

# BUFFALO CITY ECONOMIC ENTITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009

### 24. Retirement benefit obligation (continued)

2010	2009	2010	2009
<b>261,331,883</b>	<b>233,792,235</b>	<b>261,331,883</b>	<b>233,792,235</b>

BCM employees contribute to 6 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med, FedHealth and Hosmed. Pensioners continue on the option they belong to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2010 by ARCH Actuarial Consulting using the Projected Unit Credit Method.

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

The best estimates for benefit payments in the next annual period is expected to be R12 521 707 (2010: R11 611 287).

Correction of error 2009: refer note 47.

Adjustments amounting to R7 891 109 were made in respect of the retirement obligation.

#### The principal actuarial assumptions used were as follows:

Discount rate	9.16 %	10.82 %	9.16 %	10.82 %
Medical aid inflation rate	7.84 %	9.67 %	7.84 %	9.67 %
Net effective discount rate	1.22 %	1.05 %	1.22 %	1.05 %
Post-Retirement subsidy	60.00 %	60.00 %	60.00 %	60.00 %
<b>Retirement age</b>				
Males	63	63	63	63
Females	63	63	63	63
Mortality during employment - SA 85-90 Ultimate Table adjusted for female lives				
Mortality post retirement - PA901 Ultimate table rated down one year				
Number of eligible members	2,378.00	2,148.00	2,378.00	2,148.00
Number of pensioners	529.00	512.00	529.00	512.00
<b>1% change in the assumed medical inflation:</b>				
Projected liability increase/(decrease) - 2010	43,165,000	(35,058,000)	43,165,000	(35,058,000)
Projected liability increase/(decrease) - 2009	37,918,000	(30,866,000)	37,918,000	(30,866,000)
Projected liability increase/(decrease) - 2008	32,401,000	(26,446,000)	32,401,000	(26,446,000)

### 25. Revaluation reserve

Opening balance	17,194,100	(4,773,016,764)	17,194,100	(4,773,016,764)
Additions	-	4,796,590,202	-	4,796,590,202
Disposals	-	(15,000)	-	(15,000)
Depreciation offset	(573,137)	(6,364,338)	(573,137)	(6,364,338)
	<b>16,620,963</b>	<b>17,194,100</b>	<b>16,620,963</b>	<b>17,194,100</b>

### 26. Contingent Liabilities

Guarantees by the Council in respect of building society and commercial bank housing loans for officials amount to R502 776 (2009: R 502 776).

Guarantees by the Council in respect of the Department of Labour for COID amount to R4 251 742 (2009: R 4 251 742).

Claims of approximately R3.3 million have been instituted against Council officials due to alleged assault, unlawful arrest and various other charges. Legal advice has been sought for each case and Council will defend the claims where so advised.

Cancellation of a contract by Mtha Building Contractor/Joe Angaviwe JV in the amount of R14 million. Council is defending this matter. At present the matter is dormant as we have not heard from the claimant.

The cancellation of a contract to lay a bulk sewer pipe due to non-performance by RJW Ikuasaan JV resulted in Council being sued in the

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### 26. Contingent Liabilities (continued)

amount of R9.7 million. Council is defending the claim.

The Buffalo City Development Agency has been cited as a first respondent in a court case brought by an unsuccessful bidder over the decision to award the tender to the value of R34,5 million for the sale and development of Marina Glen "A" site, which was awarded in June 2007. The legal representative has stated that they are not in a position to speculate the outcome of the case but, nevertheless, is of the opinion that the agency has a reasonable prospect of success. The legal costs for this exercise are estimated at R500 000.

The Buffalo City Development Agency has a long outstanding liability resulting from unpaid output VAT on grants received from BCM (Buffalo City Municipality) and IDC (Industrial Development Corporation). The estimated possible liability for interest and penalties in favour of the South African Revenue Services are as follows:

	Penalty	Interest		
<b>IDC Grant</b>				
Grant : 2008/09 : R 1 969 670 - 10% penalty	22,457	18,858	-	-
Grant : 2007/08 : R 1 969 670 - 10% penalty	25,062	60,312	-	-
	<b>47,519</b>	<b>79,170</b>	-	-
<b>BCM Grant</b>				
Grant: 2009/10: R3 212 957 - 10% penalty	44,981	15,634	-	-
Grant : 2008/09 : R 500 000 - 10% penalty	7,000	7,700	-	-
Grant : 2007/08 : R 875 169 - 10% penalty	12,252	26,138	-	-
Grant : 2006/07 : R 877 193 - 10% penalty	12,281	38,848	-	-
	<b>76,514</b>	<b>88,320</b>	-	-

