



EKURHULENI METROPOLITAN MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## General Information

---

### LEGAL FORM OF ENTITY

Municipality

### LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS

MFMA (No. 56 of 2003)

### MAYORAL COMMITTEE

Executive Mayor  
Councillors

Clr N Mekgwe  
Speaker: Clr P Kumalo  
Chief Whip: Clr M Mabote  
MMC SRAC: Clr N Shongwe  
MMC Finance: Clr L Mtshali  
MMC Environmental Development: Clr L Sibeko  
MMC Economic Development: Clr A Mogale  
MMC Corporate Services & City Development: Clr Q Duba  
MMC Community Safety: Clr M Sibozza  
MMC Housing: Clr V Chauke  
MMC Health: Clr M Maluleke  
MMC Infrastructure Services: Clr T Thebe  
MMC Water & Energy: Clr A Nxumalo

### GRADING OF LOCAL AUTHORITY

The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.

### ACCOUNTING OFFICER

K Ngema  
011 999 0863

### CHIEF FINANCIAL OFFICER (CFO)

Z G Myeza  
011 999 6514

### REGISTERED OFFICE

Corner Cross and Rose Street  
Germiston  
1400

### BUSINESS ADDRESS

Corner Cross and Rose Street  
Germiston  
1400

### POSTAL ADDRESS

Private Bag X69  
Germiston  
1400

### BANKERS

ABSA Bank

### AUDITORS

Auditor General  
61 Central Street, Houghton

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the Municipal Council:

<b>INDEX</b>	<b>PAGE</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 20
Notes to the Annual Financial Statements	21 - 67
Appendixes:	
Appendix A: Schedule of External loans	68
Appendix B: Analysis of Property, Plant and Equipment	72
Appendix D: Segmental Statement of Financial Performance	75
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	77
Appendix E (2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	80
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	83

## ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MIG Cities Grant	Municipal Infrastructure Grant for Metropolitan Municipalities
GMRF	Germiston Municipal Retirement Fund

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

---

**Accounting Officer**  
**K NGEMA**

**Germiston**  
**31 August 2010**

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	13	147,362,841	177,125,385
Other Investments	8	246,305,961	66,435,247
Other receivables from exchange transactions	14	166,462,331	233,874,804
Other receivables from non-exchange transactions	15	165,075,863	30,380,376
Consumer debtors	16	1,170,279,864	1,168,831,431
Current portion of long term receivables	11	113,219,274	37,905,936
Cash and cash equivalents	17	664,625,412	1,064,929,449
		<b>2,673,331,546</b>	<b>2,779,482,628</b>
<b>Non-Current Assets</b>			
Investment property	4	106,717,857	106,717,857
Property, plant and equipment (PPE)	5	46,359,957,416	46,636,599,639
Intangible assets	6	24,316,844	15,904,858
Investments in controlled entities	7	306	306
Other Investments	8	84,670,381	279,217,804
Long-term receivables	12	189,580,509	90,344,067
		<b>46,765,243,313</b>	<b>47,128,784,531</b>
<b>Total Assets</b>		<b>49,438,574,859</b>	<b>49,908,267,159</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	23	2,414,793,871	2,046,304,413
Deposits	24	417,027,259	373,154,192
Unspent conditional grants and receipts	20	200,485,475	159,233,181
Provisions	21	187,038,891	178,737,641
Current portion of long-term liabilities	19&22	419,494,477	131,313,741
		<b>3,638,839,973</b>	<b>2,888,743,168</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	19	2,276,068,354	1,945,600,829
Retirement benefit obligation	10	1,217,204,060	1,218,237,600
Provisions	21	539,155,343	588,206,694
Other long term liabilities	22	17,243,027	14,726,026
		<b>4,049,670,784</b>	<b>3,766,771,149</b>
<b>Total Liabilities</b>		<b>7,688,510,757</b>	<b>6,655,514,317</b>
<b>Net Assets</b>		<b>41,750,064,102</b>	<b>43,252,752,842</b>
<b>NET ASSETS</b>			
Accumulated surplus		41,750,064,102	43,252,752,842

