid R45 393 231)

NEDBANK

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R34 810 813 and interest of R69 957 185 was repaid during the financial year. (2015: Capital repaid R30 512 922 and Interest paid R74 255 075)

RAND MERCHANT BANK

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. A capital amount of R11 200 036 and interest of R44 358 018 was repaid during the financial year. (2015: Capital repaid R10 593 062 and Interest paid R44 964 992)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The funds may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.37% per annum.

CONSTRUCTION CONTRACT RETENTION

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 3 to 12 months after official sign off of the project, and are non-interest bearing.

3.1 DEFERRED INCOME

Operating Lease	775,181	0	0	0
Less : Current portion transferred to current liabilities	(166,110)	0	0	0
	609,071	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

4.1 EMPLOYEE BENEFIT OBLIGATION	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Gratuity Benefit	30,673,874	30,859,879	30,673,874	30,859,879
Post Retirement Benefits	1,324,956,140	1,223,674,216	1,324,956,140	1,223,674,216
Long Service Awards and Long Service Bonus	116,613,687	114,811,531	116,613,687	114,811,531
Total Employee Benefit Obligation	1,472,243,701	1,369,345,626	1,472,243,701	1,369,345,626

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Benefit

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	30,859,879	32,597,454	30,859,879	32,597,454
Movement in Obligation	(186,005)	(1,737,575)	(186,005)	(1,737,575)
Balance at end of year	30,673,874	30,859,879	30,673,874	30,859,879

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed at R1 324 956 140.

Balance at beginning of year	1,223,674,216	1,162,816,000	1,223,674,216	1,162,816,000
Movement in Obligation	101,281,924	60,858,216	101,281,924	60,858,216
Balance at end of year	1,324,956,140	1,223,674,216	1,324,956,140	1,223,674,216

Long Service Awards and Long Service Bonus

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

Balance at beginning of year	114,811,531	109,268,000	114,811,531	109,268,000
Contributions to Obligation	1,802,156	5,543,531	1,802,156	5,543,531
Balance at end of year	116,613,687	114,811,531	116,613,687	114,811,531

4.2 NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	380,585,851	284,015,733	380,585,851	284,015,733
Rehabilitation of Swartkops River	81,617,595	45,756,198	81,617,595	45,756,198
Total Non-current Provisions	462,203,446	329,771,931	462,203,446	329,771,931

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R191 520 191 for the Arlington Tip site, R82 454 114 for the Koedoeskloof Tip site and R106 611 546 for the Ibhayi Tip site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2020 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 6.3%. The projected amounts are discounted to the present value at the long term Treasury Bond rate of 2.25%, for Arlington and at an average borrowing cost of 10.27% for Koedoeskloof. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

Balance at beginning of year	284,015,733	267,291,647	284,015,733	267,291,647
Contributions to Provision	96,570,118	16,724,086	96,570,118	16,724,086
Balance at end of year	380,585,851	284,015,733	380,585,851	284,015,733

Rehabilitation of Swartkops River

Balance at beginning of year	45,756,198	43,941,439	45,756,198	43,941,439
Contributions to Provision - unwinding of discount factor	35,861,397	1,814,759	35,861,397	1,814,759
Balance at end of year	81,617,595	45,756,198	81,617,595	45,756,198

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5 5.1	EMPLOYEE BENEFITS AND PROVISIONS CURRENT EMPLOYEE BENEFIT OBLIGATION	Economic Entity		Municipality	
		2016 R	Restated 2015 R	2016 R	Restated 2015 R
	Gratuity Liability	6,070,535	4,842,003	6,070,535	4,842,003
	Post Retirement Benefits	50,411,574	46,856,876	50,411,574	46,856,876
	Performance Bonus Liability	2,096,493	3,715,238	1,425,663	3,117,531
	Long service awards and long service bonuses	19,343,094	17,430,577	19,343,094	17,430,577
	Provision for Workmen's Compensation	41,800	32,480	0	0
	Total Current Employee Benefit Obligation	77,963,496	72,877,174	77,250,866	72,246,987

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Obligation

This obligation is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	4,842,003	5,788,043	4,842,003	5,788,043
Contributions to Obligation	4,506,629	2,923,074	4,506,629	2,923,074
Expenditure incurred	(3,278,097)	(3,869,114)	(3,278,097)	(3,869,114)
Balance at end of year	6,070,535	4,842,003	6,070,535	4,842,003

Post Retirement Benefits

The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.

Balance at beginning of year	46,856,876	48,887,000	46,856,876	48,887,000
Contributions to Obligation	62,020,683	53,233,258	62,020,683	53,233,258
Expenditure incurred	(58,465,985)	(55,263,382)	(58,465,985)	(55,263,382)
Balance at end of year	50,411,574	46,856,876	50,411,574	46,856,876

Performance bonus liability

This obligation is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their all-inclusive remuneration package paid as per regulation 32(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006. A portion of the Performance bonus also relates to the performance of MBDA.

Balance at beginning of year	3,715,238	4,208,368	3,117,531	3,603,490
Movement in Obligation	(1,021,038)	111,748	(1,691,868)	(485,959)
Expenditure incurred	(597,707)	(604,878)	0	0
Balance at end of year	2,096,493	3,715,238	1,425,663	3,117,531

Long service awards and long service bonuses

The obligation is in respect of long service awards and long service bonuses

Balance at beginning of year	17,430,577	23,327,000	17,430,577	23,327,000
Movement in Obligation	1,912,517	(5,896,423)	1,912,517	(5,896,423)
Balance at end of year	19,343,094	17,430,577	19,343,094	17,430,577

Provision for Workmens Compensation

Balance at beginning of year	32,480	44,108	0	0
Contributions to Obligation	41,801	32,481	0	0
Adjustment for underprovision	(10,440)	(17,583)	0	0
Expenditure incurred	(22,041)	(26,526)	0	0
Balance at end of year	41,800	32,480	0	0

5.2 CURRENT PROVISIONS

Provision for Litigation and Claims	47,776,422	85,649,120	47,776,422	85,649,120
Total Current Provisions	47,776,422	85,649,120	47,776,422	85,649,120

Provision for Litigation and Claims

The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45(b).

Balance at the beginning of the year	85,649,120	78,479,629	85,649,120	78,479,629
Provision utilised	(47,281,519)	(30,766,137)	(47,281,519)	(30,766,137)
Contributions to Provision	9,408,821	37,935,628	9,408,821	37,935,628
Balance at end of year	47,776,422	85,649,120	47,776,422	85,649,120

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6 CONSUMER DEPOSITS	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Electricity and Water	122,595,098	110,379,842	122,595,098	110,379,842
Interest	1,364,092	1,472,514	1,364,092	1,472,514
	123,959,190	111,852,356	123,959,190	111,852,356
Guarantees held in lieu of Electricity and Water Deposits.	15,465,278	11,568,314	15,465,278	11,568,314

Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.

7 CREDITORS - EXCHANGE TRANSACTIONS

Trade creditors	1,254,414,445	1,204,946,045	1,248,291,511	1,197,729,162
Payments Received in Advance	67,941,056	86,734,136	67,896,939	86,734,136
Staff leave	192,449,199	163,688,036	191,979,823	163,229,298
Other Creditors	4,176,349	7,013,040	3,943,532	5,869,960
Retentions	186,817,508	161,363,544	186,817,508	161,363,544
Operating Leases	703,715	549,433	537,605	549,433
Total Creditors	1,706,502,272	1,624,294,234	1,699,466,918	1,615,475,533

Refer Restatement Note no. 40.2.2

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R186 817 508, which could be settled within the next 12 months.

No creditors are secured

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

8.1 Conditional Grants from other spheres of Government

Conditional Grants in terms of the Division of Revenue Act (DORA):

Municipal Human Settlements Capacity Grant (See Note 22.5.2)	5,028,404	23,235,275	5,028,404	23,235,275
Public Transport Infrastructure Grant (See Note 22.7.1)	25,836,082	61,482,240	25,836,082	61,482,240
Public Transport Networks Operations Grant (See Note 22.7.2)	123,614,211	0	123,614,211	0
Neighbourhood Partnership Development Grant (See Note 22.15)	0	1,118,343	0	1,118,343
Infrastructure Skills Development Grant (See Note 22.17)	576,932	248,644	576,932	248,644
Integrated City Development Grant (See Note 22.20)	1,722,774	0	1,722,774	0
Other Grants:				
PHB Subsidies (See Note 22.1)	8,069,417	9,752,718	8,069,417	9,752,718
Smart Grid initiative Grant (See Note 22.4)	711,836	1,809,900	711,836	1,809,900
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	8,140,757	13,973,784	8,140,757	13,973,784
EU Sector Policy Support Project (See Note 22.9)	8,896,191	10,366,174	8,896,191	10,366,174
Other Grants (See Note 22.11)	5,141,162	17,087,514	1,273,445	17,087,514
National Lotteries Grant (See Note 22.13)	1,750,037	4,693,537	1,660,389	4,693,537
CDC Walmer Intervention Funding Grant (See Note 22.14)	5,546,957	0	5,546,957	0
Vuna Awards (See Note 22. 21)	0	15,294	0	15,294
Off-Grid Electrification Grant (See Note 22.22)	1,211,893	22,000,000	1,211,893	22,000,000
LGSETA Discretionary Learnership Funding (See Note 22.25)	3,454,479	5,525,289	3,454,479	5,525,289
Provincial Department Agency: Communication Grant (See Note 22.26)	872,782	0	872,782	0
Total Unspent Conditional Grants and Receipts	200,573,914	171,308,712	196,616,549	171,308,712

The unspent portion on grants represent cash.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2016			
Land & Buildings	1,941,379,952	212,156,167	1,729,223,785
Infrastructure Assets	14,289,229,291	4,908,030,571	9,381,198,720
Community Assets	3,295,524,297	721,353,603	2,574,170,694
Other Assets	1,351,550,514	701,821,310	649,729,204
	20,877,684,054	6,543,361,651	14,334,322,403

No assets were pledged as security.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2015

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
	Land & Buildings	1,844,205,095	182,370,554
Infrastructure Assets	13,211,484,090	4,511,126,770	8,700,357,320
Community Assets	3,224,395,483	619,570,239	2,604,825,244
Other Assets	1,168,387,485	654,587,996	513,799,489
	19,448,472,153	5,967,655,559	13,480,816,594

Refer Restatement Note no. 40.2.3

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2016			
Land & Buildings	1,935,900,042	212,100,797	1,723,799,245
Infrastructure Assets	14,289,229,292	4,908,030,572	9,381,198,720
Community Assets	3,295,524,297	721,353,602	2,574,170,695
Other Assets	1,348,525,888	700,542,784	647,983,104
	20,869,179,519	6,542,027,755	14,327,151,764

No assets were pledged as security.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2015

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
	Land & Buildings	1,844,205,095	182,370,554
Infrastructure Assets	13,211,484,090	4,511,126,770	8,700,357,320
Community Assets	3,224,395,483	619,570,239	2,604,825,244
Other Assets	1,166,193,820	653,496,311	512,697,509
	19,446,278,488	5,966,563,874	13,479,714,614

Refer Restatement Note no. 40.2.3

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10 HERITAGE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2016		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		206,087,322	0	206,087,322
		206,087,322	0	206,087,322

Refer to Note 49 for reconciliation.

As at 30 June 2015		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		205,531,393	0	205,531,393
		205,531,393	0	205,531,393

Refer Restatement Note no. 40.2.8

MUNICIPALITY		Cost	Accumulated Impairment	Carrying Value
As at 30 June 2016				
Heritage Assets		205,836,822	0	205,836,822
		205,836,822	0	205,836,822

Refer to Note 49 for reconciliation.

As at 30 June 2015		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		205,280,893	0	205,280,893
		205,280,893	0	205,280,893

Refer Restatement Note no. 40.2.8

11 INTANGIBLE ASSETS

ECONOMIC ENTITY		Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2016				
Computer Software		576,977,822	522,797,451	54,180,371
		576,977,822	522,797,451	54,180,371

No assets were pledged as security.

Refer to Note 50 for reconciliation.

As at 30 June 2015		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		579,837,666	435,338,639	144,499,027
		579,837,666	435,338,639	144,499,027

MUNICIPALITY

As at 30 June 2016		Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2016				
Computer Software		576,650,804	522,559,011	54,091,793
		576,650,804	522,559,011	54,091,793

No assets were pledged as security.

Refer to Note 50 for reconciliation.

As at 30 June 2015		Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2015				
Computer Software		579,512,808	435,157,978	144,354,830
		579,512,808	435,157,978	144,354,830

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12 INVESTMENT PROPERTY

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2016

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	253,810,809	56,530,544	197,280,265
	253,810,809	56,530,544	197,280,265

No assets were pledged as security.

Refer to Note 51 for reconciliation.

As at 30 June 2015

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	248,623,193	50,454,308	198,168,885
	248,623,193	50,454,308	198,168,885

Description of Investment Property:

	2016 R	Restated 2015 R
Nelson Mandela Bay Logistics Park	102,300,000	102,300,000
Kings Beach	30,400,000	30,400,000
Springs Resort	2,141,000	2,141,000
Telkom Park	45,200,000	45,200,000
Mc Arthur Bath	12,290,000	12,290,000
Willows Resort	246,430,000	246,430,000
Beachview Resort	6,250,000	6,250,000
Van Stadens Resort	5,250,000	5,250,000
St Georges Park Resort and Wells estate	117,500,000	117,500,000
Motherwell Depot	15,000,000	15,000,000
Africa Timbers in Korsten	1,990,000	1,990,000
Mercado centre	22,830,000	22,830,000
Fresh Produce Market	5,500,000	5,500,000
Incinerator and Gas works	26,730,000	26,730,000
Something Good	4,200,000	4,200,000
Korsten Depot	1,600,000	1,600,000
Port Elizabeth RD Steeledale Reinforcing	980,000	980,000
PE Central Shop	490,000	490,000
North End Workshop	66,000	66,000
Moselville Old Post Office	1,250,000	1,250,000
Market Value of Investment Property	648,397,000	648,397,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12 INVESTMENT PROPERTY (Continued)

Additional Disclosure:

The NMBM applies the Cost Model.

The Market Value was determined by professional valuers of the NMBM who are experts in this field as at 30 June 2016:

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor, which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Rental revenue included in surplus for following Investment Property:				
Beachview resort	240,000	240,000	240,000	240,000
Van Stadens Resort	240,000	240,000	240,000	240,000
Direct Operating expenses that generated rental revenue	0	0	0	0

13 LONG-TERM RECEIVABLES

	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Sporting and Other Bodies	100	180	100	180
Other Debtors	50,315	50,315	50,315	50,315
Consumer Debtors	24,256,486	18,248,511	24,256,486	18,248,511
Rate and General	10,960,479	9,265,720	10,960,479	9,265,720
Electricity	4,271,747	3,590,679	4,271,747	3,590,679
Water	3,713,297	2,195,112	3,713,297	2,195,112
Refuse	2,070,677	1,132,893	2,070,677	1,132,893
Sewerage	3,030,091	1,846,402	3,030,091	1,846,402
Insurance	210,195	217,705	210,195	217,705
	24,306,901	18,299,006	24,306,901	18,299,006

Less current portion:

Sporting and Other Bodies	80	80	80	80
Current Portion of Long-term Receivables	80	80	80	80

Long-term Receivables

	24,306,821	18,298,926	24,306,821	18,298,926
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Long-term Receivables - Exchange Transactions	13,346,342	9,033,206	13,346,342	9,033,206
Long-term Receivables - Non-exchange Transactions	10,960,479	9,265,720	10,960,479	9,265,720
	24,306,821	18,298,926	24,306,821	18,298,926

No collateral is held for receivables.

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

Consumer Debtors have a fixed repayment term per individual consumer and interest is calculated on monthly basis at 9% per annum.

CONSUMER DEBTORS

The current portion is disclosed in note 15 - Consumer Debtors.

14 INVENTORY

	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Raw Materials	147,446,948	141,460,741	147,446,948	141,460,741
Spare Parts	80,507	98,809	80,507	98,809
Work in Progress - RDP Land	95,995,602	95,106,709	95,995,602	95,106,709
Water Finished Goods - at cost (refer to note 28 for cost of inventory sold)	21,355,200	15,778,200	21,355,200	15,778,200
Consumable Goods	14,892,822	11,038,673	14,892,822	11,038,673
	15,122,817	19,438,350	15,122,817	19,438,350
Less: Provision for Obsolete Stock	(2,073,323)	(1,466,203)	(2,073,323)	(1,466,203)
	145,373,625	139,994,538	145,373,625	139,994,538

No inventory was pledged as security

Refer Restatement Note no. 40.2.9

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15 CONSUMER DEBTORS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2016

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	3,324,107,667	(2,020,941,866)	1,303,165,801
Rates and General	927,077,284	(657,492,538)	269,584,746
Electricity	1,018,118,126	(384,039,639)	634,078,487
Water	747,626,752	(514,097,711)	233,529,041
Refuse	264,336,221	(205,666,635)	58,669,586
Sanitation	366,949,284	(259,645,343)	107,303,941
House Rentals	24,033,130	(20,071,756)	3,961,374
Total	3,348,140,797	(2,041,013,622)	1,307,127,175

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	269,584,746
Consumer debtors - Exchange Transactions	1,037,542,429
	1,307,127,175

No consumer debtors were pledged as security.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2015

	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2,917,474,100	(1,779,155,689)	1,138,318,411
Rates and General	788,704,395	(559,304,985)	229,399,410
Electricity	1,031,363,720	(417,123,714)	614,240,006
Water	572,456,769	(410,151,769)	162,305,000
Refuse	221,296,570	(176,025,922)	45,270,648
Sanitation	303,652,646	(216,549,299)	87,103,347
House Rentals	22,933,207	(19,217,127)	3,716,080
Total	2,940,407,307	(1,798,372,816)	1,142,034,491

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	229,399,410
Consumer debtors - Exchange Transactions	912,635,081
	1,142,034,491

Rates and General: Ageing

Current (0-30 days)	107,788,793	97,401,007
31 - 60 Days	17,774,527	38,946,251
61 - 90 Days	24,774,031	22,528,982
Over 90 Days	776,739,933	629,828,155
Total	927,077,284	788,704,395

Electricity: Ageing

Current (0-30 days)	530,525,948	481,412,632
31 - 60 Days	62,494,179	59,162,278
61 - 90 Days	44,350,814	40,962,246
Over 90 Days	380,747,185	449,826,564
Total	1,018,118,126	1,031,363,720

Water: Ageing

Current (0-30 days)	125,191,225	91,624,396
31 - 60 Days	68,588,762	32,878,319
61 - 90 Days	50,782,153	24,684,913
Over 90 Days	503,064,612	423,269,141
Total	747,626,752	572,456,769

Refuse: Ageing

Current (0-30 days)	25,009,805	20,240,186
31 - 60 Days	5,869,049	12,025,924
61 - 90 Days	10,541,626	5,902,003
Over 90 Days	222,915,741	183,128,457
Total	264,336,221	221,296,570

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15 CONSUMER DEBTORS (Continued)	2016 R	Restated 2015 R
Sanitation: Ageing		
Current (0-30 days)	50,118,430	43,086,448
31 - 60 Days	22,883,172	19,569,964
61 - 90 Days	15,843,673	14,861,978
Over 90 Days	278,104,009	226,134,256
Total	366,949,284	303,652,646

Housing Rentals: Ageing

Current (0-30 days)	791,722	650,387
31 - 60 Days	127,099	947,153
61 - 90 Days	892,640	4,991,231
Over 90 Days	22,221,669	16,344,436
Total	24,033,130	22,933,207

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2016			
Current (0-30 days)	190,231,530	618,634,166	30,557,113
31 - 60 Days	79,496,908	64,640,196	33,599,683
61 - 90 Days	66,765,511	55,773,713	24,645,712
Over 90 Days	1,450,584,025	713,854,418	19,357,822
Gross Consumer Debtors by Customer classification	1,787,077,974	1,452,902,493	108,160,330
Gross Consumer Debtors			3,348,140,797
Less: Impairment allowance			(2,041,013,622)
Net Consumer Debtors for the period ended 30 June 2016			1,307,127,175

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2015			
Current (0-30 days)	177,471,316	540,074,365	16,869,375
31 - 60 Days	81,460,573	75,741,758	6,327,558
61 - 90 Days	54,873,285	55,696,190	3,361,878
Over 90 Days	1,210,359,519	693,807,333	24,364,157
Gross Consumer Debtors by Customer classification	1,524,164,693	1,365,319,646	50,922,968
Gross Consumer Debtors			2,940,407,307
Less: Impairment allowance			(1,798,372,816)
Net Consumer Debtors for the year ended 30 June 2015			1,142,034,491

	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
Reconciliation of the Impairment Allowance				
Balance at beginning of year	1,798,372,816	1,610,798,114	1,798,372,816	1,610,798,114
Contributions to Impairment allowance	655,956,758	444,667,159	655,956,758	444,667,159
	2,454,329,574	2,055,465,273	2,454,329,574	2,055,465,273
Bad debts written off against the Impairment allowance	(413,315,952)	(257,092,457)	(413,315,952)	(257,092,457)
Balance at end of year	2,041,013,622	1,798,372,816	2,041,013,622	1,798,372,816

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed interest at 9% per annum on overdue accounts.