### 27. Financial liabilities by category

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

#### Economic entity - 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	536,711,125	-	-	536,711,125
Trade and other payables	231,600,150	-	-	231,600,150
	<b>768,311,275</b>	-	-	<b>768,311,275</b>

#### Economic entity - 2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	578,309,418	-	-	578,309,418
Trade and other payables	195,379,888	-	-	195,379,888
	<b>773,689,306</b>	-	-	<b>773,689,306</b>

#### Economic entity - 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	536,711,125	-	-	536,711,125
Trade and other payables	231,600,150	-	-	231,600,150

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Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>27. Financial liabilities by category (continued)</b>	<b>768,311,275</b>	<b>-</b>	<b>-</b>	<b>768,311,275</b>

### Economic entity - 2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	578,309,418	-	-	578,309,418
Trade and other payables	195,323,463	-	-	195,323,463
	<b>773,632,881</b>	<b>-</b>	<b>-</b>	<b>773,632,881</b>

### 28. Revenue

	<b>61</b>			
Property rates	427,047,214	363,219,933	427,047,214	363,219,933
Property rates – Penalties imposed and collection charges	-	273,177	-	273,177
Service charges	1,285,841,065	1,071,196,058	1,285,863,698	1,071,215,790
Rental of facilities & equipment	12,910,100	12,750,387	12,910,100	12,750,387
Government grants & subsidies	801,834,925	576,742,224	801,834,925	576,742,224
Public contributions, Donated and contributed operating projects	2,777,749	10,596,479	2,777,749	10,596,479
Public contributions, Donated and contributed property, plant and equipment	9,101,628	18,612,302	9,101,628	18,612,302
Fines	8,256,637	7,057,718	8,256,637	7,057,718
Licences and permits	14,116,593	12,250,278	14,116,593	12,250,278
	<b>2,561,885,911</b>	<b>2,072,698,556</b>	<b>2,561,908,544</b>	<b>2,072,718,288</b>

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

Service charges	1,285,841,065	1,071,196,058	1,285,863,698	1,071,215,790
Rental of facilities & equipment	12,910,100	12,750,387	12,910,100	12,750,387
Licences and permits	14,116,593	12,250,278	14,116,593	12,250,278
	<b>1,312,867,758</b>	<b>1,096,196,723</b>	<b>1,312,890,391</b>	<b>1,096,216,455</b>

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

Property rates	427,047,214	363,219,933	427,047,214	363,219,933
Property rates – Penalties imposed and collection charges	-	273,177	-	273,177
Public contributions and donations	2,777,749	10,596,479	2,777,749	10,596,479
Fines	8,256,637	7,057,718	8,256,637	7,057,718
Government grants & subsidies	801,834,925	576,742,224	801,834,925	576,742,224
Public grants PPE	9,101,628	18,612,302	9,101,628	18,612,302
	<b>1,249,018,153</b>	<b>976,501,833</b>	<b>1,249,018,153</b>	<b>976,501,833</b>

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>29. Property rates</b>				
<b>Rates received</b>				
Residential	217,864,240	190,185,828	217,864,240	190,185,828
Commercial	195,737,092	138,890,179	195,737,092	138,890,179
State	-	31,220,338	-	31,220,338
Municipal	-	3,013,960	-	3,013,960
Educational	5,594,575	-	5,594,575	-
Agricultural	2,440,219	-	2,440,219	-
Public service infrastructure	366,412	-	366,412	-
Vacant land	21,348,204	-	21,348,204	-
Less: Income forgone	(16,303,528)	(90,372)	(16,303,528)	(90,372)
	<b>427,047,214</b>	<b>363,219,933</b>	<b>427,047,214</b>	<b>363,219,933</b>
Property rates - penalties imposed and collection charges	-	273,177	-	273,177
	<b>427,047,214</b>	<b>363,493,110</b>	<b>427,047,214</b>	<b>363,493,110</b>