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Property rates	27	2,131,999,385	1,778,466,900
Property rates - penalties and collection charges		71,207,519	108,131,850
Service charges	28	8,018,492,355	6,205,473,518
Rental of facilities and equipment	41	48,719,059	46,629,596
Interest earned - outstanding debtors		270,958,631	422,540,814
Fines		99,373,320	92,720,626
Licences and permits		24,798,791	25,457,297
Income from agency services		156,773,259	142,254,100
Government grants and subsidies	29	2,876,826,076	2,477,039,069
Other income		92,012,250	66,897,696
Interest received - external investment	36	90,343,076	198,701,652
<b>Total Revenue</b>		<b>13,881,503,721</b>	<b>11,564,313,118</b>
<b>Expenditure</b>			
Employee related costs	33	(3,864,225,216)	(3,448,167,386)
Remuneration of councillors	34	(62,513,464)	(58,716,685)
Debt impairment	35	(1,383,962,067)	(1,453,564,993)
Depreciation and amortisation	37	(2,104,794,191)	(2,156,394,248)
Repairs and maintenance		(1,004,887,004)	(1,059,875,480)
Finance costs	39	(307,457,612)	(196,680,386)
Bulk purchases	44	(5,150,063,183)	(4,122,009,647)
Contracted services	42	(563,519,769)	(561,560,314)
Grants and subsidies paid	43	(57,093,069)	(53,830,991)
General Expenses	31	(845,137,637)	(803,366,478)
Impairment loss/ Reversal of impairments	38	(217,563)	(1,559,532)
Collection costs		(73,529,768)	(63,841,260)
<b>Total Expenditure</b>		<b>(15,417,400,543)</b>	<b>(13,979,567,400)</b>
Gain on disposal of assets		34,665,026	5,275,393
Deficit on disposal of assets		(1,456,943)	(4,080,171)
<b>Deficit for the year</b>		<b>(1,502,688,739)</b>	<b>(2,414,059,060)</b>

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	38,752,641,664	38,752,641,664
Adjustments		
Prior year adjustments (Note 46)	6,914,170,238	6,914,170,238
<b>Balance at 01 July 2008 as restated</b>	<b>45,666,811,902</b>	<b>45,666,811,902</b>
Changes in net assets		
Surplus for the year	(2,414,059,061)	(2,414,059,061)
Total changes	(2,414,059,061)	(2,414,059,061)
<b>Balance at 01 July 2009</b>	<b>43,252,752,841</b>	<b>43,252,752,841</b>
Changes in net assets		
Surplus for the year	(1,502,688,739)	(1,502,688,739)
Total changes	(1,502,688,739)	(1,502,688,739)
<b>Balance at 30 June 2010</b>	<b>41,750,064,102</b>	<b>41,750,064,102</b>

Note(s)

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		1,825,479,132	1,488,217,149
Sale of goods and services		6,825,564,591	5,188,124,425
Grants		2,908,589,199	2,468,887,304
Interest income		361,301,707	198,701,652
Other receipts		488,083,528	759,090,024
		<b>12,409,018,157</b>	<b>10,103,020,554</b>
<b>Payments</b>			
Employee costs		(3,845,023,716)	(3,355,807,222)
Suppliers		(6,676,474,960)	(5,743,445,441)
Finance costs		(307,457,612)	(181,818,209)
Other payments		(589,104,129)	(571,231,173)
		<b>(11,418,060,417)</b>	<b>(9,852,302,045)</b>
<b>Net cash flows from operating activities</b>	<b>45</b>	<b>990,957,740</b>	<b>250,718,509</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)	5	(1,925,239,349)	(2,555,459,865)
Proceeds from the sale of property, plant and equipment	5	38,600,927	6,072,855
Purchase of other intangible assets	6	(9,788,613)	(9,511,305)
Proceeds from sale of financial assets		14,676,709	36,445,402
Net movement in long term receivables - current		(75,313,338)	29,991,167
Net movements in long term receivables - non-current		(99,236,442)	3,742,023
<b>Net cash flows from investing activities</b>		<b>(2,056,300,106)</b>	<b>(2,488,719,723)</b>
<b>Cash flows from financing activities</b>			
Movement in long term liabilities		618,648,261	949,089,541
Movement in consumer deposits		43,873,067	35,255,740
Movement in other long term liabilities		2,517,001	198,878
<b>Net cash flows from financing activities</b>		<b>665,038,329</b>	<b>984,544,159</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(400,304,037)</b>	<b>(1,253,457,055)</b>
Cash and cash equivalents at the beginning of the year		1,064,929,449	2,318,386,504
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>664,625,412</b>	<b>1,064,929,449</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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 financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