Consumer Debtors not past due nor impaired therefore no impairment allowance raised:

Neither past due nor impaired

Current (0-30 days)	<u>0</u>	<u>0</u>	<u>1,307,127,175</u>	<u>1,142,034,491</u>
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Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	<u>2,041,013,622</u>	<u>1,798,372,816</u>	<u>2,041,013,622</u>	<u>1,798,372,816</u>
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
16 OTHER DEBTORS - Exchange Transactions				
Government Grants and Subsidies - Housing	155,258,535	236,016,565	155,258,535	236,016,565
Government Grants and Subsidies - Public Health	14,333,532	10,999,657	14,333,532	10,999,657
Government Grants and Subsidies - CDC Walmer Intervention	0	49,453,043	0	49,453,043
Government Grants and Subsidies - Smart Grid Initiative	2,250,000	0	2,250,000	0
Interest on External Investments	15,431,734	13,870,321	15,207,338	13,385,624
Operating lease accruals	2,143,428	2,549,888	2,143,428	2,549,888
Sundry Debtors	218,737,240	164,670,124	194,238,968	160,160,729
Entity - MBDA	0	0	47,275,635	48,362,452
	408,154,469	477,559,598	430,707,436	520,927,958
Provision for Bad Debts - Uitesco	(188,408)	(18,438,796)	0	(18,292,127)
	407,966,061	459,120,802	430,707,436	502,635,831

Refer Restatement Note no. 40.2.5

Amounts due from Government and external debtors are normally settled within 30 days and bear no interest.

The liquidation for Uitesco has been approved during this year.

17 VAT Refund / VAT (Payable)/ Receivable

VAT Refund	13,217,292	37,439,999	10,742,805	34,927,107
VAT (Payable)/ Receivable	(10,813,448)	16,764,534	(10,813,448)	16,764,534

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

The VAT Receivable account is used to record VAT on revenue and expenses incurred but for which no payment has been received or made.

Refer Restatement Note no. 40.2.6 and 40.2.7

18 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS

DEPOSITS

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 7.20% (2015: 6.03%) during the current audit period.

310,000,000 275,000,000

First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 7.12% (2015: 6.02%) during the current audit period.

310,000,000 275,000,000

Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 6.75% (2015: 5.50 %) during the current audit period.

115,426,205 105,607,152

Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 6.60% and 7.31% (2015: 6.20%) during the current audit period.

315,500,000 300,500,000

Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 7.37% (2015: 6.37%) during the current audit period.

314,152,000 296,152,000

Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2016: 7.65%.

259,656 234,835

1,365,337,861 1,252,493,987

Refer Restatement Note no. 40.2.1

FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares

2,469,871 2,714,566

2,469,871 2,714,566

No Investments were pledged as security.

The Investments are committed as follows:

1,365,337,861 1,252,493,987

Unspent Conditional Grants and Receipts

196,616,549 171,308,712

Current Portion of Long-term Liabilities

93,919,738 104,092,767

COVID Reserve

28,557,560 24,831,196

Self Insurance Reserve

102,980,606 96,391,064

Capital Replacement Reserve

0 91,370,086

Housing Revolving Fund

109,731,779 109,731,779

531,806,232 597,725,604

The balance is available for Creditors - Exchange Transactions

833,531,629 654,768,383

The Municipality's Investment Policy and Investment Regulations, require local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value was R2 469 871 (2015: R 2 714 566) determined on the open market share price as at 30 June 2016. The shares were awarded to the NMBM as the beneficiary of an insurance endowment policy, which matured during October 1998.

All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement.

Short-term Investment Deposits amounting to R93 919 738 (2015: R104 092 767) are ring-fenced and attributable to repaying long-term loans.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19	BANK BALANCES AND CASH	Economic Entity		Municipality	
		2016 R	Restated 2015 R	2016 R	Restated 2015 R
	The NMBM operates various current accounts with ABSA. The details are as follows:				
	BANK: ABSA				
	ACCOUNT NUMBER: 4079534961				
	BRANCH: Greenacres				
	BRANCH CODE: 632005				
	Cash Book balance at beginning of the year	139,687,805	128,555,305	139,687,805	128,555,305
	Cash Book balance at end of the year	213,067,170	139,687,805	213,067,170	139,687,805
	Bank Balance at beginning of the year	114,066,794	179,170,678	114,066,794	179,170,678
	Bank Balance at end of the year	200,857,162	114,066,794	200,857,162	114,066,794
	Which are disclosed in the Statement of Financial Position as follows:				
	Bank balances and cash	213,067,170	139,687,805	213,067,170	139,687,805
	In terms of GRAP 23 - Revenue from non-exchange transactions, the following Cash and Cash equivalents relates to restrictive agreements for which no commitment exist but can only be used for the following:				
	Transportation levies received: Upkeep of roads or any roads related projects.	31,997,669	836,189	31,997,669	836,189
	Refer Restatement Note no. 40.2.4				
	Mandela Bay Development Agency				
	Current Accounts (Primary Account)				
	NedBank, Govan Mbeki Avenue, Port Elizabeth				
	Account Number -				
	Cashbook balance at beginning of year	435,692	0		
	Cashbook balance at end of the year	4,568,254	435,692		
	Bank statement balance at beginning of the year	435,692	0		
	Bank statement balance at end of the year	4,568,254	435,692		
	First National Bank, Govan Mbeki Avenue, Port Elizabeth				
	Account Number - 62244870748				
	Cashbook balance at beginning of year	83,628	726,410		
	Cashbook balance at end of the year	0	83,628		
	Bank statement balance at beginning of the year	83,628	726,410		
	Bank statement balance at end of the year	0	83,628		
	Call Account Deposits				
	NedBank, Govan Mbeki Avenue, Port Elizabeth				
	Account Number -				
	Cashbook balance at beginning of year	24,142,826	0		
	Cashbook balance at end of the year	320,801	24,142,826		
	Bank statement balance at beginning of the year	24,142,826	0		
	Bank statement balance at end of the year	320,801	24,142,826		
	Rand Merchant Bank, Port Elizabeth				
	Account Number - X021906134				
	Cashbook balance at beginning of year	28,994,607	57,335,333		
	Cashbook balance at end of the year	29,211,400	28,994,607		
	Bank statement balance at beginning of the year	28,994,607	57,335,333		
	Bank statement balance at end of the year	29,211,400	28,994,607		
	Which are disclosed in the Statement of Financial Position as follows:				
	Cash and cash equivalents	34,100,454	53,656,754		
	Current Account (Primary Account)	4,568,254	519,320		
	Call Account Deposits	29,532,200	53,137,434		
	Consolidated Cash Book balance at end of the year	247,167,624	193,344,559		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20	PROPERTY RATES	Economic Entity		Municipality	
		2016	Restated 2015	2016	Restated 2015
		R	R	R	R
	<u>Actual</u>				
	Residential	694,417,955	607,505,821	694,417,955	607,505,821
	Commercial	637,608,998	562,055,291	637,608,998	562,055,291
	State	121,231,052	101,969,829	121,231,052	101,969,829
	Other	66,189,227	60,603,968	66,189,227	60,603,968
		1,519,447,232	1,332,134,909	1,519,447,232	1,332,134,909

As per the Municipal Property Rates Act, the date of valuation was 1 July 2012, with the implementation date being 1 July 2013.

The Municipality is in the process of a property valuation in line with the Municipal Property Rates Act and the results thereof will be implemented w.e.f 01 July 2017.

*Other includes Agricultural, Public Service Infrastructure and Vacant Properties.
 These amounts are reflected excluding VAT.

	R'000	R'000	R'000	R'000
<u>Valuations</u>				
Residential	85,101,884	84,317,736	85,101,884	84,317,736
Commercial	38,177,437	36,483,208	38,177,437	36,483,208
State	5,707,338	5,783,429	5,707,338	5,783,429
Other	6,506,342	6,445,702	6,506,342	6,445,702
	135,493,001	133,030,075	135,493,001	133,030,075

21.1 SERVICE CHARGES

Sale of Electricity	3,463,707,137	3,085,314,437	3,463,791,052	3,085,501,834
Sale of Water	660,223,228	519,527,626	660,223,228	519,527,626
Service delivery - sale of inventory	4,123,930,365	3,604,842,063	4,124,014,280	3,605,029,460
Refuse Removal	144,592,019	130,907,080	144,592,019	130,907,080
Sewerage and Sanitation charges	377,421,012	323,716,434	377,421,012	323,716,434
Service delivery - sale of services	522,013,031	454,623,514	522,013,031	454,623,514
	4,645,943,396	4,059,465,577	4,646,027,311	4,059,652,974

Refer Restatement Note no. 40.1.12

21.2 FINES

Fines (Library and Traffic)	223,579,941	40,884,562	223,579,941	40,884,562
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	243,281,414	36,831,810	243,281,414	36,831,810
Impaired, based on collection rate	(154,403,489)	(31,144,372)	(154,403,489)	(31,144,372)
Net fines collected	88,877,925	5,687,438	88,877,925	5,687,438

Refer Restatement Note no. 40.1.15

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22	GOVERNMENT GRANTS AND SUBSIDIES	Economic Entity		Municipality	
		2016 R	Restated 2015 R	2016 R	Restated 2015 R
	PHB Subsidies (See Note 22.1)	222,854,482	428,289,586	222,854,482	428,289,586
	Equitable Share Allocation (See Note 22.2)	774,616,583	761,606,000	774,616,583	761,606,000
	Finance Management Grant (See Note 22.3)	1,034,464	1,202,266	1,034,464	1,202,266
	Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	5,833,027	2,556,654	5,833,027	2,556,654
	Municipal Human Settlements Capacity Grant (See Note 22.5.2)	27,574,061	13,648,697	27,574,061	13,648,697
	Provincial Government Grants: Library Services (See Note 22.6)	9,752,000	7,390,000	9,752,000	7,390,000
	Public Transport Networks Operations Grant (See Note 22.7.2)	22,343,382	67,871,622	22,343,382	67,871,622
	EU Sector Policy Support Project (See Note 22.9)	1,469,983	2,814,922	1,469,983	2,814,922
	Energy Efficiency & Demand Side Management (See Note 22.10)	0	9,313,581	0	9,313,581
	Other Grants (See Note 22.11)	433,263	754,446	433,263	754,446
	Government Grant Revenue (See Note 22.12)	777,512,325	784,204,088	777,512,325	784,204,088
	National Lotteries Grant (See Note 22.13)	3,033,148	1,010,012	3,033,148	1,010,012
	CDC Walmer Intervention Funding Grant (See Note 22.14)	0	49,453,043	0	49,453,043
	Urban Settlements Development Grant (See Note 22.16)	22,924,967	69,167,779	22,924,967	69,167,779
	Infrastructure Skills Development Grant (See Note 22.17)	8,594,209	8,251,887	8,594,209	8,251,887
	EPWP Incentive Grant (See Note 22.18)	8,361,831	17,454,850	8,361,831	17,454,850
	Groen Sebenza (SANBI) Grant (See Note 22.19)	37,533	581,196	37,533	581,196
	Integrated City Development Grant (See Note 22.20)	3,576,573	3,682,231	3,576,573	3,682,231
	VUNA Awards (See Note 22.21)	15,294	0	15,294	0
	Off-Grid Electrification Grant (See Note 22.22)	20,788,107	0	20,788,107	0
	Department of Roads and Public Works Grant (See Note 22.23)	0	3,357,583	0	3,357,583
	Post Disaster Recovery Grant (See Note 22.24)	0	25,315,563	0	25,315,563
	LGSETA Discretionary Learnership Funding (See Note 22.25)	9,985,035	8,277,535	9,985,035	8,277,535
	Provincial Department Agency: Communication Grant (See Note 22.26)	2,378,019	0	2,378,019	0
	Health Subsidies (See Note 22.27)	3,333,875	4,060,083	3,333,875	4,060,083
		1,926,452,161	2,270,263,624	1,926,452,161	2,270,263,624

Refer Restatement Note no. 40.1.10

Government Grants and Subsidies are made up as follows:

Government Grants and Subsidies - Operating	1,148,939,836	1,486,059,536	1,148,939,836	1,486,059,536
Government Grants and Subsidies - Capital	777,512,325	784,204,088	777,512,325	784,204,088
	1,926,452,161	2,270,263,624	1,926,452,161	2,270,263,624

22.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing.

Balance at beginning of year	9,752,718	129,994,741	9,752,718	129,994,741
Current year receipts	220,761,020	221,857,807	220,761,020	221,857,807
Interest received	663,376	3,144,027	663,376	3,144,027
Debtor raised	236,426,726	236,016,565	236,426,726	236,016,565
Reversal of prior year accrual	(236,016,565)	(145,387,788)	(236,016,565)	(145,387,788)
Interest paid over to Provincial Treasury	(663,376)	(7,583,048)	(663,376)	(7,583,048)
Conditions met - Transferred to revenue	(222,854,482)	(428,289,586)	(222,854,482)	(428,289,586)
Conditions still to be met - transferred to liabilities	8,069,417	9,752,718	8,069,417	9,752,718

22.2 Equitable Share

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

Balance unspent at beginning of year	0	0	0	0
Current year receipts	774,616,583	761,606,000	774,616,583	761,606,000
Transferred to revenue	(774,616,583)	(761,606,000)	(774,616,583)	(761,606,000)
Conditions met	0	0	0	0

22.3 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0	0	0
Current year receipts	1,050,000	1,250,000	1,050,000	1,250,000
Conditions met - Transferred to Other Income - VAT portion	(15,536)	(47,734)	(15,536)	(47,734)
Conditions met - Transferred to revenue	(1,034,464)	(1,202,266)	(1,034,464)	(1,202,266)
Conditions met	0	0	0	0

22.4 Smart Grid Initiative

This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.

Balance unspent at beginning of year	1,809,900	0	1,809,900	0
Current year receipts	10,500,000	2,250,000	10,500,000	2,250,000
Conditions met - Transferred to revenue - capital	(13,848,064)	(440,100)	(13,848,064)	(440,100)
Debtor raised	2,250,000	0	2,250,000	0
Conditions still to be met - transferred to liabilities	711,836	1,809,900	711,836	1,809,900

22.5.1 Provincial Department of Human Settlements: Accreditation Grant

This Grant is used for capacity building of level 3 accreditation in the preparation of NMBM in the Human Settlements matters.

Balance unspent at beginning of year	13,973,784	7,870,175	13,973,784	7,870,175
Current year receipts	0	8,660,263	0	8,660,263
Conditions met - Transferred to revenue	(5,833,027)	(2,556,654)	(5,833,027)	(2,556,654)
Conditions still to be met - transferred to liabilities	8,140,757	13,973,784	8,140,757	13,973,784

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22	GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
		2016 R	Restated 2015 R	2016 R	Restated 2015 R
	22.5.2 Municipal Human Settlements Capacity Grant				
	This Grant is used to ensure effective management of Human Settlements programmes at the local government level in line with the Accreditation framework.				
	Balance unspent at beginning of year	23,235,275	0	23,235,275	0
	Current year receipts	9,847,000	37,707,000	9,847,000	37,707,000
	Conditions met - Transferred to revenue	(27,574,061)	(13,648,697)	(27,574,061)	(13,648,697)
	Conditions met - Transferred to Other Income - VAT portion	(479,810)	(823,028)	(479,810)	(823,028)
	Conditions still to be met - transferred to liabilities	5,028,404	23,235,275	5,028,404	23,235,275
	22.6 Provincial Government Grants: Library Services				
	This grant is received from the Provincial Government and used to subsidise Libraries.				
	Balance at beginning of year	0	0	0	0
	Current year receipts	9,752,000	7,390,000	9,752,000	7,390,000
	Conditions met - Transferred to revenue	(9,752,000)	(7,390,000)	(9,752,000)	(7,390,000)
	Conditions met	0	0	0	0
	22.7.1 Public Transport Infrastructure Grant				
	This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.				
	Balance unspent at beginning of year	61,482,240	0	61,482,240	0
	Current year receipts	36,128,000	167,500,000	36,128,000	167,500,000
	Conditions met - Transferred to revenue - capital	(9,027,998)	(92,998,035)	(9,027,998)	(92,998,035)
	Conditions met - Transferred to Other Income - VAT portion	(1,263,920)	(13,019,725)	(1,263,920)	(13,019,725)
	Transfer to E-Share	(61,482,240)	0	(61,482,240)	0
	Conditions still to be met - transferred to liabilities	25,836,082	61,482,240	25,836,082	61,482,240
	22.7.2 Public Transport Networks Operations Grant				
	This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.				
	Balance unspent at beginning of year	0	9,468,389	0	9,468,389
	Current year receipts	150,000,000	62,500,000	150,000,000	62,500,000
	Conditions met - Transferred to Other Income - VAT portion	(4,042,407)	(4,096,767)	(4,042,407)	(4,096,767)
	Conditions met - Transferred to revenue	(22,343,382)	(67,871,622)	(22,343,382)	(67,871,622)
	Conditions still to be met - transferred to liabilities	123,614,211	0	123,614,211	0
	22.8 Integrated National Electrification Programme Grant				
	This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts	35,500,000	18,000,000	35,500,000	18,000,000
	Conditions met - Transferred to revenue - capital	(31,140,350)	(15,789,480)	(31,140,350)	(15,789,480)
	Conditions met - Transferred to Other Income - VAT portion	(4,359,650)	(2,210,520)	(4,359,650)	(2,210,520)
	Conditions met	0	0	0	0
	22.9 EU Sector Policy Support Project				
	This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).				
	Balance unspent at beginning of year	10,366,174	13,446,128	10,366,174	13,446,128
	Current year receipts	0	0	0	0
	Conditions met - Transferred to revenue	(1,469,983)	(2,814,922)	(1,469,983)	(2,814,922)
	Conditions met - Transferred to revenue - capital	0	(265,032)	0	(265,032)
	Conditions still to be met - transferred to liabilities	8,896,191	10,366,174	8,896,191	10,366,174
	22.10 Energy Efficiency & Demand Side Management				
	This Grant is used to fund Energy Efficient Electricity Projects				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts	0	10,000,000	0	10,000,000
	Conditions met - Transferred to Other Income - VAT portion	0	(686,419)	0	(686,419)
	Conditions met - Transferred to revenue	0	(9,313,581)	0	(9,313,581)
	Conditions met	0	0	0	0
	22.11 Other Grants				
	These are grants received by the NMBM for various purposes.				
	Balance unspent at beginning of year	17,087,514	27,037,511	17,087,514	27,037,511
	Transfer to LGSETA Discretionary Funding (See Note 22.25)	0	(8,049,571)	0	(8,049,571)
	Restated Opening Balance	17,087,514	18,987,940	17,087,514	18,987,940
	Current year receipts	4,416,911	855,308	549,194	855,308
	Conditions met - Transferred to revenue - capital	0	(2,001,288)	0	(2,001,288)
	Transfer to Other Income - GRAP 23	(15,930,000)	0	(15,930,000)	0
	Conditions met - Transferred to revenue	(433,263)	(754,446)	(433,263)	(754,446)
	Conditions still to be met - transferred to liabilities	5,141,162	17,087,514	1,273,445	17,087,514