### Valuations

Residential	40,739,270,300	6,527,952,440	40,739,270,300	6,527,952,440
Commercial	14,751,257,340	4,063,029,130	14,751,257,340	4,063,029,130
State	-	1,212,190,890	-	1,212,190,890
Municipal	-	264,006,880	-	264,006,880
Small holdings and farms	3,066,391,160	-	3,066,391,160	-
Educational	1,501,727,000	-	1,501,727,000	-
Agricultural	1,883,928,590	-	1,883,928,590	-
Public service infrastructure	276,449,400	-	276,449,400	-
Vacant land	1,515,566,666	-	1,515,566,666	-
	<b>63,734,590,456</b>	<b>12,067,179,340</b>	<b>63,734,590,456</b>	<b>12,067,179,340</b>

Valuations on land and buildings are performed every 4 years in terms of the Municipal Property Rates Act, 6 of 2004. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September. Ratepayers are also given an option of paying their rates monthly on application. Interest at a standard rate as amended from time to time, is paid on any rate which remains unpaid after 30 September, except in cases where the owner has applied to pay by installment.

### 30. Service charges

Discounted interest on service charges	(17,313,252)	19,208,508	(17,313,252)	19,208,508
Sale of electricity	802,461,986	602,948,313	802,484,619	602,968,045
Sale of water	201,621,200	181,116,508	201,621,200	181,116,508
Sewerage and sanitation charges	156,148,752	138,628,312	156,148,752	138,628,312
Refuse removal	139,256,310	124,506,170	139,256,310	124,506,170
Other service charges	3,666,069	4,788,247	3,666,069	4,788,247
	<b>1,285,841,065</b>	<b>1,071,196,058</b>	<b>1,285,863,698</b>	<b>1,071,215,790</b>

Refer note 61 for adjustments to the 2009 disclosures.

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Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>31. Government grants and subsidies</b>				
Government grants operating projects	35,107,371	23,843,189	35,107,371	23,843,189
Government grants - housing projects	78,200,844	54,685,165	78,200,844	54,685,165
Grants and subsidies - PPE	230,817,827	143,657,876	230,817,827	143,657,876
Government grants and subsidies - unconditional	457,708,883	354,555,994	457,708,883	354,555,994
	<b>801,834,925</b>	<b>576,742,224</b>	<b>801,834,925</b>	<b>576,742,224</b>

Refer note 61 for adjustments to the 2009 disclosures.

### Equitable Share

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

### 32. Other revenue

Other income	61	119,803,960	100,239,449	119,803,960	100,239,449
Government grants		-	2,345,653	-	-
		<b>119,803,960</b>	<b>102,585,102</b>	<b>119,803,960</b>	<b>100,239,449</b>

Refer to note 59 for adjustments to the 2009 disclosures.

### 33. Operating expenses

Total operating expenses		2,849,140,311	2,478,417,803	2,849,140,311	2,292,527,354
Less: Finance costs		(108,121,292)	(112,131,447)	(108,121,128)	(112,128,079)
		<b>2,741,019,019</b>	<b>2,366,286,356</b>	<b>2,741,019,183</b>	<b>2,180,399,275</b>