#### 1.2 Property, plant and equipment (PPE)

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

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The estimated useful lives are as follows:

<b>Item</b>	<b>Average useful life</b>
Land	
• Landfill sites	15 years
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 20 years
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	50 years



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.2 Property, plant and equipment (PPE) (continued)

• Solid Waste	5 – 60 years
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	11 – years (Changed: 5 years in 2009)
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 – 7 years
• Specialised plant and equipment	10 – 25 years (Changed: 10 - 15 years in 2009)
• Other items of plant and equipment	2 – 25 years

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising 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.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

### 1.3 Investments in controlled entities

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

### 1.4 Financial instruments

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Cash and cash equivalents

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

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.4 Financial instruments (continued)

subsequently recorded at fair value.

#### Derivatives

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

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

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

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

#### Held to maturity

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

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

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

#### Classification

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

- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

#### Measurement

When a financial asset or financial liability is recognised initially, the municipality measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.4 Financial instruments (continued)

The municipality 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. If any such evidence exists, the municipality applies the following to determine the amount of any impairment loss:

**Financial assets carried at amortised cost:** If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

**Financial assets carried at cost:** If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

**Available-for-sale financial assets:** When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

#### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the municipality has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

#### **Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.4 Financial instruments (continued)

#### Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

#### De-recognition

##### *Financial assets*

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the municipality has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the municipality transfers the contractual rights to receive the cash flows of the financial asset. Where the municipality has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the municipality's continuing involvement in the asset.

##### *Financial liabilities*

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### Categorisation

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments
- Long term receivables
- Consumer debtors
- Other receivables
- Cash and cash equivalents
- Unlisted shares

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into one of the four categories allowed by this standard:

<b>Type of financial asset</b>	<b>Classification in terms of IAS 39.09</b>
Investments	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Trade and other payables
- Consumer deposits
- Unspent conditional grants and receipts

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.4 Financial instruments (continued)

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants and receipts	Financial liability that is not measured at fair value through profit or loss

#### Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

#### Sundry Deposits:

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

#### Sundry Debtors:

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

#### Capital Projects:

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

#### Insurance Claims:

Insurance Claims are respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

#### Government Subsidy Claims:

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

### 1.5 Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the municipality.

#### Finance leases - The Municipality as lessor

The municipality recognise lease payments receivable as assets in the statement of financial position. The municipality present such assets as a receivable at an amount equal to the net investment in the lease.

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### Finance leases – The Municipality as lessee

At the commencement of the lease term, the municipality recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate is used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.5 Leases (continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

#### Operating leases - The Municipality as lessor

The municipality present assets subject to operating leases in the 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, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the municipality's normal depreciation policy for similar assets.

#### Operating leases – The Municipality as lessee

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 unless another systematic basis is more representative of the time pattern of the benefit to the municipality.

### 1.6 Inventories

Inventories comprise current 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, transport costs and any other 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 municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued 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. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. 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 in the amount 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 weighted average method is the basis of allocating costs to inventories.

### 1.7 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.8 Employee benefits

#### Benefits

#### Retirement Funds

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.8 Employee benefits (continued)

The municipality contributes to defined contribution and defined benefit funds. These funds are in the main multi-employer funds.

#### Defined Contribution Funds

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

#### Defined Benefit Plans

The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the municipality will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

#### Medical Aid: Continued Members

The municipality 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 municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

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

### 1.9 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.9 Provisions and contingencies (continued)

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 municipality 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.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

#### a) Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

#### b) COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%.

#### c) Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 12%.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

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

#### d) Workmenscompensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

#### e) Long service awards provision

The municipality offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

#### f) GMRF provision

The provision is for the municipality's obligation to the Germiston Municipal Retirement Fund due to the municipality failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

### 1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

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

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash



## **Accounting Policies**

---

### **1.10 Revenue from exchange transactions (continued)**

received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established.