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
22.12 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	<u>777,512,325</u>	<u>784,204,088</u>	<u>777,512,325</u>	<u>784,204,088</u>
22.13 National Lotteries Grant				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	4,863,245	5,703,549	4,693,537	5,703,549
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	(3,113,208)	(1,010,012)	(3,033,148)	(1,010,012)
Conditions still to be met - transferred to liabilities	<u>1,750,037</u>	<u>4,693,537</u>	<u>1,660,389</u>	<u>4,693,537</u>
22.14 CDC Walmer Intervention Funding Grant				
This grant is used to speed up service delivery intervention in Walmer Gqebera township.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	5,546,957	0	5,546,957	0
Debtor raised	0	49,453,043	0	49,453,043
Conditions met - Transferred to revenue	0	(49,453,043)	0	(49,453,043)
Conditions still to be met - transferred to liabilities	<u>5,546,957</u>	<u>0</u>	<u>5,546,957</u>	<u>0</u>
22.15 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	1,118,343	7,134,879	1,118,343	7,134,879
Transfer to E-share	-	(7,134,808)	-	(7,134,808)
Current year receipts	0	9,000,000	0	9,000,000
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - capital	-	(6,913,799)	-	(6,913,799)
Conditions met - Transferred to Other Income - VAT	-	(967,929)	-	(967,929)
Transfer to E-Share	(1,118,343)	0	(1,118,343)	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>1,118,343</u>	<u>0</u>	<u>1,118,343</u>
22.16 Urban Settlements Development Grant				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	846,480,000	828,863,000	846,480,000	828,863,000
Conditions met - Transferred to revenue - capital	(720,672,961)	(665,796,355)	(720,672,961)	(665,796,355)
Conditions met - Transferred to Other Income - VAT portion	(102,882,072)	(93,898,866)	(102,882,072)	(93,898,866)
Conditions met - Transferred to revenue	(22,924,967)	(69,167,779)	(22,924,967)	(69,167,779)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22.17 Infrastructure Skills Development Grant				
This grant is used for skills development in certain targeted service delivery directorates.				
Balance unspent at beginning of year	248,644	560,285	248,644	560,285
Current year receipts	9,000,000	8,000,000	9,000,000	8,000,000
Conditions met - Transferred to revenue	(8,594,209)	(8,251,887)	(8,594,209)	(8,251,887)
Conditions met - Transferred to Other Income - VAT portion	(77,503)	(59,754)	(77,503)	(59,754)
Conditions still to be met - transferred to liabilities	<u>576,932</u>	<u>248,644</u>	<u>576,932</u>	<u>248,644</u>
22.18 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	0	5,528,976	0	5,528,976
Current year receipts	8,664,000	13,439,000	8,664,000	13,439,000
Conditions met - Transferred to revenue	(8,361,831)	(17,454,850)	(8,361,831)	(17,454,850)
Conditions met - Transferred to Other Income - VAT portion	(302,169)	(1,513,126)	(302,169)	(1,513,126)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22.19 Groen Sebenza (SANBI) Grant				
This grant is used to provide training material and to cover operational expenditure of the SANBI staff.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	215,875	440,392	215,875	440,392
Debtor raised	(140,804)	140,804	(140,804)	140,804
Additional debtor reversed	(37,538)	0	(37,538)	0
Conditions met - Transferred to revenue - GRAP 23	(37,533)	(581,196)	(37,533)	(581,196)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
22.20 Intergrated City Development Grant				
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	0	3,193,000	0	3,193,000
Transfer to E-share	0	(3,193,000)	0	(3,193,000)
Current year receipts	5,708,000	4,133,000	5,708,000	4,133,000
Conditions met - Transferred to revenue	(3,576,573)	(3,682,231)	(3,576,573)	(3,682,231)
Conditions met - Transferred to Other Income - VAT portion	(408,653)	(450,769)	(408,653)	(450,769)
Conditions still to be met - transferred to liabilities	1,722,774	0	1,722,774	0
22.21 VUNA Awards				
This award is used for training within the Revenue Management Directorate and was won by NMBM from Provincial COGTA due to performance.				
Balance unspent at beginning of year	15,294	15,294	15,294	15,294
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - GRAP 23	(15,294)	0	(15,294)	0
Conditions still to be met - transferred to liabilities	0	15,294	0	15,294
22.22 Off-Grid Electrification Grant				
This grant is used to promote the socio-economic development of previously disadvantaged communities through household and institutional electrification and the electrification of associated community value-adding facilities.				
Balance unspent at beginning of year	22,000,000	22,000,000	22,000,000	22,000,000
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	(20,788,107)	0	(20,788,107)	0
Conditions still to be met - transferred to liabilities	1,211,893	22,000,000	1,211,893	22,000,000
22.23 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	3,502,936	0	3,502,936
Conditions met - Transferred to revenue	0	(3,357,583)	0	(3,357,583)
Conditions met - Transferred to Other Income	0	(145,353)	0	(145,353)
Conditions met	0	0	0	0
22.24 Post Disaster Recovery Grant				
This grant is used for the maintenance of Infrastructure Assets due to damage caused in the event of disasters.				
Balance unspent at beginning of year	0	28,803,272	0	28,803,272
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	(25,315,563)	0	(25,315,563)
Conditions met - Transferred to Other Income - VAT portion	0	(3,487,709)	0	(3,487,709)
Conditions met - Transferred to revenue - capital	0	0	0	0
Conditions met	0	0	0	0
22.25 LGSETA Discretionary Learnership Funding				
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
Balance unspent at beginning of year	5,525,289	0	5,525,289	0
Transfer from Other Grants (See Note 22.11)	0	8,049,571	0	8,049,571
Restated Opening Balance	5,525,289	8,049,571	5,525,289	8,049,571
Current year receipts	7,914,225	5,753,253	7,914,225	5,753,253
Conditions met - Transferred to revenue	(9,985,035)	(8,277,535)	(9,985,035)	(8,277,535)
Conditions still to be met - transferred to liabilities	3,454,479	5,525,289	3,454,479	5,525,289
22.26 Provincial Department Agency: Communication Grant				
This grant is used for the roll out pf public Wi-Fi to all Muniapl Libraries, Customer Care centres and Traffic Licensing centres.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	6,073,752	0	6,073,752	0
Conditions met - Transferred to revenue	(2,378,019)	0	(2,378,019)	0
Conditions met - Transferred to revenue - capital	(2,822,951)	0	(2,822,951)	0
Conditions still to be met - transferred to liabilities	872,782	0	872,782	0
22.27 Health Subsidies				
This grant is received from the Provincial Government and used in the Health function.				
Balance unspent at beginning of year	0	0	0	0
Conditions met - Transferred to revenue	(3,333,875)	(4,060,083)	(3,333,875)	(4,060,083)
Debtor raised	3,333,875	4,060,083	3,333,875	4,060,083
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
23 OTHER INCOME				
Fees and Charges	129,861,044	125,460,058	129,861,044	125,460,058
Grave Income	9,639,907	7,088,794	9,639,907	7,088,794
Fees - Licences and Permits	9,170,188	10,612,105	9,170,188	10,612,105
GRAP 23 Revenue	32,008,051	1,350,965	32,008,051	1,350,965
Legal Costs Received	14,668,738	13,376,526	14,668,738	13,376,526
Settlement - New Billing system	0	46,100,000	0	46,100,000
Settlement - NMBM Stadium	0	76,845,262	0	76,845,262
Other Income	103,172,175	70,956,167	103,172,175	70,956,167
	298,520,103	351,789,877	298,520,103	351,789,877
Government Grants - VAT recognised	113,831,721	120,984,155	113,831,721	120,984,155
Other Income - MBDA	506,269	242,436	0	0
Public Contributions and Donations Revenue	52,011,251	76,038,013	43,971,951	64,974,026
Fuel Levy	472,552,000	459,329,000	472,552,000	459,329,000
	937,421,344	1,008,383,481	928,875,775	997,077,058
Refer Restatement Note no. 40.1.7				
24 EMPLOYEE RELATED COSTS				
Employee related costs - Salaries and Wages	1,447,225,543	1,349,617,778	1,436,630,262	1,340,859,147
Employee related costs - Contributions for UIF, pensions and medical aids	538,541,381	495,016,951	538,541,381	495,016,951
Travel, motor car, accommodation, subsistence and other allowances	142,195,708	126,167,026	139,573,714	123,939,255
Housing benefits and allowances	10,879,786	7,187,979	10,879,786	7,187,979
Overtime payouts	134,053,923	122,405,672	134,053,923	122,405,672
Performance bonus	29,455,796	27,643,218	28,784,966	27,045,511
Long-service Awards	40,402,799	35,688,090	40,387,669	35,580,475
	2,342,754,936	2,163,726,714	2,328,851,701	2,152,034,990
Refer Restatement Note no. 40.1.5				
Remuneration of the Current Acting City Manager				
Annual Remuneration	0	0	0	0
The Current Acting City Manager is being paid directly by COGTA in the amount of R1 638 000.				
Remuneration of the former City Manager (Mr M Mbambisa)				
Annual Remuneration	666,667	2,000,000	666,667	2,000,000
Labour Settlement	1,047,000	0	1,047,000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	160,000	244,987	160,000	244,987
Total	1,873,667	2,244,987	1,873,667	2,244,987
Remuneration of the former City Manager (Dr. L Msengana-Ndielela)				
Labour Settlement	0	3,170,128	0	3,170,128
Total	0	3,170,128	0	3,170,128
Remuneration of the Chief Financial Officer				
Annual Remuneration	1,871,100	1,800,000	1,871,100	1,800,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	4,575	179,970	4,575	179,970
Total	1,875,675	1,979,970	1,875,675	1,979,970
Remuneration of the Chief Operating Officer				
Annual Remuneration	1,871,100	1,800,000	1,871,100	1,800,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	599	16,883	599	16,883
Total	1,871,699	1,816,883	1,871,699	1,816,883
Remuneration of the former Chief of Staff				
Annual Remuneration	1,330,117	1,254,828	1,330,117	1,254,828
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	108,067	0	108,067
Total	1,330,117	1,362,895	1,330,117	1,362,895
Remuneration of the Chief of Police				
Annual Remuneration	1,162,580	1,268,270	1,162,580	1,268,270
Car allowance	0	120,000	0	120,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	38,048	53,489	38,048	53,489
Total	1,200,628	1,441,759	1,200,628	1,441,759
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	1,635,727	1,532,381	0	0
Performance Bonuses	186,530	175,321	0	0
Long Service Bonus (5/10 years)	0	55,877	0	0
Car allowance	60,000	60,000	0	0
Total	1,882,257	1,823,579	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	920,521	861,418	0	0
Performance Bonuses	122,667	101,823	0	0
Long Service Bonus (5/10 years)	0	32,463	0	0
Car allowance	24,000	24,000	0	0
Total	1,067,188	1,019,704	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
Remuneration of the Planning and Development Manager (Inner City) - MBDA				
Annual Remuneration	813,531	748,361	0	0
Performance Bonuses	108,742	92,683	0	0
Long Service Bonus (5 years)	0	11,436	0	0
Car allowance	24,000	24,000	0	0
Total	946,273	876,480	0	0
Remuneration of the Operations Manager - MBDA				
Annual Remuneration	615,948	494,749	0	0
Performance Bonuses	66,698	56,896	0	0
Long Service Bonus (5 years)	15,130	7,839	0	0
Total	697,776	559,484	0	0
Remuneration of the Planning and Development Manager (Townships) - MBDA				
Annual Remuneration	829,025	731,765	0	0
Performance Bonuses	93,581	84,153	0	0
Total	922,606	815,918	0	0
Remuneration of the Marketing and Communications Manager - MBDA				
Annual Remuneration	776,761	723,580	0	0
Performance Bonuses	92,612	86,830	0	0
Total	869,373	810,410	0	0
Remuneration of Individual Executive Directors				
Corporate Services - Acting Executive Director				
Annual Remuneration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
The Municipality paid The Local Government Development and Support Institute an amount of R1 343 973 for the period November 2015 to 30 June 2016.				
The Acting Executive Director is being paid by the Local Government Development and Support Institute.				
Corporate Services - Executive Director				
Annual Remuneration	1,600,000	1,600,000	1,600,000	1,600,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	51,418	0	51,418
	<u>1,600,000</u>	<u>1,651,418</u>	<u>1,600,000</u>	<u>1,651,418</u>
Economic Development, Tourism and Agriculture				
Annual Remuneration	1,488,000	1,408,000	1,488,000	1,408,000
Car Allowance	192,000	192,000	192,000	192,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	2,335	73,458	2,335	73,458
	<u>1,682,335</u>	<u>1,673,458</u>	<u>1,682,335</u>	<u>1,673,458</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
Infrastructure and Engineering				
Annual Remuneration	1,680,000	1,600,000	1,680,000	1,600,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	17,054	0	17,054
	1,680,000	1,617,054	1,680,000	1,617,054
Electricity				
Annual Remuneration	970,667	1,456,000	970,667	1,456,000
Car Allowance	96,000	144,000	96,000	144,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	119,695	149,225	119,695	149,225
	1,186,362	1,749,225	1,186,362	1,749,225
Safety and Security				
Annual Remuneration	920,103	1,460,992	920,103	1,460,992
Car Allowance	57,457	139,008	57,457	139,008
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	20,706	0	20,706
	977,560	1,620,706	977,560	1,620,706
Human Settlements				
Annual Remuneration	611,667	1,468,000	611,667	1,468,000
Labour settlement	600,000	0	600,000	0
Car Allowance	55,000	132,000	55,000	132,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	103,907	81,335	103,907	81,335
	1,370,574	1,681,335	1,370,574	1,681,335
Sports, Recreation, Arts and Culture				
Annual Remuneration	1,500,000	1,420,000	1,500,000	1,420,000
Car Allowance	180,000	180,000	180,000	180,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	51,535	0	51,535
	1,680,000	1,651,535	1,680,000	1,651,535
Public Health				
Annual Remuneration	933,333	0	933,333	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	153,937	0	153,937	0
	1,087,270	0	1,087,270	0
25 REMUNERATION OF COUNCILLORS				
	R	R	R	R
Mayor's Remuneration	1,374,759	1,030,099	1,374,759	1,030,099
Deputy Mayor's Remuneration	1,003,393	931,757	1,003,393	931,757
Speaker's Remuneration	1,003,393	951,083	1,003,393	951,083
Mayoral Committee members	10,264,988	8,459,276	10,264,988	8,459,276
Other Councillors' Remuneration	45,946,718	43,846,492	45,946,718	43,846,492
Telephone Allowances	2,541,418	2,516,988	2,541,418	2,516,988
3G Allowance	61,175	425,400	61,175	425,400
	62,195,844	58,161,095	62,195,844	58,161,095

In-kind Benefits

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

The Executive Mayor has the use of a Council owned vehicle for official duties driven by a chauffeur employed by the Council.

In accordance with the Councillors' remuneration package; the structure is an all-inclusive package, with the exception of a Telephone Allowance and a 3G Allowance. The package is within the upper limits of the framework as envisaged in section 219 of the Constitution.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
26 IMPAIRMENT - RECEIVABLES				
Bad debts consists of the following:				
Bad debts expense	232,419,475	259,856,959	232,377,736	259,808,374
ATTP and Miscellaneous fees and charges	227,831,987	257,092,457	227,831,987	257,092,457
Miscellaneous	4,587,488	2,764,502	4,545,749	2,715,917
Net Contribution to doubtful debts	393,155,595	147,552,811	393,155,595	147,552,811
Contribution to doubtful debts (inclusive of VAT)	655,956,758	444,667,158	655,956,758	444,667,158
Less: VAT portion	66,426,887	40,021,890	66,426,887	40,021,890
Contribution to doubtful debts (excluding VAT)	589,529,871	404,645,268	589,529,871	404,645,268
Less: Bad debts as above	196,374,276	257,092,457	196,374,276	257,092,457
	393,155,595	147,552,811	393,155,595	147,552,811
	625,575,070	407,409,770	625,533,331	407,361,185
27 FINANCE COSTS				
Interest on External Loans	165,124,168	177,174,212	165,124,168	177,174,212
Interest on Other	1,367,835	2,924,123	1,364,092	2,727,073
Finance Cost	166,492,003	180,098,335	166,488,260	179,901,285
Interest and Penalties	0	26,694,718	0	26,694,718
Total Finance Cost	166,492,003	206,793,053	166,488,260	206,596,003
Finance cost accrued / Prior year accrual reversals	(2,349,684)	(1,998,850)	(2,349,684)	(1,998,850)
Finance cost paid	168,841,687	208,791,903	168,837,944	208,594,853
28 BULK PURCHASES				
Electricity	2,720,304,070	2,362,484,236	2,720,304,070	2,362,484,236
Water	94,062,300	92,601,532	94,062,300	92,601,532
	2,814,366,370	2,455,085,768	2,814,366,370	2,455,085,768
Refer Restatement Note no. 40.1.6				
29 GRANTS AND SUBSIDIES PAID				
Grants in aid	14,123,340	7,257,400	14,123,340	7,257,400
Grants to Entities	(9,666,243)	(404,808)	37,345,113	31,352,919
Grants to Other Organisations	20,367,844	18,838,731	19,537,185	18,353,804
	24,824,941	25,691,323	71,005,638	56,964,123
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE				
30.1 Contracted Services				
Is made up as follows:				
Contract Security	103,347,980	93,512,848	103,347,980	93,512,848
Grass Cutting and environmental cleanup	25,298,751	19,954,380	25,298,751	19,954,380
Meter reading contracts	9,883,315	11,459,262	9,883,315	11,459,262
Stadium Management fee/ Operational Cost	97,933,340	58,704,708	97,933,340	58,704,708
Transport Operations - IPTS	11,359,025	54,300,760	11,359,025	54,300,760
Edams system	6,660,357	6,674,631	6,660,357	6,674,631
Contractors - Other	28,674,330	35,082,243	28,674,330	35,082,243
Outsourced Services - Other	63,557,333	5,277,608	63,557,333	5,277,608
Consultants and Other Professional services	79,461,335	2,334,886	79,461,335	2,334,886
Other minor contracts	69,222,166	62,163,430	69,222,166	62,163,430
	495,397,932	349,464,756	495,397,932	349,464,756
Refer Restatement Note no. 40.1.4				
30.2 General Expenses				
Is made up as follows:				
Cellphone and Telephone	31,494,070	30,509,981	31,494,070	30,509,981
Fleet management services and Other Vehicle hire	131,453,167	82,859,080	131,453,167	82,859,080
Petrol, oil and lubricants	49,621,279	52,465,844	49,621,279	52,465,844
Consultants	5,231,244	70,627,893	5,231,244	70,627,893
Insurance	15,641,987	740,681	15,641,987	740,681
Building and Equipment rentals	24,380,380	25,442,666	24,380,380	25,442,666
External computer services	13,851,516	11,132,776	13,851,516	11,132,776
Subscriptions to Associations	12,985,359	13,127,823	12,985,359	13,127,823
Legal Expenses incurred	0	35,313,574	0	35,313,574
Legal Expenses - Provision for litigation claims	0	39,168,383	0	39,168,383
Prepaid Vending Commission	16,329,731	15,376,743	16,329,731	15,376,743
Litter Picking project	22,181,346	28,282,854	22,181,346	28,282,854
RDP Housing - Top structures	218,651,005	396,800,406	218,651,005	396,800,406
Audit Fees - Auditor General	11,316,349	12,046,474	11,316,349	12,046,474
Operating levies funded projects	29,675,513	51,167,522	29,675,513	51,167,522
Electricity - Dams, treatment works and pump stations	24,453,149	30,574,799	24,453,149	30,574,799
Industry capacity building expenses	0	20,151,616	0	20,151,616
RDP Housing - Toilet structures	23,101,021	63,597,887	23,101,021	63,597,887
Chemicals	70,585,589	36,141,638	70,585,589	36,141,638
Other Sundry General Expenses	39,345,179	73,183,280	1,696,238	40,282,851
	740,297,884	1,088,711,920	702,648,943	1,055,811,491
The variances in the above are due to changes in categories as a result of mSCOA.				
Refer Restatement Note no. 40.1.2				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment	674,053,253	803,125,952	673,698,136	802,955,151
31.2 Depreciation - Investment Property	6,076,236	6,131,885	6,076,236	6,131,885
31.3 Amortisation	120,115,667	59,104,792	120,055,830	59,079,996
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	783,175,595	761,749,254	777,162,556	761,156,317
Adjustment for:				
Interest accrued (net movement)	1,761,906	1,897,755	1,761,906	1,897,755
Interest earned - SARS	0	(1,771,237)	0	(1,771,237)
Loss on disposal of PPE	33,863	24,887	0	0
Impairment of receivables	(224,306,940)	187,623,286	(224,348,679)	187,574,701
Write down to net realisable value	(607,120)	(272,987)	(607,120)	(272,987)
Dividend Accrued	(76,693)	(70,432)	(76,693)	(70,432)
Depreciation - Property, plant and equipment	674,053,253	803,125,952	673,698,136	802,955,151
Depreciation - Investment Property	6,076,236	6,131,885	6,076,236	6,131,885
Amortisation	120,115,667	59,104,792	120,055,830	59,079,996
Finance cost accrued (net movement)	(2,349,684)	(1,998,850)	(2,349,684)	(1,998,850)
Contribution to provisions / employee benefit obligation - non-current	235,329,590	83,203,017	235,329,590	83,203,017
Contribution to provisions / employee benefit obligation - current	(32,672,970)	(2,200,683)	(32,868,819)	(2,189,055)
Unrealised gain to Sanlam shares	(244,696)	(117,387)	(244,696)	(117,387)
Impairment of PPE / Heritage Assets	59,541,751	2,350,957	59,541,751	2,350,957
Operating Surplus before working capital changes	1,619,829,758	1,898,780,209	1,613,130,314	1,897,929,831
(Increase) / Decrease in Inventory	(4,771,968)	(19,992,576)	(4,771,968)	(19,992,576)
Increase in Consumer Debtors	77,548,122	(293,293,794)	77,548,122	(293,293,794)
Increase in Other Debtors	34,434,963	(142,662,365)	53,636,268	(145,284,260)
Decrease / (Increase) in VAT	51,762,284	88,448,371	51,762,284	88,448,371
Decrease in Unspent conditional grants and receipts	26,261,305	(100,696,323)	25,307,837	(89,447,488)
(Decrease) / Increase in Creditors	92,745,203	(23,737,528)	95,896,515	(26,731,303)
(Increase) / Decrease in Long-term Receivables	(6,007,895)	(6,207,676)	(6,007,895)	(6,207,676)
Increase in Deferred Income	775,181	0	0	0
	1,892,576,953	1,400,638,318	1,906,501,477	1,405,421,105
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(104,092,766)	(112,968,099)	(104,092,766)	(112,968,099)
	(104,092,766)	(112,968,099)	(104,092,766)	(112,968,099)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	1,365,337,861	1,252,493,987	1,365,337,861	1,252,493,987
Bank balances and cash	247,167,624	193,344,559	213,067,170	139,687,805
Total Cash and Cash Equivalents	1,612,505,485	1,445,838,546	1,578,405,031	1,392,181,792
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	11,210,000	10,541,200	11,210,000	10,541,200
Amount paid - current year	(11,210,000)	(10,541,200)	(11,210,000)	(10,541,200)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	1,394,957	5,863	915,069	0
Current year audit fee	11,954,866	12,066,799	11,316,349	12,046,474
Amount paid - current year	(11,917,764)	(11,151,730)	(11,279,247)	(11,131,405)
Previous year audit fees adjustment	262,104	479,888	0	0
Amount paid - previous year	(1,657,061)	(5,863)	(915,069)	0
Balance unpaid (included in creditors)	37,102	1,394,957	37,102	915,069
35.3 VAT				
The Net effect of the VAT inputs and VAT output are shown in note 17. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	191,085	22,142,167	0	21,992,449
Current year payroll deductions	319,729,518	285,402,826	317,287,717	283,015,827
Amount paid - current year	(319,729,518)	(285,211,741)	(317,287,717)	(283,015,827)
Amount paid - previous year	(191,085)	(22,142,167)	0	(21,992,449)
Balance unpaid (included in creditors)	0	191,085	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	0	0	0	0
Current year payroll deductions and Council Contributions	556,928,817	534,712,959	556,928,817	534,712,959
Amount paid - current year	(556,928,817)	(534,712,959)	(556,928,817)	(534,712,959)
Balance unpaid (included in creditors)	0	0	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	0	1,371,717	0	1,371,717
Current year payroll deductions	18,456,265	17,192,213	18,456,265	17,192,213
Amount paid - current year	(18,456,265)	(17,192,213)	(18,456,265)	(17,192,213)
Amount paid - previous year	0	(1,371,717)	0	(1,371,717)
Balance unpaid (included in creditors)	0	0	0	0
OTHER ADDITIONAL DISCLOSURES:				
35.7 IMPAIRMENT - OTHER				
Impairment - land and buildings	59,517,518	1,638,757	59,517,518	1,638,757
Impairment - Moveable assets	24,233	733,243	24,233	733,243
Impairment - Traffic Fines	154,403,489	31,144,372	154,403,489	31,144,372
Impairment - Housing Debtors	81,168,189	0	81,168,189	0
	295,113,429	33,516,372	295,113,429	33,516,372
Refer Restatement Note no. 40.1.9				