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## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>34. General expenses</b>				
Advertising	767,681	2,342,683	767,681	2,304,312
Assessment rates & municipal charges	1,578,796	1,692,358	1,578,796	1,692,358
Auditors remuneration	3,843,095	3,077,950	3,783,357	3,006,765
Bank charges	4,805,769	3,643,689	4,804,532	3,641,734
BCMETS	313,072	342,876	313,072	342,876
Chemicals	9,729,148	8,381,905	9,729,148	8,381,905
Cleaning	4,100,698	3,336,383	4,068,367	3,306,887
Commission paid	7,423,469	6,961,296	7,423,469	6,961,296
Computer expenses	1,529,173	3,639,129	1,526,436	3,636,085
Community development and training	86,376	125,091	86,376	125,091
Conferences and seminars	1,467,125	1,811,041	1,467,125	1,790,120
Consulting and professional fees	29,725,264	44,490,920	29,537,496	43,187,303
Consumables	5,262,480	4,856,025	5,255,510	4,844,727
Disconnections	7,155,004	6,496,249	7,155,004	6,496,249
DWAF	9,914,207	6,390,717	9,914,207	6,390,717
Electricity	33,555,985	29,192,734	33,555,985	29,192,734
Entertainment	1,879,327	1,297,059	1,879,327	1,291,617
Essential user cost	10,161,838	9,936,756	10,161,838	9,936,756
Fuel and oil	24,652,027	26,438,409	24,652,027	26,438,409
Horticulture	1,227	1,376	1,227	1,376
Insurance	13,224,908	8,325,893	13,209,586	8,309,970
IT expenses	2,710,487	2,160,610	2,710,487	2,160,610
Lease rentals on operating lease	27,866,654	19,880,263	27,686,929	19,645,784
Levies	6,456,179	5,523,016	6,440,542	5,504,004
Marketing	137,182	132,400	137,182	132,400
Magazines, books and periodicals	2,298,105	1,950,626	2,298,105	1,950,626
Other expenses	121,375,889	87,761,596	121,375,889	87,761,596
Grant expenditure	91,311,231	82,784,426	91,311,231	82,784,426
Poor relief	106,172,679	93,612,932	106,172,679	93,612,932
Postage and courier	4,912,377	4,343,397	4,911,170	4,332,737
Printing and stationery	7,282,469	5,693,225	7,279,116	5,681,164
Promotions	441,650	616,108	441,650	616,108
Royalties and license fees	6,355,582	5,986,133	6,355,582	5,986,133
Refuse	18,671,635	16,459,778	18,671,635	16,459,778
SA Cities network contribution	241,577	221,380	241,577	221,380
Security (Guarding of municipal property)	15,700,463	13,106,138	15,695,647	13,102,421
Software expenses	829,470	507,410	829,370	505,155
Subscriptions and membership fees	3,973,317	2,644,064	3,972,247	2,642,290
Telephone and fax	16,697,242	14,750,375	16,685,114	14,733,287
Title deed search fees	9,702	16,255	9,702	16,255
Training	1,529,096	2,503,707	1,529,096	2,481,429
Travel - local	3,626,066	3,545,530	3,626,066	3,524,710
Travel - overseas	1,109,881	1,767,831	1,109,881	1,767,831
Assets expensed	1,765,637	745,221	1,765,637	745,221
Water	3,839,275	3,981,601	3,839,275	3,981,601
Uniforms	4,341,981	3,003,805	4,341,981	3,003,805
Discounted expenditure	(24,495,963)	(27,260,246)	(24,495,963)	(27,260,246)
Motor vehicle expenses	2,784,322	2,490,641	2,784,322	2,490,641
	<b>599,120,854</b>	<b>521,708,761</b>	<b>598,596,715</b>	<b>519,863,365</b>

Refer to note 61 for adjustments to the 2009 disclosures.

Correction of error: refer note 49

Adjustment to the amount of R 4 590 617 was effected in respect of insurance.

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<b>35. Employee related costs</b>				
Basic emoluments	503,986,267	422,634,616	502,368,268	420,642,807
13th Cheques	34,948,361	31,865,299	34,948,361	31,865,299
Car allowances	13,063,057	11,711,025	13,063,057	11,711,025
Group life	4,745,043	4,165,342	4,745,043	4,165,342
Housing benefits and allowances	4,333,519	5,797,708	4,333,519	5,797,708
Leave pay contribution	16,960,011	12,951,233	16,960,011	12,951,233
Long-service awards	9,476,666	8,413,079	9,476,666	8,413,079
Medical aid	33,670,323	27,745,700	33,670,323	27,745,700
Other allowances	16,735,773	13,739,864	16,735,773	13,739,864
Overtime payments	50,868,037	45,690,006	50,868,037	45,690,006
Pension fund contributions	90,918,249	70,312,164	90,918,249	70,312,164
Short term benefit contributions	291,386	299,155	291,386	299,155
Transitional allowances	(27,636)	11,689,574	(27,636)	11,689,574
UIF	4,896,526	4,496,707	4,896,526	4,496,707
	<b>784,865,582</b>	<b>671,511,472</b>	<b>783,247,583</b>	<b>669,519,663</b>

### Remuneration of municipal manager

Annual Remuneration	802,856	495,590	802,856	495,590
Performance Bonuses	-	59,500	-	59,500
Other	535,237	389,893	535,237	389,893
	<b>1,338,093</b>	<b>944,983</b>	<b>1,338,093</b>	<b>944,983</b>

Refer note 61 for adjustments to the 2009 disclosures.