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **1.11 Borrowing costs**

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.15 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Extended periods is periods that exceeds 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

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

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.12 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

### 1.13 Investment property

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

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

#### Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

Depreciation is provided to write down the cost by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

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

### 1.14 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. is capable of being separated or divided from the municipality and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality 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 municipality; and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the municipality acquires intangible assets, the municipality recognise them as assets in the statement of financial position at cost.

Where the municipality generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the municipality can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the municipality can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

### 1.14 Intangible assets (continued)

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

The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The municipality regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

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.

### 1.15 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

### 1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange. 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

---

recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized 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 qualifies 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, a deferred income (liability) is recognized.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.17 Comparative figures

Budget information has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. 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, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.18 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, municipality 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 is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 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 is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 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 Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Use of estimates

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

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.22 Internal Reserves

#### Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient cost were previously capitalized. This fair value adjustment have been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriate as to realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the municipality.

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Accounting Policies**

---

### **1.23 Conditional grants and receipts**

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

### **1.24 Segmental information**

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

### **1.25 Going concern**

These annual financial statements have been prepared on a going concern basis.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>2. Changes in accounting policy</b>		
<b>Changes</b>		
<b>2009</b>		
Adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.		
The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:		
<b>Statement of financial position</b>		
<b>Property, plant and equipment (PPE)</b>		
Adjustment (Fair value adjustment)	-	30,965,761,430
<b>Investments in controlled/municipal entities</b>		
Previously stated	-	480,244,714
Adjustment due to measurement at cost and re-classification	-	(480,244,408)
	-	<b>306</b>
<b>Sundry debtors - Fines</b>		
Adjustment due to estimation of fines income	-	4,049,381
<b>Investments - Investment in equity</b>		
Adjustment due to adoption of GRAP6	-	4,000,000
<b>Operating lease receipts asset</b>		
Adjustment due to straight-lining	-	29,222,305
<b>Operating lease payments liability</b>		
Adjustment due to straight-lining	-	(746,656)
<b>Investment Property</b>		
Adjustment due to initial recognition - transfer from PPE	-	73,790,971
<b>Property, plant and equipment (PPE)</b>		
Adjustment due to initial recognition - transfer to Investment Property	-	(73,790,971)
<b>Opening accumulated surplus</b>		
Adjustment (Investments in controlled/municipal entities opening balance)	-	468,765,096
Adjustment (Sundry debtors - Fines)	-	(3,061,023)
Adjustment (PPE fair value adjustment)	-	(30,965,761,430)
Adjustment (Leases as lessor)	-	(15,978,769)
Adjustment (Leases as lessee)	-	896,600
	-	<b>(30,515,139,526)</b>
<b>Statement of financial performance</b>		
<b>Share of surplus of entities accounted for under the equity method</b>		
Previously stated	-	(3,181,412)
Adjustment	-	3,181,412
	-	-
<b>Estimate of fines to be received</b>		
Adjustment	-	(988,358)
<b>Operating lease receipts</b>		

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>2. Changes in accounting policy (continued)</b>		
Adjustment	-	(13,243,535)
<b>Operating lease payments</b>		
Adjustment	-	(149,943)
<b>Accumulated surplus</b>		
Adjustment (Equity accounting directly against reserves prior year)	-	4,297,900

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

---

### 3. New standards and interpretations

#### 3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2011 or later periods:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly



## Notes to the Annual Financial Statements

---

### 3. New standards and interpretations (continued)

accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

## **Notes to the Annual Financial Statements**

---

### **3. New standards and interpretations (continued)**

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

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

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

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 21: Impairment of non-cash-generating assets**

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

## **Notes to the Annual Financial Statements**

---

### **3. New standards and interpretations (continued)**

#### **GRAP 26: Impairment of cash-generating assets**

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

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

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

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

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

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

## Notes to the Annual Financial Statements

---

### 3. New standards and interpretations (continued)

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality 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;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

---

### 3. New standards and interpretations (continued)

- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or 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 are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.