The Impairment of Land relates to a reduction in market values as per the valuation roll and Other PPE / Moveable assets relate to assets which have become redundant.

The Impairment of Traffic Fines was based on the collection rate of fines. Refer Note 21.2 for more details.

The Impairment of Housing Debtors relates to claims which have been repudiated by the MEC Human Settlements, in respect of the rectification of extended houses.

35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on disposal of property, plant and equipment	33,863	512,929	0	512,929
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Relates to disposal of various redundant property, plant and equipment.

35.9 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Sale of motor vehicles	27,900	829,981	27,900	829,981
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Relates to the disposal of motor vehicles which are past their useful lives.

35.10 WATER LOSSES

The NMBM suffered water losses of 45,538 megalitres (41.4%) amounting to R170 million (2015: 46,643 megalitres (42.7%) amounting to R148 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented during the 2015/16 financial year to curb water losses.

It must be further noted that the prescribed norms for water losses is +/- 30%, therefore the amount above the norm is R46 981 146.

35.11 ELECTRICITY LOSSES

The NMBM suffered electricity losses of 12.5% amounting to total accumulative losses of R291,1 million (2015: 12% amounting to R244.4 million). Various electricity management interventions are being implemented to curb these losses are being implemented.

The Electricity losses as defined above are separated between technical (6%), Public Lighting (1,5%) and non-technical losses (5%). Technical losses are inherent losses in a distribution system and these includes copper losses, Iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streetlights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.

It must be further noted that the prescribed norms for electricity losses is +/- 10%, therefore the amount above the norm is R72 775 000.

35.12 ADDITIONAL OTHER WATER AND ELECTRICITY LOSSES

a) 12 419 meters for electricity and water were identified as having actual negative readings on a month to month i.e. the previous meter reading being greater than the current reading. We urge the municipality to investigate these instances as the municipality may be losing revenue based on these meters. The estimated (not factual) revenue loss as a result of such meters is R19 088 225.

b) 17 918 meters for water and electricity were identified as having zero consumption for both actual and estimated readings for the year. There was no indication that these meters were newly installed or had been removed from the premises of the account holders. Through verification on a specific sample based on 17918 meters noted that 6 out of 18 meters inspected had water flowing through them but the meter not running i.e. the meters were broken (stuck) and carried through the same reading from month to month. The estimated (not factual) revenue loss as a result of such meters is R 87 701 948.

c) 11 216 meters for water and electricity were identified as having excessive estimates readings in the year resulting in inaccurate billing. This is violation of the Nelson Mandela Metropolitan Municipality Customer Care And Revenue Management By-Laws Gazette no. 1087 dated 21 October 2003 section 17 26.

d) There were 42 145 meters that had not purchased prepaid electricity on the contour system throughout the year. There was no evidence to suggest that the meters had been removed. It is the auditor's assumption that the meters could potentially have been tampered with, resulting in electricity losses.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.13 REVENUE FORGONE - INDIGENT SUBSIDIES

It was uncertain to confirm that the following types of indigent debtors listed below do qualify to receive the ATTP subsidy:

1. Individuals who are employed by the government.
2. Individuals who have businesses and interests in government (e.g. supplying services to government entities)
3. Individuals who have business interests and are indigent.

Therefore the above could result in a possible revenue forgone of R19 447 173.05.

In addition the water consumption exceeded the maximum of 8kl in respect of 16217 indigent debtors and that resulted in revenue forgone amounting to R3 753 492.60. The electricity consumption exceeded the maximum of 75kw in respect of 296 indigent debtors and that resulted in revenue forgone amounting to R390 917.86.

35.14 Provident Fund

Opening balance	104,484	91,874	0	0
Amount paid - current year	(1,397,089)	(1,210,444)	0	0
Expenditure	1,292,605	1,223,054	0	0
Balance unpaid (included in creditors)	0	104,484	0	0

The entity contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 25 members belong to the fund.

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2016		
Councillor S Baartman	-	8
Councillor NC Benya	-	9
Councillor XC Bisset	-	12
Councillor VG Dyantyi	-	6,175
Councillor TM Jacobs	1,658	-
Councillor ZW Jodwana	-	2,306
Councillor RC Kayser	-	9,339
Councillor XT Klaas	3,184	-
Councillor LN Mettavainio (nee Gxavu)	-	105
Councillor LC Mtwa	-	11
Councillor GM Ncamani	1,722	-
Councillor PS Ndoni	15,715	-
Councillor NJ Quluba	-	3,673
Councillor LM Stemele	-	4
	<u>22,279</u>	<u>21,642</u>

Councillors had arrear accounts outstanding for more than 90 days as at:

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2015		
Councillor TP Adams	-	13
Councillor XC Bisset	-	12
Councillor MS Jodwana	-	281
Councillor ZW Jodwana	-	8
Councillor RC Kayser	-	665
Councillor XT Klaas	-	7
Councillor V Knoetze	-	88
Councillor MC Mtanga	-	644
Councillor LC Mtwa	-	15
Councillor KG Ntshanyana	-	127
Councillor NJ Quluba	-	274
Councillor LM Stemele	-	4
Councillor L Troon	2,734	-
	<u>2,734</u>	<u>2,138</u>

36.2 List of Entities and related transactions

1 Solely-controlled entities

The following entity is solely controlled by the NMBM and have received the following grants:

	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
	R	R	R	R
Mandela Bay Development Agency (excluding VAT)	<u>0</u>	<u>0</u>	<u>76,727,098</u>	<u>78,131,720</u>

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)				
36.2 List of Entities and related transactions (Continued)				
2 Section 57 Employees (See note 24)				
3 Other Organisations				
The Organisations have received the following grants / payments:				
1. Uitenhage Despatch Development Initiative	6,961,760	6,567,690	6,961,760	6,567,690
2. Nelson Mandela Bay Tourism	12,393,240	11,691,730	12,393,240	11,691,730
3. Surf lifesaving Club	182,185	94,385	182,185	94,385
Grants / payments to Other Organisations	19,537,185	18,353,805	19,537,185	18,353,805

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

Name of Individual	Name of Company	Interest in Company	Economic Entity and Municipality Payments made	
			2016 R	Restated 2015 R
S Brophy	To Dine for Trading	Child is a member of the CC	0	98,060
ME Jarvis (Councillor)	Keypoint Consulting CC	Spouse is a member of the CC	0	54,606
Family of employees who have an interest in a supplier			174,082,533	29,372,742
			174,082,533	29,525,408

Although a related party relationship does exist as awards were made to suppliers in which close family members of employees have an interest, these transactions were in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 45.

Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44.	16,037,085	10,086,822
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36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2015/16 financial year are detailed as follows in terms of section 39 (1) (a) of the Supply Chain Management Policy:

1. Nelson Mandela Bay Metropolitan Municipality		2016	Restated 2015
Deviations: Supply Chain Management Policy		Payments made R	Payments made R
(i)	In an emergency;	0	2,112,233
(ii)	If such goods or services are produced or available from a single provider only;	1,928,973	2,946,816
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	0
(v)	In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	2,226,193	1,631,572
39 (1) (b) - Ratify any minor breaches of the procurement processes.		0	0

2. Mandela Bay Development Agency

2016 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R474 910.

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 124 394.

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R500 000.

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R764 957.

2015 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R248 514.

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R766 201.

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 780.

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 638 624.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2016 R	Restated 2015 R	2016 R	Restated 2015 R
Approved and contracted for	430,276,498	653,598,737	430,276,498	653,598,737
Land and Buildings	38,867,872	0	38,867,872	0
Infrastructure	339,611,119	634,359,414	339,611,119	634,359,414
Community	26,994,827	19,239,323	26,994,827	19,239,323
Intangible	24,802,680	0	24,802,680	0
Other	0	0	0	0
Approved but not yet contracted for	83,737,370	9,933,738	83,737,370	9,933,738
Infrastructure	80,092,032	0	80,092,032	0
Community	575,432	9,933,738	575,432	9,933,738
Other	3,069,906	0	3,069,906	0
Total	514,013,868	663,532,475	514,013,868	663,532,475
This expenditure will be financed from:				
Fuel Levy	81,884,545	43,456,587	81,884,545	43,456,587
Equitable Share (E-Share)	22,059,473	22,059,473	22,059,473	22,059,473
Walmer Intervention Grant	20,169,176	0	20,169,176	0
Neighbourhood Development Partnership Grant	262,573	0	262,573	0
Urban Settlements Development Grant (USDG)	365,724,119	594,308,661	365,724,119	594,308,661
Capital Replacement Reserve	23,913,982	3,707,754	23,913,982	3,707,754
Total	514,013,868	663,532,475	514,013,868	663,532,475
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1,454,042,868	1,560,485,319	1,454,042,868	1,560,485,319
Used to Finance property, plant and equipment - at cost	1,454,042,868	1,560,485,319	1,454,042,868	1,560,485,319
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	95,438,884	106,793,027	93,919,738	104,092,767

39 FINANCIAL RISK MANAGEMENT

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

Interest rate risk

The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM's interest-bearing external loan liabilities, as detailed in Note 3 are fixed interest loans. No interest rate swap agreements have been entered into. The NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

Liquidity risk

The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBMs remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

Trade payables

1-3 months	1,254,414,445	1,204,946,045	1,248,291,511	1,197,729,162
> 3 months	186,817,508	161,363,544	186,817,508	161,363,544

Other payables

1-3 months	0	0	0	0
> 3 months	4,176,349	7,013,040	3,943,532	5,869,960

Long term borrowings

< 12 months	0	0	93,919,738	104,092,767
> 12 months	1,376,718,616	1,472,471,485	1,376,718,616	1,471,966,017

Credit risk

The NMBM manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 15 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors.

Refer to note 52 for table.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

39 FINANCIAL RISK MANAGEMENT (Continued)

Fair value interest risk

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

Currency risk

There were no currency risk exposure in the current and prior year.

40 RESTATED PRIOR YEAR COMPARATIVES	Economic Entity Restated 2015 R	Municipality Restated 2015 R
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Prior Period Errors:

Net effect of changes - see details below	(9,709,173)	(9,709,173)
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Net effect on surplus

(9,709,173)	(9,709,173)
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Statement of Financial Performance

40.1.1 Surplus for the year

Balance as per audited financial statements (as previously reported)	771,458,427	770,865,490
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Net effect on surplus

(9,709,173)	(9,709,173)
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General Expenses (Refer 40.1.2)	(9,921,586)	(9,921,586)
Collection Costs (Refer 40.1.3)	2,970,073	2,970,073
Contracted Services (Refer 40.1.4)	(25,779,513)	(25,779,513)
Employee Related costs (Refer 40.1.5)	12,348,706	12,348,706
Bulk Purchases (Refer 40.1.6)	(646,487)	(646,487)
Other Income (Refer 40.1.7)	1,797,385	1,797,385
Repairs and Maintenance (Refer 40.1.8)	(3,880,017)	(3,880,017)
Impairment - Other (Refer 40.1.9)	(21,043)	(21,043)
Government Grants and Subsidies - Operating (Refer 40.1.10)	4,060,083	4,060,083
Dividends received (Refer 40.1.11)	70,432	70,432
Service Charges (Refer 40.1.12)	7,550,769	7,550,769
Interest raised - Outstanding Debtors (Refer 40.1.13)	20,253	20,253
Rental of Facilities and Equipment (Refer 40.1.14)	480,867	480,867
Fines (Refer 40.1.15)	1,240,905	1,240,905

Restated surplus for 2014/15

761,749,254	761,156,317
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40.1.2 General expenses

Expense as per Audited financial statements (as previously reported)	1,078,790,334	1,045,889,905
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Transfer from Creditors	8,166,510	8,166,510
Transfer to Other Debtors	(657,362)	(657,362)
Transfer from Collection Costs	2,970,073	2,970,073
Transfer to Inventory	(322,800)	(322,800)
Transfer to Short term Investments	(234,835)	(234,835)
	1,088,711,920	1,055,811,491

General Expenses in the amount of R8 166 510 (net effect) relates to both creditors not previously accrued for or creditors that have been double accrued for.

Stanlib Investment in the amount of R234 835, which was retained by the bank

In terms MSCOA, Collection costs, in the amount of R2 970 073 does not exist anymore but forms part of General Expenses

Other Debtors in the amount of R657 362 raised in the 2016 financial year which relates to 2015 financial year.

Inventory - Work in Progress relating to RDP land in the amount of R322 800 was incorrectly included in General expenses.