### Remuneration of chief finance officer

Annual Remuneration	642,290	594,713	642,290	594,713
Other	428,194	396,475	428,194	396,475
	<b>1,070,484</b>	<b>991,188</b>	<b>1,070,484</b>	<b>991,188</b>

### Remuneration of other directors

Annual Remuneration	4,887,906	3,568,406	4,887,906	3,568,406
Performance Bonuses	-	82,566	-	82,566
Other	3,264,724	2,307,165	3,264,724	2,307,165
	<b>8,152,630</b>	<b>5,958,137</b>	<b>8,152,630</b>	<b>5,958,137</b>

### Remuneration of the Chief Executive Officer (BCDA)

Annual Remuneration	346,126	517,423	-	-
Car Allowance	66,500	114,000	-	-
13th Cheque	58,947	52,619	-	-
Contributions to UIF	624	1,497	-	-
Cellphone allowance	6,000	18,000	-	-
Reimbursive travel	-	5,922	-	-
Leave pay	46,068	-	-	-
	<b>524,265</b>	<b>709,461</b>	<b>-</b>	<b>-</b>

### Remuneration of Senior Management (BCDA)

Annual Remuneration	731,071	912,898	-	-
Car Allowance	60,000	60,000	-	-

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<b>35. Employee related costs (continued)</b>				
13th Cheque	65,923	86,221	-	-
Contributions to UIF	2,994	3,992	-	-
Cellphone allowance	19,200	25,600	-	-
Reimbursive travel	-	210	-	-
	<b>879,188</b>	<b>1,088,921</b>	<b>-</b>	<b>-</b>

### 36. Remuneration of councillors

Executive Mayor	391,759	309,259	391,759	309,259
Mayoral Committee Members	2,745,810	2,411,970	2,745,810	2,411,970
Speaker	313,406	290,305	313,406	290,305
Councillors	8,535,861	8,988,142	8,535,861	8,988,142
Councillors' pension contribution	1,477,551	1,429,990	1,477,551	1,429,990
Councillors housing subsidy	726,117	756,433	726,117	756,433
Councillors medical aid	804,910	752,439	804,910	752,439
Other	4,675,437	4,420,522	4,675,437	4,420,522
UIF	20,200	-	20,200	-
BCDA Directors	-	32,200	-	-
	<b>19,691,051</b>	<b>19,391,260</b>	<b>19,691,051</b>	<b>19,359,060</b>

### In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

The Executive Mayor have the use of two Council owned vehicles for official duties.

The Executive Mayor has one full-time and four temporary bodyguards and an official driver at the cost of Council.

### 37. Debt impairment

Contributions to debt impairment allowance account	19,949,990	131,526,600	19,949,990	131,526,600
Debts impaired	4,367,331	6,582,455	4,367,331	6,582,455
	<b>24,317,321</b>	<b>138,109,055</b>	<b>24,317,321</b>	<b>138,109,055</b>

### 38. Investment revenue

#### Dividend revenue

Listed financial assets - Local	61	85,643	165,458	85,643	165,458
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#### Interest revenue

Bank	7,329,608	13,839,832	7,329,608	13,839,832
Unlisted financial assets	34,775,801	53,453,681	34,775,801	53,453,681
Interest charged on consumer debtors	27,414,781	35,005,957	27,414,781	35,005,957
Interest on sporting body loans	90,256	87,072	90,256	87,072
Interest IAS 39	17,313,252	(19,208,508)	17,313,252	(19,208,508)
Interest received - other	56,903	188,642	-	-
	<b>86,980,601</b>	<b>83,366,676</b>	<b>86,923,698</b>	<b>83,178,034</b>
	<b>87,066,244</b>	<b>83,532,134</b>	<b>87,009,341</b>	<b>83,343,492</b>