40.1.3 Collection Costs

Expense as per Audited financial statements (as previously reported)	2,970,073	2,970,073
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Transfer to General Expenses	(2,970,073)	(2,970,073)
	0	0

In terms MSCOA, Collection costs, in the amount of R2 970 073 does not exist anymore but forms part of General Expenses

40.1.4 Contracted Services

Expense as per Audited financial statements (as previously reported)	323,685,243	323,685,243
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Transfer from Creditors	403,768	403,768
Transfer from Creditors / Other Debtors	25,375,745	25,375,745
	349,464,756	349,464,756

Contracted services in the amount of R25 779 513, which was not previously accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2015 R	Municipality Restated 2015 R
40.1.5 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	2,176,075,420	2,164,383,696
Transfer from Other Debtors	2,906	2,906
Transfer from Creditors	<u>(12,351,612)</u>	<u>(12,351,612)</u>
	<u>2,163,726,714</u>	<u>2,152,034,990</u>
Employee related expenditure / deductions in the amount of R12 351 612 (net effect) not accrued for previously.		
Other Debtors in the amount of R2 906 raised in the 2016 financial year which relates to 2015 financial year.		
40.1.6 Bulk Purchases		
Income as per Audited financial statements (as previously reported)	2,454,439,281	2,454,439,281
Transfer from Creditors	<u>646,487</u>	<u>646,487</u>
	<u>2,455,085,768</u>	<u>2,455,085,768</u>
Bulk Purchases in the amount of R646 487 which was not previously accrued for.		
40.1.7 Other Income		
Income as per Audited financial statements (as previously reported)	470,976,647	470,976,647
Transfer to Other Debtors	1,451,483	1,451,483
Transfer from Bank Balances and Cash	67,476	67,476
Transfer from Creditors	<u>278,426</u>	<u>278,426</u>
	<u>472,774,032</u>	<u>472,774,032</u>
Debtors in the amount of R1 451 483 (net effect) previously accrued/ not accrued relating to Other Income but not reversed.		
Income in the amount of R67 476, received before year end, but only receipted after year end.		
Long outstanding creditors in the amount of R278 426, transferred to Other Income.		
40.1.8 Repairs and Maintenance		
Expense as per Audited financial statements (as previously reported)	555,642,893	555,544,430
Transfer from Creditors	<u>3,880,017</u>	<u>3,880,017</u>
	<u>559,522,910</u>	<u>559,424,447</u>
Repairs and Maintenance in the amount of R3 880 017, not accrued for previously.		
40.1.9 Impairment - Other		
Income as per Audited financial statements (as previously reported)	33,495,329	33,495,329
Transfer from Creditors	<u>21,043</u>	<u>21,043</u>
	<u>33,516,372</u>	<u>33,516,372</u>
Impairment of moveable assets in the amount of R21 043.		
40.1.10 Government Grants and Subsidies - Operating		
Income as per Audited financial statements (as previously reported)	1,481,999,453	1,481,999,453
Transfer from Other Debtors	<u>4,060,083</u>	<u>4,060,083</u>
	<u>1,486,059,536</u>	<u>1,486,059,536</u>
Government Debtor in respect of Public Health for financial year 2015 amounts to R4 060 083.		
40.1.11 Dividends received		
Income as per Audited financial statements (as previously reported)	220,233	220,233
Transfer to Other Debtors	<u>70,432</u>	<u>70,432</u>
	<u>290,665</u>	<u>290,665</u>
Dividend relating to financial year 2015 received in financial year 2016 in the amount of R70 432.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2015 R	Municipality Restated 2015 R
40.1.12 Service Charges		
Income as per Audited financial statements (as previously reported)	4,051,914,808	4,052,102,205
Transfer to Other Debtors	7,550,769	7,550,769
	<u>4,059,465,577</u>	<u>4,059,652,974</u>
Other Debtors raised in the 2016 financial year which relates to 2015 financial year.		
40.1.13 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	100,658,505	100,658,505
Transfer to Other Debtors	20,253	20,253
	<u>100,678,758</u>	<u>100,678,758</u>
Other Debtors raised in the 2016 financial year which relates to 2015 financial year.		
40.1.14 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	17,897,368	17,897,368
Transfer to Other Debtors	480,867	480,867
	<u>18,378,235</u>	<u>18,378,235</u>
Other Debtors raised in the 2016 financial year which relates to 2015 financial year.		
40.1.15 Fines		
Income as per Audited financial statements (as previously reported)	39,643,657	39,643,657
Transfer to Other Debtors	1,240,905	1,240,905
	<u>40,884,562</u>	<u>40,884,562</u>
Other Debtors raised in the 2016 financial year which relates to 2015 financial year.		
Statement of Financial Position		
40.2 Accumulated Surplus		
Closing Balance as per audited financial statements (as previously reported)	4,904,890,481	4,903,393,803
Decrease in Surplus (Refer to Note 40.1.1)	(9,709,173)	(9,709,173)
	25,611,047	25,611,047
Transfer to VAT Refund	5,960,285	5,960,285
Transfer to Inventory	15,455,400	15,455,400
Transfer from Other Debtors	4,195,362	4,195,362
	<u>4,920,792,355</u>	<u>4,919,295,677</u>
40.2.1 Short-term Investment Deposits		
Balance as per Audited financial statements (as previously reported)	1,252,259,152	1,252,259,152
Transfer from General Expenses	234,835	234,835
	<u>1,252,493,987</u>	<u>1,252,493,987</u>
Stanlib Investment, which was retained by the bank		
40.2.2 Creditors - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	1,617,654,616	1,608,835,915
Transfer from Various Expenditure and VAT	3,438,624	3,438,624
Transfer from Property Plant and Equipment	8,186,552	8,186,552
Transfer from Heritage Assets	169,740	169,740
Transfer to Contracted Services	(5,155,298)	(5,155,298)
	<u>1,624,294,234</u>	<u>1,615,475,533</u>
Expenditure in the amount of (R1 716 674) (net effect) relates to creditors not previously accrued for or incorrectly accrued for.		
Property Plant and Equipment in the amount of R8 186 552, which was not previously accrued for.		
Heritage Assets in the amount of R169 740, which was not previously accrued for.		
40.2.3 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	13,465,652,242	13,464,550,262
Transfer from Creditors	8,186,552	8,186,552
Transfer from Other Debtors	6,977,800	6,977,800
	<u>13,480,816,594</u>	<u>13,479,714,614</u>
Property Plant and Equipment in the amount of R15 164 352, which was not previously accrued for.		
40.2.4 Bank Balances and Cash		
Balance as per Audited financial statements (as previously reported)	193,277,083	139,620,329
Transfer to Other Income	67,476	67,476
	<u>193,344,559</u>	<u>139,687,805</u>
Income received before year end, but only receipted after year end.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2015 R	Municipality Restated 2015 R
40.2.5 Other Debtors		
Balance as per Audited financial statements (as previously reported)	474,891,788	518,406,817
Transfer to Other Income	(4,173,381)	(4,173,381)
Transfer from Accumulated Surplus	2,281,743	2,281,743
Dividends received	70,432	70,432
Transfer from Government Grants and Subsidies - Operating	4,060,083	4,060,083
Transfer to Employee Related Costs	(6,000)	(6,000)
Transfer from Various Income and Expenditure	17,491,733	17,491,733
Transfer to Contracted Services and PPE	(35,495,596)	(35,495,596)
	<u>459,120,802</u>	<u>502,635,831</u>

Debtors in the amount of R4 173 381 previously accrued relating to Other Income but not reversed.

Government Debtor in respect of Public health for financial years 2013 and 2014 amounts to R2 287 243.

Government Debtor in respect of Public health for financial years 2015 amounts to R4 060 083.

Dividend relating to financial year 2015 received in financial year 2016 in the amount of R70 432.

Recovery of overpayment of salary in the amount of R5 500 relating to 2014 and R6 000 relating to 2015.

Contracted services and property, plant and equipment in the amount of R35 495 596 incorrectly included as Other Debtors.

Various Income and Expenditure in the amount of R17 491 733 raised in the 2016 financial year which relates to 2015 financial year.

40.2.6 Vat Refund

Balance as per Audited financial statements (as previously reported)	31,479,714	28,966,822
Transfer from Accumulated Surplus	5,960,285	5,960,285
	<u>37,439,999</u>	<u>34,927,107</u>

This relate to an additional VAT refund not previously claimed, after analysis done by VAT Consultant on Expenditure for financial years 2011, 2012 and 2013.

40.2.7 Vat Receivable

Balance as per Audited financial statements (as previously reported)	15,826,945	15,826,945
Transfer from Creditors	937,589	937,589
	<u>16,764,534</u>	<u>16,764,534</u>

Vat in the amount of R937 589 (net effect), relates to various expenditure not previously accrued for.

40.2.8 Heritage Assets

Balance as per Audited financial statements (as previously reported)	205,361,653	205,111,153
Transfer from Creditors	169,740	169,740
	<u>205,531,393</u>	<u>205,280,893</u>

Heritage Assets in the amount of R169 740, which was not previously accrued for.

40.2.9 Inventory

Balance as per Audited financial statements (as previously reported)	124,216,338	124,216,338
Transfer from General Expenses	322,800	322,800
Transfer from Accumulated Surplus	15,455,400	15,455,400
	<u>139,994,538</u>	<u>139,994,538</u>

Inventory - Work in Progress relating to RDP land in the amounts of R322 800 and R15 455 400 was incorrectly included in General expenses.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41 CAPITALISATION OF LIBRARY BOOKS

Certain library books, which qualify as heritage assets, have not been recognised. The value of these books must still be determined.

42 CHANGE IN ACCOUNTING ESTIMATE

2016 Financial year

A conditional assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

2015 Financial year

A conditional assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

43 OPERATING LEASE COMMITMENTS	Economic Entity		Municipality	
	2016	Restated 2015	2016	Restated 2015
Municipality as Lessee	R	R	R	R
The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.				
Future minimum lease payments under non-cancellable operating leases:				
Buildings	10,619,829	22,468,625	10,614,829	20,848,057
Payable within one year	8,296,779	13,567,894	8,295,779	12,712,672
Payable within two to five years	2,323,050	8,900,731	2,319,050	8,135,385
Photocopier, fax machines and other equipment	10,386,276	11,310,517	10,138,186	11,169,186
Payable within one year	6,076,386	6,338,693	5,919,388	6,278,153
Payable within two to five years	4,309,890	4,971,824	4,218,798	4,891,033
	21,006,105	33,779,142	20,753,015	32,017,243
Municipality as Lessor				

At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:

Land	13,520,000	14,000,000	13,520,000	14,000,000
Receivable within one year	480,000	480,000	480,000	480,000
Receivable within two to five years	1,920,000	1,920,000	1,920,000	1,920,000
Receivable after 5 years	11,120,000	11,600,000	11,120,000	11,600,000
Buildings	29,930,863	31,821,501	29,930,863	31,821,501
Receivable within one year	1,469,247	1,890,638	1,469,247	1,890,638
Receivable within two to five years	2,377,131	3,461,968	2,377,131	3,461,968
Receivable after 5 years	26,084,485	26,468,895	26,084,485	26,468,895
	43,450,863	45,821,501	43,450,863	45,821,501

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		Economic Entity and Municipality	
		2016	Restated 2015
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	157,718,906	745,867,813
	Incurred - Current year	521,056	34,403,001
	Approved by Council	(34,403,001)	(622,551,908)
	Recoveries - Current year	0	0
		123,836,961	157,718,906
1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R10 122 623 854 , compared to the approved adjustments budget of R10 898 094 054 . The actual expenditure was thus R775 470 200 below the approved adjustments budget and does not constitute unauthorised expenditure.	0	34,403,001
	The total actual expenditure per budget vote also did not exceed the approved adjustments budget.		
	Approved by Council	(34,403,001)	(622,551,908)
2	Unauthorised expenditure incurred relating to funeral		
	Non compliance with Councillor Welfare Policy Par 4 Financial Implications of Civic Funeral Policy approved by Council at meetings 25 and 30 June 2009.	44,056	0
3	Unauthorised expenditure incurred relating to payment of Ward Committee		
	It was resolved by Council that all Ward Committee members be paid R 9000 per member for the period October 2011 - July 2014, subject to funding availability of R 4 050 000. An amount of R 4 527 000 was paid to committee members.	477,000	0
	Total	(33,881,945)	(588,148,907)
44.2	Irregular Expenditure		
	Opening Balance	1,134,899,988	753,409,637
	Restatement - refer items 10-11	0	133,100
	Restated Opening Balance	1,134,899,988	753,542,737
	Incurred - Current year	367,988,260	397,072,789
	Approved by Council - Other	(7,215,117)	(15,715,538)
		1,495,673,131	1,134,899,988
	Irregular Expenditure review by Internal Audit	1,869,351,524	951,256,090
		3,365,024,655	2,086,156,078
1	Breach of the Supply Chain Management policy		
	A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.	181,066,495	214,027,118
2	Breach of the Supply Chain Management policy		
	A breach occurred as certain contracts were awarded to persons in the service of the state (certain officials and family of officials) where he/she may have a significant influence over the financial or operating policies of the entity.	35,900,393	1,228,152
3	SCM Deviations		
	Some of the deviations relating to the informal tender process appear to be made where improper planning was conducted and expenditure were incurred before the deviation was approved and therefore considered to be irregular.	140,450,501	179,027,116
4	Acting Appointments longer than 3 months		
	Certain Senior Managers acted for periods longer than the 3 months in the 2013/14 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	0	132,559

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		Economic Entity and Municipality	
		2016	Restated 2015
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	<u>Irregular Expenditure (Continued)</u>		
5	Irregular appointments		
	Four mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	971,522	987,456
	A strategic advisor in the Executive Mayor's Office was appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	1,324,596	1,178,244
	Two mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	263,292	492,144
6	No City Manager approval to deviate		
	Irregular procurement process, post event acquisition, original work completed without authority / purchase order, No City Manager Approval to deviate.	24,374	0
7	Breach of the Supply Chain Management policy		
	A breach occurred as arrear accounts relating to properties leased for accommodating various Municipal Offices without following proper SCM processes and without proper budget availability considerations.	7,372,892	0
8	Breach of the Supply Chain Management policy		
	Expenditure Incurred in respect of utilizing the services of a catering company prior to following SCM processes. It appears as if although the caterer was listed as an approved caterer on the Council's database, no requisition / purchase order was processed in order to procure the services.	153,000	0
9	Breach of the Supply Chain Management policy		
	Payment made to service provider for work done before order number was issued.	461,195	0
10	Payments made to a contractor in excess of contract rate		
	An official within the Public Health Directorate contravened the NMBM SCMP by authorizing payments to a contractor in excess of the contract rates. He thus contravened sections 16,17 and 18 by paying where there was not a contract in place.	0	0
	Restatement - R71 600		
11	Payment to Service Provider for Local Labour Forum Breakaway		
	It was reported that for the month of July 2014 the Corporate Services Directorate made an irregular payment to the Facilitator in respect of the Local Labour Forum Breakaway.	0	0
	Restatement - R61 500		
Total		367,988,260	397,072,789
	Total amount approved by Council in respect of ALL cases	(7,215,117)	(15,715,538)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		Economic Entity and Municipality	
		2016	Restated 2015
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	<u>Irregular Expenditure (Continued)</u>		
12	Irregular Expenditure review by Internal Audit		
	The review process entailed extracting and analysing the payment information for all formal bids for the period 2010/11 to 2014/15 financial years. This information was then used to trace the relevant bid files / supporting documents, which were then assessed against a comprehensive irregular expenditure checklist. In addition, certain payments relating to formal bid awards appearing under the informal bid awards module were identified. These amounts were added to the schedule of formal bid award payments, and evaluated against the same irregular expenditure checklist. The combination of these amounts is therefore deemed to be a complete summary of all formal payments made during the period under review as set out below:		
	Non-compliance with regards to the Formal Bid and Deviation process		
	Opening Balance	951,256,090	548,639,553
	Incurred - Current year	939,185,566	846,536,416
	Total	1,890,441,656	1,395,175,969
	Deduct: Expenditure previously disclosed		
	Irregular Expenditure		
	2014/15	0	(346,362,285)
	2015/16	(21,090,132)	(85,548,086)
		(21,090,132)	(431,910,371)
	Fruitless and Wasteful Expenditure		
	2014/15	0	(11,709,508)
	2015/16	0	(300,000)
		0	(12,009,508)
	Balance remainder as Irregular	1,869,351,524	951,256,090
13	Limitation of scope		
	Opening Balance	12,147,645,554	9,818,285,132
	Incurred - Current year	1,093,667,898	2,579,394,396
		13,241,313,452	12,397,679,528
	Deviations not considered as a limitation of scope	95,656,922	87,350,817
	Contracts awarded in the Service of state not considered as a limitation	64,521,476	162,683,157
		13,081,135,054	12,147,645,554
	This item is has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:		
	These payments were considered to be a limitation of scope because it relates to old tender files for awards made 2012/13 and prior where the contract award files or documentation could not be provided for or had missing compulsory documentation or could not be linked to a formal contract file or award. This was due to the fact that tender files were previously decentralised and kept with the Directorates and have only been centralised recently.		
44.3	<u>Fruitless and Wasteful Expenditure</u>		
	Opening Balance	551,320,168	405,005,041
	Restatement - refer items 11-13	0	142,525
	Restated Opening Balance	551,320,168	405,147,566
	Incurred - Current year	49,619,688	146,398,637
	Approved by Council - Other / Condoned by Board	(94,540,331)	(226,035)
		506,399,525	551,320,168
1	Suspended Officials		
	Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months. Matter to be referred to Labour Relations.	3,647,085	965,661

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Economic Entity and Municipality	
	2016 R	Restated 2015 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
2 Wasted expenditure as result of termination of contract A parking contract was entered into with a service provider. Due to the Municipality failing to comply with the obligations in the agreement, the service provider terminated the agreement on 5 June 2011 and instituted recourse against Council. The award was for R2.8 million and is being paid off at R50 000 per month. To date R2.5 million has been paid by Council	0	300,000
3 Wasteful expenditure due to payment of interest to Service Providers Interest accrued due to late payment of Telkom account (R 27 097 relates to 2011) Interest accrued due to late payment of Eskom account Interest incurred as a result of VAT audit done by SARS Interest incurred due to late payment of a Creditor (R4 743 586 relates to 2011 to 2013) Interest accrued as result of late submission of SDL/ UIF/ PAYE EMP form.	0 653 0 0 418,086	60,034 5,635 26,086,106 608,611 0
4 Wasteful expenditure incurred relating to IPTS The metro has been mandated to install and operate an integrated transport system. The process started as far back as 2004/5 and the plan was to have the system operational and the buses on the road. To date the system is not operating therefore it is considered to be wasteful expenditure.	26,385,789	118,317,399
5 Late payment of interest In terms of Section 13A of the Pension Funds Act - Late payment of Interest on arrear contributions for the period 01 December 2007 to 09 October 2015.	266,764	0
6 Wasteful expenditure incurred relating to flights and accommodation Flights and accommodation was booked for an official to attend IMFO conference from 04-07 Oct 2015. The official was a no show and did not cancel reservations or bookings.	6,499	0
7 Wasteful expenditure incurred due to garnishees A number of garnishees was served on NMBM by the Sheriff of the court due to non-payment of certain suppliers resulting in fruitless and wasteful expenditure	312,403	0
8 Wasteful expenditure incurred relating to SALA payment Shortfall that was made on SALA contribution in April 2013. Since then the amount has accumulated interest as it has not been paid.	7,185	0
9 Wasteful expenditure incurred in terms of Operational Efficiency Work Plan Transgressions to the Municipal Policies in terms of Operational Efficiency Work Plan and National Treasury Instructions.	5,829	0
10 Payment of civil claim for motor vehicle accident An official within the Legal Division processed a payment for a civil claim in relation to a motor vehicle accident. Internal Audit investigated the matter and determined that the motor vehicle did not belong to the NMBM.	11,340	0
11 Wasteful expenditure due to unauthorised promotion by unemployed graduate An unemployed graduate within the payroll division progressed an official within the Human Settlements Directorate without the necessary authority / directive. Restatement - R58 345	0	0
12 Payment for acting allowance in the Traffic Division An official within the Safety and Security Directorate was paid an acting allowance, however did not perform the duties and responsibilities associated with such position / remuneration. Restatement - R23 700	0	0
13 Payment to Service Provider for Local Labour Forum Breakaway A payment was made by the Corporate Services Directorate to a service provider for the catering and venue hire in respect of the Local Labour Forum Breakaway. Restatement - R60 480	0	0
14 Payment to recruitment service provider It would appear that a Service Provider has been irregularly appointed by the Executive Director: Corporate Services for the recruitment and selection of staff within the Human Settlements Directorate. This recruitment process resulted in the fruitless appointment of approximately 85 contract workers in the Housing Delivery Sub-directorate.	18,554,312	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		Economic Entity and Municipality	
		2016	Restated 2015
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
15	Wasteful expenditure incurred relating to an overseas trip Some of the traveling expenditure incurred relating to an overseas trip was cancelled at a late stage, resulting in wasteful expenditure. The Board will determine at its next meeting whether the expenditure is to be condoned.	0	55,191
16	Wasteful expenditure incurred relating to late payment of invoice Fruitless and wasteful expenditure incurred during the year related to interest charges incurred on a late invoice payment to the Auditor-General . The Board subsequently wrote off this expenditure in August 2016.	3,743	0
	Total	49,619,688	146,398,637
	Approved by Council - Other / Condoned by Board	(94,540,331)	(226,035)
45(a)	CONTINGENT LIABILITIES These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters. Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so). <u>Possible Contingent liabilities:</u>		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	84,430,524	39,020,828
2	Various claims due to municipal administrative matters that are under dispute or investigation.	1,476,243	1,644,543
3	Various claims by current or terminated employees due to alleged unfair labour practices.	1,470,000	3,890,000
4	Various claims due to supply chain related issues or creditor payment related matters.	35,114,065	37,805,494
		122,490,832	82,360,865
45(b)	PROVISION FOR LITIGATION AND CLAIMS <u>Detail of Provision raised in Note 5.2</u>		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	15,316,008	12,299,315
2	Various claims due to municipal administrative matters that are under dispute or investigation.	21,225,000	62,145,863
3	Various claims by current or terminated employees due to alleged unfair labour practices.	3,100,000	2,580,000
4	Various claims due to supply chain related issues or creditor payment related matters.	8,135,414	8,623,942
	TOTAL PROVISION REFER NOTE 5.2	47,776,422	85,649,120

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

46 SUBSEQUENT EVENTS

46.1 Kabuso Report

A summary of the above report was prepared by Internal Audit, which was discussed with the Audit Committee at a meeting held on 6 April 2016.

The Audit Committee is in agreement with the summary of the findings and considers the matter closed.

Confirmation still to be received that the matter has now been closed.

46.2 IPTS Investigation

National Treasury has conducted a forensic investigation on the IPTS project. A preliminary report was tabled, which implicated two officials of serious misconduct. The two officials have been suspended, but one official has since resigned. Another draft report was tabled in Council on 27 August 2015, which recommended that criminal charges be instituted against three officials and entities. Council adopted the recommendations and the City Manager was mandated to proceed with criminal charges.

The investigation by National Treasury is still on-going. The final reports from NT are still awaited.

46.3 Morrison Report

Council appointed Advocate Morrison from Gobodo Forensic Services to investigate allegations of serious misconduct against two Senior Managers. Advocate Morrison tabled his report in Council on 27 August 2015 and Council recommended:

- Further investigations against one Senior Manager
- Disciplinary action be instituted against the other Senior Manager

The Morrison report forms part and parcel of the investigation against a senior manager which is currently still in progress. The disciplinary hearing commenced and proceeded on 4 August 2016. The municipality has completed its evidence on all of the charges. The senior manager has completed his evidence and the matter will be reconvened in order to allow the municipality to cross examine.

46.4 Fire occurred on the 8th floor of Nelson Mandela Bay Municipality's Mfanasekhaya Gqobose Building

A fire occurred on the 8th floor of the Nelson Mandela Bay Municipality's Mfanasekhaya Gqobose Building during the early hours of the morning on Sunday, 8 May 2016.

The Deputy Director of Risk & Asset Management at the Municipality's Budget & Treasury Department appointed Cunningham Lindsey to assist the Municipality in dealing with the claim in terms of their Insurance Fund established to pay claims that fall below the ZAR 5,000,000.00 deductible applicable to the insurance policy.

The preliminary investigations suggest the claim will far exceed the ZAR 5,000,000.00 deductible and the Broker notified the Underwriters. A subsequent instruction received from AIG insurers to attend to the claim on behalf of the Insurers.

Investigations is still in progress.

46.5 Change in Council

A new council was elected on 18 and 24 August 2016 respectively as follows:

Cllr Trollip (Executive Mayor)
Cllr Bobani (Deputy Executive Mayor and Public Health Chairperson)
Cllr Lawack (Speaker)
Chief Whip - Cllr Senekal

Mayoral Committee members:

Cllr Kayser (Roads and Transport)
Cllr Whitfield (Economic Development, Tourism and Agriculture)
Cllr Best (Safety and Security)
Cllr Odendaal (Budget and Treasury)
Cllr Sijadu (Sport, Recreation, Arts and Culture)
Cllr Bhanga (Human Settlements)
Cllr Biddulph (Corporate Services)
Cllr Grootboom (Municipal Public Accounts)
Cllr Lovemore (Infrastructure and Engineering)
Cllr Sauls (Constituency Services)

NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R213.233 million (2015: R 214.091 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2016.

DEFINED CONTRIBUTION SCHEMES

CAPE RETIREMENT FUND

The contribution rate paid by the members (9%) and the NMBM (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2013. The funding level of the Share Account is 100.2%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 105.1% as at 30 June 2013.

SALA CONTRIBUTION FUND

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future.

DEFINED BENEFIT SCHEMES

CAPE JOINT PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils) and is constituted of 3 funds, namely, the Defined Benefit, Defined Contribution and Pensioner account. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2013. The trustees resolved to ring-fence the pensioner assets as at 30 June 2013. The sections are funded at 99.7%, 99.8% and 100%, respectively.

SALA PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 26.67% (7.92% by the members and 19.18% by their councils). This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

EX GRATIA PENSIONS

General Description

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is, they are not funded or paid from one of the Employer's formalised pension arrangements.

Employees who were under the age of 55 when appointed and who have at least ten years' service at retirement, will receive an annual ex-gratia pension calculated as:

Annual salary * 1/47 * Years of non-pensionable service

An employee's widow will get 50% of the accrued (full service) pension on the employees death. This is subject to a maximum of the Government Old Age Pension and will cease at age 60.

Pensions increase in line with those granted by the Cape Joint Pension Fund and increases at 50% of CPI inflation.

Detailed Results

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality, was performed as at 30 June 2015. The post employment benefits obligation recognised at 30 June 2016 is based on the figure projected for 2016, when the valuation was performed for the financial year ended 30 June 2015. The unfunded liability in respect of past service has been estimated at R42.827 million, of which R39.714 million relates to the non-current portion. It is expected that approximately 7.3% of the amount provided will be expensed per annum.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	70,118,000	42,459,081	42,827,091
Current service cost	0	0	0
Interest cost	6,046,000	3,459,998	3,490,206
Benefits paid	-5,063,000	-3,091,988	-3,113,490
Total Annual Expense	983,000	368,010	376,716
Actuarial Loss / (Gain)	-28,641,919		
Closing Accrued Liability	42,459,081	42,827,091	43,203,807

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability

Balance Sheet	Year ending 30/06/2016	Year ending 30/06/2015
Fair Value of Plan Assets		
Accrued Liability	42,827,090	42,459,081
Unfunded Accrued Liability	42,827,090	42,459,081
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	42,827,090	42,459,081

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2016	Year ending 30/06/2015
Current Service Cost (In-Service members only)	0	0
Interest Cost	3,459,998	6,046,000
Actuarial (Gain)/Loss	0	-28,641,919
Total employee benefits expense	3,459,998	-22,595,919

KEY ASSUMPTIONS

Key Financial Assumptions:

GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Key Financial Assumptions

Assumption	Value p.a.
Discount rate	8.45%
Salary Increase Rate	7.40%
Pension Increase Rate	3.20%
Net Effective Discount Rate (Current employees)	0.98%
Net Effective Discount Rate (Pensioners)	5.09%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.45% per annum has been used. The corresponding index-linked yield at this term is 1.46%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. For each of the three liability components, yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve. The results are as shown below:

Component	Liability Average Term (Years)	Fixed-Interest Yield	Index-Linked Yields
Employees' post retirement annuity	17.9	9.37%	1.85%
Death-in-service liability	5.9	8.17%	1.60%
Pensioners' liability	3.9	7.82%	1.18%
Liability-weighted yields	9.58	8.45%	1.46%

CPI Inflation Rate:

This assumption is used to calculate the estimated growth in pensions of the eligible retirees.

An expected inflation assumption of 6.40% was obtained from the differential between market yields on index-linked bonds (1.46%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.45%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1 + 8.45\% - 0.50\%) / (1 + 1.46\%)$.

Thus, a pension increase rate of 3.20% per annum over the expected term of the liability has been assumed, which is 50% of the estimate of CPI inflation over the same term. This assumption reflects a post retirement interest rate of 5.09%.

Demographic Assumptions:

Demographic assumptions are about the future characteristics of eligible employees and pensioners who are eligible for ex-gratia benefits.

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted for female lives.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

Post-retirement Mortality:

PA(90) ultimate table.

Withdrawal from Service:

If an eligible employee leaves, the employer's liability in respect of that employee ceases.

Withdrawal rates

Age	Withdrawal Rate	Withdrawal Rate
	Males	Females
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
>55	1%	1%

Average Retirement Age:

The normal retirement age for eligible employees is 65. It has been assumed that these employees will retire at the average retirement age of 63 for males and 58 for females, which then implicitly allows for expected rate of early and ill-health retirement.

Family Profile:

It has been assumed that husbands will be five years older than their wives.

Ex-Gratia Arrangement Assumptions:

It was assumed that employer's ex-gratia arrangements would remain as they are and that the level of benefits in respect of such would remain unchanged, with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

Sensitivity Results

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

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease and increase in the assumed average retirement age; and
- (v) A 50% decrease in the assumed withdrawal rates.

The table below summarises the results of the sensitivity analysis:

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Employees	Pensioners	Total Liability	% Change
Central Assumptions:		17,653,226	24,805,855	42,459,081	
Benefit increase rate	+1%	19,348,255	26,474,294	45,822,549	8%
	-1%	16,175,921	23,303,206	39,479,127	-7%
Discount Rate	+1%	16,349,577	23,384,919	39,734,496	-9%
	-1%	20,471,167	26,404,871	46,876,038	10%
Post retirement mortality	-1 yr	18,037,535	25,619,190	43,656,725	3%
Average retirement age	-1 yr	19,659,381	24,805,855	44,465,236	5%
Withdrawal Rate	-50%	18,434,599	24,805,855	43,240,454	2%

The table below summarises the results of this analysis on the interest costs for the year ending 30 June 2016.

Assumption	Change	Interest cost	% Change
Central Assumptions		6,046,000	
Pension Increase Rate	-1%	6,735,000	11%
	-1%	5,458,000	-10%
	-20%	6,467,000	7%
	+20%	5,696,000	-6%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

History of Liabilities, Assets and Experience Adjustments

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

History of liabilities and assets					
Liability History	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
Accrued Liability	65,795,000	56,092,327	70,118,000	42,459,081	42,827,090
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	-65,795,000	-56,092,327	-70,118,000	-42,459,081	-42,827,090

History of experience adjustments: Gains and Losses (R Millions)		
Experience adjustments	Year Ending 30/06/2014	Year ending 30/06/2015
Plan liabilities	7,300,000	-29,564,840
Plan assets	0	0

POST-EMPLOYMENT HEALTH CARE BENEFITS

Benefit Structure

Medical Aid Scheme Arrangements:

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure:

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of R3,871.00 (per month, per member) for the period from 1 July 2015 to 30 June 2016. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,618.04 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

Valuation Method

The Projected Unit Credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post Employment Medical Aid Liabilities:

The expected value of each employee and their spouses' future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation. We also allowed for mortality, retirements and withdrawals from service. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further, it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assume that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets:

As at the valuation date, the medical aid liability of the municipality was unfunded, that is, no dedicated assets have been set aside to meet this liability. Therefore, no assets have been considered as part of this valuation.

Detailed Results

The total liability in respect of post-retirement health care benefits amounts to R1,332,541 million as at 30 June 2016 (2015: R1,228,072 million). Provision for R1,332,541 million has been made (non-current R1,285,243 million, current R47,298 million). It is expected that approximately 3.6% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the next period following the Valuation Date.

Past year and future projected liability			
	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	1,141,585,000	1,228,072,012	1,332,540,624
Current service cost	35,038,000	40,399,544	44,009,882
Interest cost	101,719,000	107,833,956	117,015,383
Benefits paid	-43,824,000	-43,764,888	-47,298,084
Total Annual Expense	92,933,000	104,468,612	113,727,181
Actuarial Loss / (Gain)	-6,445,988		
Closing Accrued Liability	1,228,072,012	1,332,540,624	1,446,267,805

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability		
Balance Sheet	Year ending 30/06/2016	Year ending 30/06/2015
Fair Value of Plan Assets		
Accrued Liability	1,332,540,624	1,228,072,012
Unfunded Accrued Liability	1,332,540,624	1,228,072,012
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	1,332,540,624	1,228,072,012

Amounts to be recognised in profit or loss for the year (period)		
Category	Year ending 30/06/2016	Year ending 30/06/2015
Current Service Cost (In-Service members only)	40,399,544	35,038,000
Interest Cost	107,833,956	101,719,000
Actuarial (Gain)/Loss	0	-6,445,988
Total employee benefits expense	148,233,500	130,311,012

KEY ASSUMPTIONS

Key Financial Assumptions:

GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date. The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year:

Assumption	Year Ending 30/06/2016	Year Ending 30/06/2015
Discount rate	8.94%	8.94%
Health care cost inflation rate	8.07%	8.07%
Net Effective Discount Rate	0.80%	0.80%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.94% per annum has been used. The corresponding index-linked yield at this term is 1.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2016.

Component	Liability Average Term (Years)	Fixed-Interest Yield	Index-Linked Yields
In-service members' retirement liability	16.77	9.34%	1.82%
Death-in-service liability	3.42	7.69%	1.04%
Continuation members' liability	9.14	8.49%	1.70%
Liability-weighted yields	13.8	8.94%	1.75%

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

A health care cost inflation rate of 8.07% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.57%.

The next contribution increase is assumed to occur with effect from 1 January 2017.

Average Retirement Age:

The average retirement age for all male and female employees is assumed to be 63 and 58 years respectively. This assumption implicitly allows for ill-health and early retirements.

Replacement Ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions:

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted for female lives.

Post-retirement Mortality:

PA(90) ultimate table.

Withdrawal from Service:

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. The assumed withdrawal rates are set out below:

Withdrawal rates

Age	Withdrawal Rate	
	Males	Females
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
>55	1%	1%

Average Retirement Age:

The average retirement age for all male and female employees was assumed to be 63 and 58 years respectively. This assumption implicitly allows for ill-health and early retirements.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile (Retirees):

It has been assumed that married employees will remain married at retirement and 90% of single in-service members on a health care arrangement will be married. Further, it has been assumed that husbands will be five years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Medical Scheme Options:

It has been assumed that continuation members will remain on the same medical scheme and option. In-service members are assumed to remain on the same medical scheme and option should they continue to receive the subsidy after retirement.

Other Assumptions:

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined. In Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

The table below summarises the results of the sensitivity analysis:

Sensitivity Analysis on the Accrued Liability (R millions)

Assumption	Change	In-Service	Continuation	Total	% Change
Central Assumptions:		713.170	514.902	1.228.072	
Health care inflation	+1%	736.922	529.691	1.266.613	3%
	-1%	679.040	496.800	1.175.840	-4%
Discount Rate	+1%	611.858	474.771	1.086.629	-12%
	-1%	839.323	561.571	1.400.894	14%
Post retirement mortality	-1 yr	729.351	531.627	1.260.978	3%
Average retirement age	-1 yr	777.067	514.902	1.291.969	5%
Continuation of membership at retirement	-10%	645.420	514.902	1.160.322	-6%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

The table below summarises the results of this analysis on the current service cost and interest costs for the year ending 30 June 2016.

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		40,399,500	107,834,000	148,233,500	
Health care inflation	+1%	41,707,100	111,278,200	152,985,300	3%
	-1%	38,408,500	103,166,200	141,574,700	-4%
Discount rate	+1%	34,067,800	105,850,900	139,918,700	-6%
	-1%	48,402,400	109,479,500	157,881,900	7%
Post retirement mortality	-1 yr	41,261,700	110,774,600	152,036,300	3%
Average retirement age	-1 yr	42,596,700	113,544,200	156,140,900	5%
Continuation of membership at retirement	-10%	36,591,600	101,779,400	138,371,000	-7%

History of Liabilities, Assets and Experience Adjustments

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

History of liabilities and assets (R Millions)

Liability History	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
Accrued Liability	1299,222	1,320,240	1,141,585	1,228,072	1,332,541
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	-1299,222	-1320,24	-1141,585	-1228,072	-1332,541

History of experience adjustments: Gains and Losses (R Millions)

Experience adjustments	Year ending 30/06/2016	Year ending 30/06/2015
Liabilities: (Gain) / Loss	0,000	-2,385
Assets: Gain / (Loss)	0,000	0,000

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

Long service benefits are awarded in the form of leave days and a percentage of annual salary. The awarded leave days have been converted into a percentage of the employee's annual salary, for valuation purposes. The conversion is based on a 250 working day year.

Long Service Awards:

In addition to the above, employees are eligible to receive a Long Service Award to the value of R2,500 upon completion of 25 years in service.

The table below describes the benefits awarded.

Long Service Awards for levels of past service:

Completed Years of Service	Long Service Leave Award (Working Days)	Long Service Bonus Award (% of Annual Salary)	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
5	5	2%	4%	$(5/250+2\%) \times \text{annual salary}$
10	10	3%	7%	$(10/250+3\%) \times \text{annual salary}$
15	15	4%	10%	$(15/250+4\%) \times \text{annual salary}$
20	15	5%	11%	$(15/250+5\%) \times \text{annual salary}$
25, 30, 35, 40 and 45	15	6%	12%	$(15/250+6\%) \times \text{annual salary}$

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	132,595,000	132,242,108	135,956,781
Current service cost	11,570,000	11,416,388	12,314,334
Interest cost	10,217,000	9,728,862	9,947,246
Expected benefit vestings	-23,327,000	-17,430,577	-19,343,094
Total Annual Expense	-1,540,000	3,714,673	2,918,486
Actuarial Loss / (Gain)	1,187,108		
Accrued Liability	132,242,108	135,956,781	138,875,267

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet		Year ending 30/06/2015	Year ending 30/06/2016
Opening Balance		132,595,000	132,242,108
Current service cost		11,570,000	11,416,388
Interest cost		10,217,000	9,728,862
Expected return on plan assets		0	0
Transitional Liability Recognised		0	0
Actuarial (Gain) / Loss Recognised in P&L		1,187,108	0
Past service cost Recognised		0	0
Effect of curtailment / Settlement		0	0
Miscellaneous Item		0	0
Net Periodic Cost Recognised in P&L		22,974,108	21,145,250
Expected benefit vestings		-23,327,000	-17,430,577
Transitional Liability Recognised outside P&L		0	0
Actuarial (Gain) / Loss Recognised outside P&L		0	0
Closing Balance		132,242,108	135,956,781
Current Portion of Liability		17,430,577	19,343,094
Non-Current Portion of Liability		114,811,531	116,613,687

Key Assumptions

Key Financial Assumptions

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the 2015/16 financial year.

Assumption	Value p.a.
Discount Rate	7.87%
General Salary Inflation (Long Term)	7.00%
Net Effective Discount Rate	0.81%

The salaries used in the valuation include an assumed increase on 1 July 2015 of 7%.
The next salary increase was assumed to take place on 1 July 2016.

Key Demographic Assumptions

Assumption	Value		
Average retirement age	63 for males; 58 for females		
Mortality during employment	SA 85-90		
Withdrawal from service	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

Detailed Assumptions

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.87% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.28%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2016.

The average duration of the total liability is 6.16 years.

Salary Inflation Rate:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

The assumption is traditionally split into two components, namely, General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

47 Information on Post Retirement Benefits (Continued)

General Salary Inflation:

The expected inflation of 6% was obtained from the differential between market yields and index-linked bonds (1.28%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.87%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1 + 7.87\% - 0.50\%) / (1 + 1.28\%)) - 1$.

Thus a general salary inflation rate of 7.00% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.81%.

Demographic Assumptions

Promotional Salary Scale:

The annual inflation rates below are in addition to the General Salary Inflation assumption of 7.00% per annum for all employees.