# BUFFALO CITY ECONOMIC ENTITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>39. Fair value adjustments</b>				
Investment in associates	(3,626,888)	-	(3,626,888)	-
Other financial assets				
• Other financial assets (Designated as at FV through P&L)	539,386	61,762	539,386	61,762
	<b>(3,087,502)</b>	<b>61,762</b>	<b>(3,087,502)</b>	<b>61,762</b>
<b>40. Depreciation and amortisation</b>				
Property, plant and equipment	514,628,470	410,001,833	514,587,983	409,944,800
Intangible assets	1,935,012	2,305,951	1,935,012	2,308,951
	<b>516,563,482</b>	<b>412,307,784</b>	<b>516,522,995</b>	<b>412,253,751</b>
<b>41. Finance costs</b>				
Non-current borrowings	62,002,965	62,235,109	62,002,965	62,235,109
Discounted interest on expenditure	24,495,963	27,260,246	24,495,963	27,260,246
Other interest paid *	21,622,364	22,636,092	21,622,200	22,632,724
	<b>108,121,292</b>	<b>112,131,447</b>	<b>108,121,128</b>	<b>112,128,079</b>
* Refer to note 24 ( Retirement benefits)				
<b>42. Auditors' remuneration</b>				
Expenses	3,843,095	3,077,950	3,783,357	3,006,765
<b>43. Contracted services</b>				
Other Contractors	8,344,994	4,493,097	8,344,994	4,493,097
<b>44. Grants and subsidies paid</b>				
<b>Other subsidies</b>				
Grants - In - Aid	61 19,698,112	15,250,436	22,900,085	16,250,436
Refer to note 59 for the 2009 disclosure adjustments.				
<b>45. Bulk purchases</b>				
Electricity	487,510,581	363,693,695	487,510,581	363,693,695
Water	106,213,606	103,053,306	106,213,606	103,053,306
	<b>593,724,187</b>	<b>466,747,001</b>	<b>593,724,187</b>	<b>466,747,001</b>
<b>46. Cash generated from operations</b>				
Deficit	(90,050,568)	(212,454,469)	(91,097,043)	(212,067,178)
<b>Adjustments for:</b>				
Depreciation and amortisation	516,563,482	412,307,529	516,522,995	412,253,753
Loss / (Gain) on sale of assets and liabilities	(1,046,316)	(3,383,856)	(1,046,316)	(3,383,856)
Income from equity accounted investments	-	(1,189,087)	-	(1,189,087)
Fair value adjustments	-	(61,762)	-	(61,762)
Impairment deficit	-	255	-	-
Movements in operating lease assets and accruals	(2,904,763)	(2,282,188)	(2,904,763)	(2,882,188)

# BUFFALO CITY ECONOMIC ENTITY

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2010	2009	2010	2009
<b>46. Cash generated from operations (continued)</b>				
Post retirement medical aid	27,539,648	20,062,188	27,539,648	20,062,703
Movements in provisions	(20,467,447)	45,568,145	(20,467,447)	45,568,145
Contra landfill site contribution	-	(46,366,017)	-	(46,366,017)
Prior year adjustments on operating revenue	-	14,770,164	-	14,770,164
Adjustment to associate	3,626,891	-	3,626,891	-
<b>Changes in working capital:</b>				
Inventories	(27,206,485)	(30,032,265)	(27,206,485)	(30,032,265)
Trade and other receivables from non-exchange transactions	7,375,645	(4,229,343)	7,822,563	(4,203,544)
Consumer debtors	(123,387,716)	39,359,047	(123,387,716)	39,359,047
Long term receivables	17,806	-	17,806	-
Trade and other payables	45,508,744	37,753,591	46,250,077	38,014,355
VAT	(13,802,667)	(8,112,950)	(13,527,016)	(8,112,950)
Unspent conditional grants and receipts	(13,519,487)	140,166,990	(13,519,487)	140,166,990
Consumer deposits	2,066,778	3,280,294	2,066,778	3,280,294
	<b>310,313,545</b>	<b>405,156,266</b>	<b>310,690,485</b>	<b>405,176,604</b>

Note: Adjustments to the 2009 disclosures - Insurance transactions, Covid transactions and Consumer deposits were previously disclosed on the Cash Flow Statement. Consumer debtors disclosed net of debt impairment (previously movements in debt impairment disclosed separately).

### 47. Commitments

#### Authorised capital expenditure

#### Approved and contracted for - Property Plant and Equipment

• Community	8,396,651	13,746,067	8,396,651	13,746,067
• Infrastructure	294,549,352	151,139,399	294,549,352	151,139,399
• Other	33,362,542	18,014,544	33,362,542	18,014,544
	<b>336,308,545</b>	<b>182,900,010</b>	<b>336,308,545</b>	<b>182,900,010</b>

This committed expenditure relates to Infrastructure, Community and Other Property, Plant and Equipment.

#### Operating leases – as lessee (expense)

#### Minimum lease payments due

- within one year	5,341,483	4,689,749	5,092,339	4,689,749
- in second to fifth year inclusive	1,045,555	5,896,442	5,896,442	5,896,442
	<b>6,387,038</b>	<b>10,586,191</b>	<b>10,988,781</b>	<b>10,586,191</b>

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.