Age Band	Additional promotional scale
20 - 25	5%
25 - 30	4%
30 - 35	3%
35 - 40	2%
40 - 45	1%
45 and over	0%

Pre-Retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that male employees will retire at age 63 and female employees will retire at age 58 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

LSA Arrangement Assumptions

It was assumed that the employer's LSA arrangements would remain unchanged, and that the level of benefits would remain unchanged, with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Sensitivity Analysis

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

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	Change	Liability	% Change
Central Assumptions		132,242	
General salary inflation	+1%	139,599	6%
	-1%	125,486	-5%
Discount Rate	+1%	125,062	-5%
	-1%	104,213	6%
Average retirement age	-2 yrs	115,145	-13%
	+2 yrs	149,218	13%
Withdrawal rates	-50%	148,954	13%

Sensitivity analysis on current service cost and interest costs for the year ending 30 June 2016

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		11,416,400	9,728,900	21,145,300	
General salary inflation	+1%	12,215,400	10,304,400	22,519,800	7%
	-1%	10,692,900	9,200,600	19,893,500	-6%
Discount rate	+1%	10,753,900	10,331,000	21,084,900	0%
	-1%	12,160,000	9,037,800	21,197,800	0%
Average retirement age	-2 yrs	10,237,100	8,384,100	18,621,200	-12%
	+2 yrs	12,488,200	11,064,100	23,552,300	11%
Withdrawal rates	-50%	13,902,700	11,043,300	24,946,000	18%

History of Liabilities, Assets and Experience Adjustments

History of liabilities and assets

	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
Accrued Liability	125,793,000	132,595,000	132,242,108	135,956,781
Fair value of Plan Assets	0	0	0	0
Surplus / (Deficit)	-125,793,000	-132,595,000	-132,242,108	-135,956,781

History of experience adjustments: (Gains) and Losses

	Year ending 30/06/2016	Year ending 30/06/2015
Liabilities: (Gain) / Loss	0	2,786,938
Assets: Gain / (Loss)	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2015					
Cost	1,846,654,821	13,199,906,461	3,217,593,698	1,169,152,821	19,433,307,801
Transfers/Adjustments - Costs					-
Restatement - Cost	(2,449,726)	11,577,629	6,801,785	(765,336)	15,164,352
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(182,370,554)	(4,511,126,770)	(619,570,239)	(654,587,996)	(5,967,655,559)
	1,661,834,541	8,700,357,320	2,604,825,244	513,799,489	13,480,816,594
Movement during the year ended 30 June 2016					
Acquisition	45,713,564	216,910,360	52,985,554	78,375,930	393,985,408
Capital Under Construction	16,009,388	867,960,416	20,331,173	836,364	905,137,341
Transfers / Adjustments - Cost	57,908,908	22,320,791	2,050,029	107,455,456	189,735,184
Transfers / Adjustment - Depreciation				76,409,040	76,409,040
Depreciation	(29,891,756)	(412,699,894)	(104,735,402)	(126,726,201)	(674,053,253)
	89,740,104	694,491,673	(29,368,646)	136,350,589	891,213,720
Carry Value of Disposals/Impairments during the year ended 30 June 2016					
Cost	(22,457,003)	(29,446,366)	(4,237,942)	(3,504,721)	(59,646,032)
Depreciation	106,143	15,796,093	2,952,038	3,083,847	21,938,121
	(22,350,860)	(13,650,273)	(1,285,904)	(420,874)	(37,707,911)
Carrying Values at 30 June 2016	1,729,223,785	9,381,198,720	2,574,170,694	649,729,204	14,334,322,403
Summary - Carrying Values at 30 June 2016					
Summary - Cost	1,941,379,952	14,289,229,291	3,295,524,297	1,351,550,514	20,877,684,054
Summary - Accumulated Depreciation	(212,156,167)	(4,908,030,571)	(721,353,603)	(701,821,310)	(6,543,361,651)
	1,729,223,785	9,381,198,720	2,574,170,694	649,729,204	14,334,322,403

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2014					
Cost	1,744,639,673	12,053,251,603	3,153,531,869	1,099,040,639	18,050,463,784
Transfers/Adjustments - Costs	1,378,261		2,356,204	(1,378,260)	2,356,205
Restatement - Cost	(1,469,304)	4,769,859	(2,687,364)	517,760	1,130,951
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(140,018,327)	(3,932,431,998)	(515,726,878)	(584,940,173)	(5,173,117,376)
	1,604,530,303	8,125,589,464	2,637,473,831	513,239,966	12,880,833,564
Movement during year ended 30 June 2015					
Acquisition	100,069,170	1,153,462,628	72,297,913	78,983,279	1,404,812,990
Depreciation	(42,428,308)	(578,694,772)	(104,325,946)	(77,676,926)	(803,125,952)
	57,640,862	574,767,856	(32,028,033)	1,306,353	601,687,038
Carry Value of Disposals/Impairments during the year ended 30 June 2015					
Cost	(412,705)		(1,103,139)	(8,775,933)	(10,291,777)
Depreciation	76,081		482,585	8,029,103	8,587,769
	(336,624)	-	(620,554)	(746,830)	(1,704,008)
Carrying Values at 30 June 2015	1,661,834,541	8,700,357,320	2,604,825,244	513,799,489	13,480,816,594
Summary - Carrying Values at 30 June 2015					
Summary - Cost	1,844,205,095	13,211,484,090	3,224,395,483	1,168,387,485	19,448,472,153
Summary - Accumulated Depreciation	(182,370,554)	(4,511,126,770)	(619,570,239)	(654,587,996)	(5,967,655,559)
	1,661,834,541	8,700,357,320	2,604,825,244	513,799,489	13,480,816,594

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (CONTINUED)
MUNICIPALITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2015					
Cost	1,846,654,821	13,199,906,461	3,217,593,698	1,166,959,156	19,431,114,136
Transfers/Adjustments - Costs	(2,449,726)	11,577,629	6,801,785	(765,336)	15,164,352
Restatement - Cost					
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(182,370,554)	(4,511,126,771)	(619,570,238)	(653,496,310)	(5,966,563,873)
	1,661,834,541	8,700,357,319	2,604,825,245	512,697,510	13,479,714,615
Movement during the year ended 30 June 2016					
Acquisition	40,233,655	216,910,362	52,985,554	77,402,342	387,531,913
Capital Under Construction	16,009,387	867,960,415	20,331,173	836,364	905,137,339
Transfers / Adjustments - Cost	57,908,908	22,320,791	2,050,029	107,455,456	189,735,184
Transfers / Adjustment - Depreciation	-			76,409,040	76,409,040
Depreciation	(29,836,386)	(412,699,894)	(104,735,402)	(126,426,454)	(673,698,136)
	84,315,564	694,491,674	(29,368,646)	135,676,748	885,115,340
Carry Value of Disposals/Impairments during the year ended 30 June 2016					
Cost	(22,457,003)	(29,446,366)	(4,237,942)	(3,362,094)	(59,503,405)
Depreciation	106,143	15,796,093	2,952,038	2,970,940	21,825,214
	(22,350,860)	(13,650,273)	(1,285,904)	(391,154)	(37,678,191)
Carrying Values at 30 June 2016	1,723,799,245	9,381,198,720	2,574,170,695	647,983,104	14,327,151,764
Summary - Carrying Values at 30 June 2016					
Summary - Cost	1,935,900,042	14,289,229,292	3,295,524,297	1,348,525,888	20,869,179,519
Summary - Accumulated Depreciation	(212,100,797)	(4,908,030,572)	(721,353,602)	(700,542,784)	(6,542,027,755)
	1,723,799,245	9,381,198,720	2,574,170,695	647,983,104	14,327,151,764

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2014					
Cost	1,744,639,673	12,053,251,603	3,153,531,869	1,097,361,184	18,048,784,329
Transfers/Adjustments - Costs	1,378,261		2,356,204	(1,378,260)	2,356,205
Restatement - Cost	(1,469,304)	4,769,859	(2,687,364)	517,760	1,130,951
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(140,018,327)	(3,932,431,998)	(515,726,878)	(583,889,584)	(5,172,066,787)
	1,604,530,303	8,125,589,464	2,637,473,831	512,611,100	12,880,204,698
Movement during year ended 30 June 2015					
Acquisition	100,069,170	1,153,462,628	72,297,913	78,304,735	1,404,134,446
Depreciation	(42,428,308)	(578,694,772)	(104,325,946)	(77,506,125)	(802,955,151)
	57,640,862	574,767,856	(32,028,033)	798,610	601,179,295
Carry Value of Disposals/Impairments during the year ended 30 June 2015					
Cost	(412,705)		(1,103,139)	(8,611,599)	(10,127,443)
Depreciation	76,081		482,585	7,899,398	8,458,064
	(336,624)	-	(620,554)	(712,201)	(1,669,379)
Carrying Values at 30 June 2015	1,661,834,541	8,700,357,320	2,604,825,244	512,697,509	13,479,714,614
Summary - Carrying Values at 30 June 2015					
Summary - Cost	1,844,205,095	13,211,484,090	3,224,395,483	1,166,193,820	19,446,278,488
Summary - Accumulated Depreciation	(182,370,554)	(4,511,126,770)	(619,570,239)	(653,496,311)	(5,966,563,874)
	1,661,834,541	8,700,357,320	2,604,825,244	512,697,509	13,479,714,614

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2015	
Cost	205,531,393
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	205,531,393
Movement during the year ended 30 June 2016	
Acquisition	617,502
Transfers / Adjustment	4,576,824
Impairment	-
	5,194,326
Impairment value during the year ended 30 June 2016	
Cost	(4,638,397)
Amortisation	-
	(4,638,397)
Carrying Values at 30 June 2016	206,087,322
Summary - Carrying Values at 30 June 2016	
Summary - Cost	206,087,322
Summary - Accumulated Impairment	-
	206,087,322

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2014	
Cost	203,660,123
Transfers/Adjustments	(2,310,039)
Restatement - Cost	169,740
Disposal	-
Accumulated Depreciation	-
	201,519,824
Movement during year ended 30 June 2015	
Acquisition	4,011,569
Transfers / Adjustment	-
Impairment	-
	4,011,569
Impairment value during year ended 30 June 2015	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2015	205,531,393
Summary - Carrying Values at 30 June 2015	
Summary - Cost	205,531,393
Summary - Accumulated Impairment	-
	205,531,393

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

49 HERITAGE ASSETS RECONCILIATION (CONTINUED)
MUNICIPALITY

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2015	
Cost	205,280,893
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	205,280,893
Movement during the year ended 30 June 2016	
Acquisition	617,502
Transfers / Adjustment	4,576,824
Impairment	-
	5,194,326
Impairment value during the year ended 30 June 2016	
Cost	(4,638,397)
Amortisation	-
	(4,638,397)
Carrying Values at 30 June 2016	205,836,822
Summary - Carrying Values at 30 June 2016	
Summary - Cost	205,836,822
Summary - Accumulated Impairment	-
	205,836,822

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2014	
Cost	203,409,623
Transfers/Adjustments	(2,310,039)
Restatement - Cost	169,740
Disposal	-
Accumulated Depreciation	-
	201,269,324
Movement during year ended 30 June 2015	
Acquisition	4,011,569
Transfers / Adjustment	-
Impairment	-
	4,011,569
Impairment value during year ended 30 June 2015	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2015	205,280,893
Summary - Carrying Values at 30 June 2015	
Summary - Cost	205,280,893
Summary - Accumulated Impairment	-
	205,280,893

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2015	
Cost	579,837,666
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(435,338,639)
	144,499,027
Movement during the year ended 30 June 2016	
Acquisition/Under Construction	47,026,785
Disposals/Impairment	-
Amortisation	(120,115,667)
	(73,088,882)
Impairment/ Disposal value during the year ended 30 June 2016	
Cost	(49,886,629)
Amortisation	32,656,855
	(17,229,774)
Carrying Values at 30 June 2016	54,180,371
Summary - Carrying Values at 30 June 2016	
Summary - Cost	576,977,822
Summary - Accumulated Amortisation	(522,797,451)
	54,180,371

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2014	
Cost	543,446,863
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(376,233,847)
	167,213,016
Movement during year ended 30 June 2015	
Acquisition	36,390,803
Adjustment	-
Amortisation	(59,104,792)
	(22,713,989)
Impairment value during year ended 30 June 2015	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2015	144,499,027
Summary - Carrying Values at 30 June 2015	
Summary - Cost	579,837,666
Summary - Accumulated Amortisation	(435,338,639)
	144,499,027

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

50 INTANGIBLE ASSETS RECONCILIATION (CONTINUED)
MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2015	
Cost	579,512,808
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(435,157,978)
	144,354,830
Movement during the year ended 30 June 2016	
Acquisition/Under Construction	47,017,955
Disposals/Impairment	-
Amortisation	(120,055,830)
	(73,037,875)
Impairment/ Disposal value during the year ended 30 June 2016	
Cost	(49,879,959)
Amortisation	32,654,797
	(17,225,162)
Carrying Values at 30 June 2016	54,091,793
Summary - Carrying Values at 30 June 2016	
Summary - Cost	576,650,804
Summary - Accumulated Amortisation	(522,559,011)
	54,091,793

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2014	
Cost	543,266,624
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(376,077,982)
	167,188,642
Movement during year ended 30 June 2015	
Acquisition	36,246,184
Adjustment	-
Amortisation	(59,079,996)
	(22,833,812)
Impairment value during year ended 30 June 2015	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2015	144,354,830
Summary - Carrying Values at 30 June 2015	
Summary - Cost	579,512,808
Summary - Accumulated Amortisation	(435,157,978)
	144,354,830

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

51 INVESTMENT PROPERTY RECONCILIATION
ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2015	
Cost	248,623,193
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(50,454,308)
	198,168,885
Movement during the year ended 30 June 2016	
Acquisition	2,102,043
Transfers/Adjustments	54,735
Capital Under Construction	3,030,838
Transfers / Adjustment	-
Depreciation	(6,076,236)
	(888,620)
Carry Value of Disposals for the year ended 30 June 2016	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2016	197,280,265
Summary - Carrying Values at 30 June 2016	
Summary - Cost	253,810,809
Summary - Accumulated Depreciation	(56,530,544)
	197,280,265

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2014	
Cost	244,119,319
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(44,680,164)
	199,439,155
Movement during year ended 30 June 2015	
Acquisition	6,056,125
Transfers/Adjustments	-
Capital Under Construction	-
Transfers / Adjustment	-
Depreciation	(6,131,885)
	(75,760)
Carry Value of Disposals during year ended 30 June 2015	
Cost	(1,552,251)
Depreciation	357,741
	(1,194,510)
Carrying Values at 30 June 2015	198,168,885
Summary - Carrying Values at 30 June 2015	
Summary - Cost	248,623,193
Summary - Accumulated Depreciation	(50,454,308)
	198,168,885

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost
 Financial liabilities: At amortised cost
 Financial Assets: At Fair Value

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.

The amounts relating to financial instruments reflected below approximates fair value

ECONOMIC ENTITY	2016			Restated 2015		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		14,334,322,403	14,334,322,403		13,480,816,594	13,480,816,594
Heritage Assets		206,087,322	206,087,322		205,531,393	205,531,393
Intangible Assets		54,180,371	54,180,371		144,499,027	144,499,027
Investment Property		197,280,265	197,280,265		198,168,885	198,168,885
Long-term Receivables - Exchange Transactions	13,346,342		13,346,342	9,033,206		9,033,206
Long-term Receivables - Non-exchange Transactions		10,960,479	10,960,479		9,265,720	9,265,720
Inventory		145,373,625	145,373,625		139,994,538	139,994,538
Consumer debtors - Exchange Transactions	1,037,542,429		1,037,542,429	912,635,081		912,635,081
Consumer debtors - Non-exchange Transactions		269,584,746	269,584,746		229,399,410	229,399,410
Other Debtors	407,966,061		407,966,061	459,120,802		459,120,802
VAT Refund		13,217,292	13,217,292		37,439,999	37,439,999
VAT Receivable		0	0		16,764,534	16,764,534
Current portion of long-term receivables	80		80	80		80
Short-term investment deposits (excluding Sanlam Shares)	1,365,337,861		1,365,337,861	1,252,493,987		1,252,493,987
Bank balances and cash	247,167,624		247,167,624	193,344,559		193,344,559
	3,071,360,397	15,231,006,503	18,302,366,900	2,826,627,715	14,461,880,100	17,288,507,815

ECONOMIC ENTITY	2016			Restated 2015		
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
LIABILITIES						
Long-term Liabilities	1,376,718,616		1,376,718,616	1,472,471,485		1,472,471,485
Deferred Income		609,071	609,071		0	0
Employee Benefit Obligation		1,472,243,701	1,472,243,701		1,369,345,626	1,369,345,626
Non-current Provisions		462,203,446	462,203,446		329,771,931	329,771,931
Consumer deposits	123,959,190		123,959,190	111,852,356		111,852,356
Current Employee Benefit Obligation		77,963,496	77,963,496		72,877,174	72,877,174
Current Provisions		47,776,422	47,776,422		85,649,120	85,649,120
Creditors	1,706,502,272		1,706,502,272	1,624,294,234		1,624,294,234
VAT Payable		10,813,448	10,813,448		0	0
Unspent Conditional Grants and Receipts		200,573,914	200,573,914		171,308,712	171,308,712
Current Portion of Long-term Liabilities	95,438,884		95,438,884	106,793,027		106,793,027
	3,302,618,962	2,272,183,498	5,574,802,460	3,315,411,102	2,028,952,563	5,344,363,665

Net Assets		12,730,034,311	12,730,034,311		11,946,858,716	11,946,858,716
Financial Asset at Fair Value				Financial Asset at Fair Value		
Sanlam Shares - Valued at the open market value	2,469,871		(2,469,871)	2,714,566		(2,714,566)
	(228,788,692)	228,788,692	0	(486,068,821)	486,068,821	0

	2016	Restated 2015
Financial Asset at amortised cost		
Opening balance	2,826,627,715	2,758,325,177
Net other movements	244,732,682	68,302,538
Closing balance	3,071,360,397	2,826,627,715
Financial liabilities at amortised cost		
Opening balance	3,315,411,102	3,453,049,253
Net other movements	(12,792,140)	(137,638,151)
Closing balance	3,302,618,962	3,315,411,102

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

52 FINANCIAL INSTRUMENTS (CONTINUED)

MUNICIPALITY	2016			Restated 2015		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		14,327,151,764	14,327,151,764		13,479,714,614	13,479,714,614
Heritage Assets		205,836,822	205,836,822		205,280,893	205,280,893
Intangible Assets		54,091,793	54,091,793		144,354,830	144,354,830
Investment Property		197,280,265	197,280,265		198,168,885	198,168,885
Long-term Receivables - Exchange Transactions	13,346,342		13,346,342	9,033,206		9,033,206
Long-term Receivables - Non-exchange Transactions		10,960,479	10,960,479		9,265,720	9,265,720
Inventory		145,373,625	145,373,625		139,994,538	139,994,538
Consumer debtors - Exchange Transactions	1,037,542,429		1,037,542,429	912,635,081		912,635,081
Consumer debtors - Non-exchange Transactions		269,584,746	269,584,746		229,399,410	229,399,410
Other Debtors	430,707,436		430,707,436	502,635,831		502,635,831
VAT Refund		10,742,805	10,742,805		34,927,107	34,927,107
VAT Receivable		0	0		16,764,534	16,764,534
Current portion of long-term receivables	80		80	80		80
Short-term investment deposits (excluding Sanlam Shares)	1,365,337,861		1,365,337,861	1,252,493,987		1,252,493,987
Bank balances and cash	213,067,170		213,067,170	139,687,805		139,687,805
	3,060,001,318	15,221,022,299	18,281,023,617	2,816,485,990	14,457,870,531	17,274,356,521

LIABILITIES	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	Long-term Liabilities	1,376,718,616		1,376,718,616	1,471,966,017	
Employee Benefit Obligation		1,472,243,701	1,472,243,701		1,369,345,626	1,369,345,626
Non-current Provisions		462,203,446	462,203,446		329,771,931	329,771,931
Consumer deposits	123,959,190		123,959,190	111,852,356		111,852,356
Current Employee Benefit Obligation		77,250,866	77,250,866		72,246,987	72,246,987
Current Provisions		47,776,422	47,776,422		85,649,120	85,649,120
Creditors	1,699,466,918		1,699,466,918	1,615,475,533		1,615,475,533
VAT Payable		10,813,448	10,813,448		0	0
Unspent Conditional Grants and Receipts		196,616,549	196,616,549		171,308,712	171,308,712
Current Portion of Long-term Liabilities	93,919,738		93,919,738	104,092,767		104,092,767
	3,294,064,462	2,266,904,432	5,560,968,894	3,303,386,673	2,028,322,376	5,331,709,049

Net Assets 12,722,524,594 12,722,524,594 11,945,362,038 11,945,362,038

Financial Asset at Fair Value	Financial Asset at Fair Value
Sanlam Shares - Valued at the open market value	
2,469,871	(2,469,871)
(231,593,271)	0
	(484,186,117)
	484,186,117
	0

	2016	Restated 2015
Financial Asset at amortised cost		
Opening balance	2,816,485,990	2,750,967,889
Net other movements	243,515,328	65,518,101
Closing balance	3,060,001,318	2,816,485,990
Financial liabilities at amortised cost		
Opening balance	3,303,386,673	3,445,084,923
Net other movements	(9,322,211)	(141,698,250)
Closing balance	3,294,064,462	3,303,386,673

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

53 EXPLANATION FOR OPERATING VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2015 as approved by National Treasury.

The Original Budget was approved on 18 June 2015 for the 2015/16 financial year (01 July 2015 to 30 June 2016), and the Final Budget was approved on 22 February 2016.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

ACTUAL VERSUS APPROVED FINAL BUDGET (REVENUE AND EXPENDITURE)

Explanations of Significant Variances greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Interest earned - Investments

Interest increased due to strict cashflow management.

2 Licences and Permits

Due to the ad hoc nature of this income source, accurate income projections are not possible.

3 Rental of Facilities and Equipment

Due to the ad hoc nature of this income source, accurate income projections are not possible.

4 Government Grants and Subsidies - Operating

Due to underspending on IPTS and Housing Top Structures.

Government Grants - VAT recognised

The revenue from this source is reliant on the expenditure being funded, which only relates to grants from National Treasury of which accurate income projections are not possible.

5 Other Income - MBDA

Due to the ad hoc nature of this income source, accurate income projections are not possible.

6 Dividends received

The dividend income relates to the Sanlam shares.

7 Impairment - receivables

Increased consumer debt was written off, than initially anticipated.

8 Grants and Subsidies Paid

The rebate for ATTP consumers was transferred from Grants and Subsidies Paid to the relevant Service Charges and it is now being treated as Revenue foregone.

	<u>Actual</u>	<u>Budget</u>	<u>Real Variance</u>
Grants and Subsidies Paid before transfer of Rebate for ATTP Consumers	413,322,544	497,340,550	
Grant paid to MBDA - but unspent at end of year - now transferred to Other Debtors	0		
Total Paid	<u>413,322,544</u>	<u>497,340,550</u>	16.89% Due to elimination of intercompany transactions.

9 General Expenses

The underspending in General expenses is due to underspending on Housing Top Structures

10 Repairs and Maintenance

The underspending in Repairs and Maintenance is due to underspending on overall maintenance on pipelines, buildings, roadworks, overhead lines, underground and water leaks.

11 Impairment - Other

The overspending is mainly attributed to the impairment of Housing Debtors.

12 Loss on Disposal of Property Plant and Equipment

Due to the ad hoc nature of this source, accurate projections are not possible.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

54 EXPLANATION FOR CAPITAL VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2015 as approved by National Treasury.

The Original Budget was approved on 18 June 2015 for the 2015/16 financial year (01 July 2015 to 30 June 2016), and the Final Budget was approved on 22 February 2016.

NMBM uses the accrual basis of accounting for its Budget.

See below reconciliation between the Budget and the Actual expenditure:

ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF ASSETS)	2016 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	263,807,915	237,347,009	26,460,906	10	The variance is mainly attributable to the Capital Projects being delayed due to Minor works tender only approved in March 2016. Many of the projects utilize this contract for the appointment of service providers. Additionally, very little spending has been incurred on IPTS related projects. IPTS in only planned to commence in the 2016/17 financial year, subject to NT approving the carry-over.
Human Settlements	176,307,820	180,458,883	(4,151,063)	-2	
Economic Development, Tourism & Agriculture	91,034,867	6,861,184	84,173,683	92	R745,000 transferred from Chief Operating Officer as per Executive Mayor 20 June 2016.
Recreational and Cultural Service	116,900,000	66,717,459	50,182,541	43	The Directorate has indicated that the variance is mainly attributable to the fact that there were delays experienced in the appointment of consultants, which caused them not to be able to spend their budget.
Safety & Security	12,518,000	9,749,951	2,768,049	22	One of the significant Capital projects (Fire and Emergency Equipment) was cancelled at the Bid Committee, therefore resulting in the need for a carry over to the new financial year.
Budget & Treasury	78,721,700	38,081,311	40,640,389	52	The variance is attributable to the Systems Enhancements Capital Project. The purchase of additional hardware could not take place during the 2015/16 financial year due to delays experienced at SCM Bid Committee. The unspent funds will be carried over to the 2016/17 financial year in order to purchase the required hardware equipment.
Public Health	88,532,550	74,867,681	13,664,869	15	The underspending relates to Refuse Compactors that were budgeted for, but could not be purchased during the 2015/16 financial year due to unavailability of stock and the fact that the RT57 National Treasury contract had expired on 31 March 2016. These funds will be carried over to the 2016/17 financial year in order to procure the vehicles.
Corporate Services	27,050,000	27,591,395	(541,395)	-2	R3,396,540 was brought onto the Capital Budget as per Executive Mayor 4 March 2016 for the roll-out of public Wi-Fi.
Sanitation Service	253,050,000	238,904,174	14,145,826	6	
Water Service	184,403,276	186,775,930	(2,372,654)	-1	
Strategic Programmes	16,745,060	1,016,077	15,728,983	94	The Flagship project for this directorate is the Motherwell Thusong Traffic and Licence Center. The project was envisioned to be completed over 2 financial years commencing in 2015/16. The directorate has determined that in terms of the budget provided in 2015/16, it was insufficient in order to advertise for the tender as the total costs exceeded the available budget. National Treasury has confirmed that additional allocations will be made available in the 2016/17 financial year via the NDPG in order for the project to commence.
Executive and Council	6,850,000	3,422,045	3,427,955	50	The Original Budget for this project was directly coupled with exchange rates and linked price increases. Once the project commenced it became possible to make use of a Transversal process via Tenders done by City of Cape Town to procure the needed service providers, based on 2014/2015 costing. This resulted in a saving of approximately 20% over the 2 contract years. A total of R2 million will be carried over to 2016/17 in order to meet commitments. The balance of the unspent funds will be realised as savings. R745,000 transferred to EDTA as per Executive Mayor 20 June 2016.
Electricity & Energy	244,352,251	242,330,810	2,021,441	1	R2 million transferred to Operating Budget as per Municipal Manager 19 May 2016 for the implementation of the Metro Police.
NMBM Stadium	13,167,800	11,725,226	1,442,574	11	
Moveable Assets		19,588,455		14	These belongs to various Directorates above
CONTROLLED ENTITIES	1,573,441,239	1,345,437,590	228,003,649		
Mandela Bay Development Agency	3,061,579	982,418	2,079,161	68	Less was spent than initially anticipated, therefore resulting in a saving.
ECONOMIC ENTITY	1,576,502,818	1,346,420,008	230,082,810		

NOTE 55
ECONOMIC ENTITY'S ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

	COST									ACCUMULATED DEPRECIATION								Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Disposals	Impairment	Closing Balance	
Land & Buildings																		
Buildings	747,120,702	(2,449,725)	744,670,977	22,047,511	45,113,564	16,009,387	-	663,502	827,177,937	182,370,553	-	182,370,553	-	29,891,756	-	106,142	212,156,167	615,021,770
Land	1,099,534,119	-	1,099,534,119	35,861,397	600,000	-	-	21,793,501	1,114,202,015	-	-	-	-	-	-	-	-	1,114,202,015
	1,846,654,821	(2,449,725)	1,844,205,096	57,908,908	45,713,564	16,009,387	-	22,457,003	1,941,379,952	182,370,553	-	182,370,553	-	29,891,756	-	106,142	212,156,167	1,729,223,785
Infrastructure Assets																		
Roads, Sidewalks & Stormwater																		
Network	5,551,052,732	2,911,025	5,553,963,757	15,732,568	48,280,756	222,960,029	-	5,840,937,110	1,959,659,274	1,959,659,274	-	1,959,659,274	-	190,038,877	-	-	2,149,698,151	3,691,238,958
Beach Developments	57,833,609	-	57,833,609	-	-	4,907,090	-	62,740,699	11,300,604	11,300,604	-	11,300,604	-	1,409,493	-	-	12,710,097	50,030,602
Electricity Reticulation & Supply	2,566,468,583	690,393	2,567,158,975	6,588,223	12,636,187	149,948,106	-	29,446,366	2,706,885,125	907,722,505	907,722,505	907,722,505	-	63,014,786	-	15,796,093	954,941,198	1,751,943,927
Fencing	40,354,779	-	40,354,779	-	36,412,231	321,112	-	77,088,122	17,748,434	17,748,434	-	17,748,434	-	4,953,909	-	-	22,702,343	54,385,779
Sewerage Mains & Purification Works	2,132,103,546	-	2,132,103,546	-	190,456	232,101,289	-	2,364,395,291	831,317,324	831,317,324	-	831,317,324	-	67,684,237	-	-	899,001,561	1,465,393,730
Waste Disposal Facilities	18,625,254	-	18,625,254	-	12,188,978	-	-	30,814,233	1,044,042	1,044,042	-	1,044,042	-	315,420	-	-	1,359,462	29,454,770
Water Supply & Reticulation	1,742,502,423	6,601,261	1,749,103,684	93,522,457	146,145,830	93,522,457	-	1,989,771,970	626,987,178	626,987,178	-	626,987,178	-	58,406,019	-	-	685,393,197	1,303,378,774
Dams & Treatment Works	1,090,965,534	1,374,951	1,092,340,485	13,679,298	111,576,959	-	-	1,217,596,742	155,347,410	155,347,410	-	155,347,410	-	26,377,153	-	-	182,224,563	1,035,372,179
	13,199,906,460	11,577,629	13,211,484,089	22,320,791	216,910,362	867,960,415	-	29,446,366	14,289,229,291	4,511,126,771	-	4,511,126,771	-	412,699,894	-	15,796,093	4,908,030,572	9,381,198,720
Community Assets																		
Libraries	27,878,819	-	27,878,819	-	122,885	1,858,537	-	29,860,241	11,016,586	11,016,586	-	11,016,586	-	891,034	-	-	11,907,621	17,952,621
Library Books	72,892,632	-	72,892,632	-	3,763,460	-	-	76,656,092	21,195,896	21,195,896	-	21,195,896	-	2,553,664	-	-	23,749,559	52,906,533
Fire Stations	61,234,600	(188,776)	61,045,824	-	3,972,908	-	-	65,018,732	15,089,629	15,089,629	-	15,089,629	-	2,317,173	-	-	17,406,803	47,611,930
Cemeteries	70,128,407	-	70,128,407	-	-	3,075,115	-	73,203,523	10,120,375	10,120,375	-	10,120,375	-	2,070,454	-	-	12,190,830	61,012,693
Clinics	3,381,280	-	3,381,280	-	1,398,884	-	-	4,780,165	550,629	550,629	-	550,629	-	189,663	-	-	740,293	4,039,872
Community Centres	221,328,923	-	221,328,923	1,016,036	16,118,727	-	41,366	238,422,320	54,809,882	54,809,882	-	54,809,882	-	7,483,507	15,291	-	62,278,098	176,144,222
Public Conveniences	4,835,263	-	4,835,263	-	-	-	-	4,835,263	2,552,767	2,552,767	-	2,552,767	-	181,786	-	-	2,734,552	2,100,710
Swimming Pools	82,535,125	-	82,535,125	-	-	-	-	82,535,125	18,936,097	18,936,097	-	18,936,097	-	2,454,307	-	-	21,390,404	61,144,721
Recreational Facilities	2,607,823,594	6,990,560	2,614,814,154	1,033,993	27,608,690	15,397,521	-	3,694,152	2,655,160,206	450,688,192	450,688,192	450,688,192	-	84,626,561	-	2,714,950	532,599,804	2,122,560,402
Selling & Letting Schemes	65,555,056	-	65,555,056	-	-	-	-	502,424	65,052,631	34,610,184	-	34,610,184	-	1,367,252	-	221,797	36,355,640	28,696,392
	3,217,593,698	6,801,784	3,224,395,482	2,050,029	52,985,554	20,331,174	-	4,237,942	3,295,524,297	619,570,238	-	619,570,238	-	104,735,402	-	2,952,038	721,353,603	2,574,170,694
Other Assets																		
Bins & Containers	10,055,118	-	10,055,118	35,178	870,000	-	-	10,960,296	3,154,980	3,154,980	-	3,154,980	-	1,089,818	-	-	4,244,798	6,715,498
Vehicles & Plant	499,454,994	6,873	499,461,867	32,013,169	1,608,244	-	-	529,866,791	347,594,313	347,594,313	-	347,594,313	-	62,916,713	1,608,244	-	408,902,782	120,964,010
Office Furniture & Fittings	177,072,707	(772,209)	176,300,499	15,046,810	19,226,216	27,640	122,019	210,423,866	156,709,703	156,709,703	(31,108,130)	156,709,703	20,088,398	12,726	97,786	-	145,579,459	64,844,407
Air Monitoring Facilities	73,124	-	73,124	-	957,000	-	-	1,030,124	16,755	16,755	-	16,755	-	68,675	-	-	85,430	944,694
Security Systems	9,972,498	-	9,972,498	-	197,217	-	-	10,169,715	8,850,191	8,850,191	-	8,850,191	-	2,033,944	-	-	10,884,135	-714,420
Tip Sites	350,531,514	-	350,531,514	96,570,119	11,167,356	836,364	-	1,631,831	457,473,522	55,676,439	55,676,439	55,676,439	-	15,940,031	-	1,264,910	70,351,560	387,121,962
Computer Hardware	121,992,868	-	121,992,868	(4,196,652)	13,944,971	-	114,987	131,626,201	82,585,614	82,585,614	(45,300,910)	82,585,614	24,588,622	100,181	-	-	61,773,145	69,853,055
	1,169,152,823	(765,336)	1,168,387,487	107,455,455	78,375,929	836,364	1,750,871	1,753,850	1,351,550,514	654,587,997	-	654,587,997	(76,409,040)	126,726,201	1,721,151	1,362,697	701,821,309	649,729,205
	19,433,307,802	15,164,353	19,448,472,155	189,735,183	393,985,409	905,137,339	1,750,871	57,895,160	20,877,684,055	5,967,655,558	-	5,967,655,558	(76,409,040)	674,053,253	1,721,151	20,216,969	6,543,361,651	14,334,322,403

NOTE 55 (CONTINUED)

ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

	COST									ACCUMULATED AMORTISATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Intangible																		
Computer Software	579,837,666	-	579,837,666		8,830	47,017,955	6,670	49,879,959	576,977,822	435,338,639		435,338,639		120,115,667	2,058	32,654,797	522,797,451	54,180,371

ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2016

	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Investment Property																		
Land & Buildings	248,623,193		248,623,193	54,735	2,102,043	3,030,838			253,810,809	50,454,308		50,454,308	0	6,076,236	0	0	56,530,544	197,280,265

ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016

	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/ Take-On	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Heritage Assets																		
Heritage Buildings	137,603,360		137,603,360	3,978,701	617,502			4,638,397	137,561,166	-	-	-	-	-	-	-	-	137,561,166
Memorials & Statues	43,432,771		43,432,771	598,123	-				44,030,894	-	-	-	-	-	-	-	-	44,030,894
Land	6,655,783		6,655,783	-	-				6,655,783	-	-	-	-	-	-	-	-	6,655,783
Art Works	17,669,739	169,740	17,839,479	-	-				17,839,479	-	-	-	-	-	-	-	-	17,839,479
	205,361,653	169,740	205,531,393	4,576,824	617,502			4,638,397	206,087,322									206,087,322
Grant Totals Assets	20,467,130,314	15,334,093	20,482,464,407	194,366,742	396,713,784	955,186,133	1,757,541	112,413,516	21,914,560,008	6,453,448,506	-	6,453,448,506	(76,409,040)	800,245,155	1,723,209	52,871,766	7,122,689,647	14,791,870,362

**Appendix A - Unaudited
ECONOMIC ENTITY**

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Restated 2015 Actual Income	Restated 2015 Actual Expenditure	Restated 2015 Surplus/ (Deficit)		2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
2,639,289	221,930,294	(219,291,005)	Executive and Council	6,359,593	231,738,762	(225,379,169)
2,520,975,292	584,219,233	1,936,756,059	Budget and Treasury	2,679,047,808	720,773,605	1,958,274,203
19,828,089	362,049,307	(342,221,218)	Corporate Services	34,140,514	294,798,443	(260,657,929)
287,386,016	531,311,724	(243,925,708)	Public Health	299,708,058	654,044,375	(354,336,317)
729,689,671	683,112,746	46,576,925	Human Settlements	479,174,232	563,318,947	(84,144,715)
60,569,775	467,519,681	(406,949,906)	Safety and Security	247,644,288	620,844,794	(373,200,506)
297,660,572	708,089,989	(410,429,417)	Infrastructure and Engineering - R & G	147,279,003	407,714,601	(260,435,598)
805,051,988	626,581,517	178,470,471	Water	996,551,649	702,719,142	293,832,507
3,289,064,304	3,040,347,965	248,716,339	Electricity and Energy	3,703,345,779	3,499,026,886	204,318,893
115,712,795	106,489,669	9,223,126	Economic Development, Tourism and Agriculture	96,492,810	107,429,022	(10,936,212)
34,349,679	269,084,652	(234,734,973)	Sports, Recreation, Arts and Culture	33,056,845	303,845,290	(270,788,445)
721,527,975	386,167,025	335,360,950	Sanitation	750,763,713	425,737,858	325,025,855
42,111,565	182,259,405	(140,147,840)	NMBM Stadium	50,931,696	215,029,818	(164,098,122)
37,689,498	33,936,984	3,752,514	Special Projects	22,425,555	22,737,444	(311,889)
<u>8,964,256,508</u>	<u>8,203,100,191</u>	<u>761,156,317</u>	Total	<u>9,546,921,543</u>	<u>8,769,758,987</u>	<u>777,162,556</u>
			Controlled Entities			
99,722,723	99,129,786	592,937	Mandela Bay Development Agency	100,688,489	94,675,450	6,013,039
<u>99,722,723</u>	<u>99,129,786</u>	<u>592,937</u>	Total Controlled Entities	<u>100,688,489</u>	<u>94,675,450</u>	<u>6,013,039</u>
(85,270,738)	(85,270,738)	-	Less: Intercompany charges	(88,230,591)	(88,230,591)	-
<u>8,978,708,493</u>	<u>8,216,959,239</u>	<u>761,749,254</u>	Total: Economic Entity before taxation	<u>9,559,379,441</u>	<u>8,776,203,846</u>	<u>783,175,595</u>
-	-	-	Taxation	-	-	-
<u>8,978,708,493</u>	<u>8,216,959,239</u>	<u>761,749,254</u>	Total	<u>9,559,379,441</u>	<u>8,776,203,846</u>	<u>783,175,595</u>

Appendix B
ECONOMIC ENTITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2016

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Spent	Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June			
Financial Management Grant	NT	1,050,000	-	-	-	1,050,000	133,756	154,038	343,186	405,694	1,036,674	N / A	Yes
National Electrification Programme	DME	15,163,000	11,808,000	8,529,000	-	35,500,000	4,355,799	7,681,412	9,329,338	11,504,679	32,871,228	N / A	Yes
Urban Settlement Development Grant	DPLG	26,707,000	275,051,000	304,359,000	-	606,117,000	138,318,746	243,844,236	136,989,389	191,387,074	710,539,445	N / A	Yes
Transport or PTIS	NT	93,064,000	93,064,000	-	-	186,128,000	2,300,744	3,452,736	17,158,347	-	22,911,827	N / A	Yes
Neighbourhood Development Partnership Grant	NT	-	-	-	-	-	2,369,116	2,191,169	568,643	-	5,128,928	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-	-	-	-	-	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	-	-	-	-	-	4,312,178	151,834	4,931,575	-	9,395,587	N / A	Yes

**Appendix C - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2016**

TOTAL ACCUMULATED FUNDS	2016	Restated 2015
	R	R
Made up as follows:		
Housing Development Fund	109,731,779	109,731,779
Capital Replacement Reserve	0	91,370,086
Government Grant Reserve	6,991,262,767	6,221,746,532
Capitalisation Reserve	42,265,348	134,769,439
Donations and Public Contributions Reserves	336,486,788	347,226,266
Self-Insurance Reserve	102,980,606	96,391,064
COID Reserve	28,557,560	24,831,196
Accumulated Surplus	5,118,749,463	4,920,792,354
	<u>12,730,034,311</u>	<u>11,946,858,716</u>

**Appendix C - Unaudited
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2016**

TOTAL ACCUMULATED FUNDS	2016	Restated 2015
	R	R
Made up as follows:		
Housing Development Fund	109,731,779	109,731,779
Capital Replacement Reserve	0	91,370,086
Government Grant Reserve	6,991,262,767	6,221,746,532
Capitalisation Reserve	42,265,348	134,769,439
Donations and Public Contributions Reserves	336,486,788	347,226,266
Self-Insurance Reserve	102,980,606	96,391,064
COID Reserve	28,557,560	24,831,196
Accumulated Surplus	5,111,239,746	4,919,295,676
	<u>12,722,524,594</u>	<u>11,945,362,038</u>