## **Notes to the Annual Financial Statements**

---

### **3. New standards and interpretations (continued)**

- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 4. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	106,717,857	-	106,717,857	106,717,857	-	106,717,857

#### Reconciliation of investment property - 2010

Investment property	Opening balance 106,717,857	Total 106,717,857
---------------------	--------------------------------	----------------------

#### Reconciliation of investment property - 2009

Investment property	Opening balance 106,717,857	Total 106,717,857
---------------------	--------------------------------	----------------------

Fair value of investment properties 570,024,900 218,954,860

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

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (PPE)

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,224,101,666	-	1,224,101,666	1,223,471,537	-	1,223,471,537
Infrastructure	39,849,911,878	(3,414,218,115)	36,435,693,763	38,505,165,516	(1,713,499,673)	36,791,665,843
Community	3,401,100,130	(310,236,404)	3,090,863,726	3,261,900,914	(150,620,380)	3,111,280,534
Other property, plant and equipment	6,389,830,375	(858,927,299)	5,530,903,076	6,047,606,655	(615,820,115)	5,431,786,540
Heritage	78,395,185	-	78,395,185	78,395,185	-	78,395,185
<b>Total</b>	<b>50,943,339,234</b>	<b>(4,583,381,818)</b>	<b>46,359,957,416</b>	<b>49,116,539,807</b>	<b>(2,479,940,168)</b>	<b>46,636,599,639</b>

### Reconciliation of property, plant and equipment (PPE) - 2010

	Opening balance	Additions and work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,223,471,537	4,566,029	(3,935,900)	-	-	-	1,224,101,666
Infrastructure	36,791,665,843	1,346,047,799	(1,301,437)	-	(1,700,557,793)	(160,649)	36,435,693,763
Community	3,111,280,534	232,052,817	-	(92,853,602)	(159,559,109)	(56,914)	3,090,863,726
Other property, plant and equipment	5,431,786,540	342,572,704	(155,506)	-	(243,300,662)	-	5,530,903,076
Heritage	78,395,185	-	-	-	-	-	78,395,185
	<b>46,636,599,639</b>	<b>1,925,239,349</b>	<b>(5,392,843)</b>	<b>(92,853,602)</b>	<b>(2,103,417,564)</b>	<b>(217,563)</b>	<b>46,359,957,416</b>

### Reconciliation of property, plant and equipment (PPE) - 2009

	Opening balance	Additions and work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,223,471,537	4,737,889	-	(4,737,889)	-	-	1,223,471,537
Infrastructure	36,973,739,327	1,878,247,242	(4,078,555)	(342,742,497)	(1,711,940,142)	(1,559,532)	36,791,665,843
Community	3,194,883,228	364,665,043	-	(297,647,357)	(150,620,380)	-	3,111,280,534
Other property, plant and equipment	5,418,643,727	307,809,691	(1,102,388)	-	(293,564,490)	-	5,431,786,540
Heritage	78,395,185	-	-	-	-	-	78,395,185
	<b>46,889,133,004</b>	<b>2,555,459,865</b>	<b>(5,180,943)</b>	<b>(645,127,743)</b>	<b>(2,156,125,012)</b>	<b>(1,559,532)</b>	<b>46,636,599,639</b>

### Borrowing costs capitalised



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>5. Property, plant and equipment (PPE) (continued)</b>		
Infrastructure	5,723,674	-
Community	178,965	-
Other property, plant and equipment	268,827	-
	<b>6,171,466</b>	<b>-</b>

Capitalisation rates used during the year were 11%.

### Details of properties

The gross carrying amount of property, plant and equipment fully depreciated and still in use at year end is R296,619,934.

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

### 6. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	27,864,612	(3,547,768)	24,316,844	18,294,867	(2,390,009)	15,904,858

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	15,904,858	9,788,613	(1,376,627)	24,316,844

#### Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortisation	Total
Computer software	6,662,790	9,511,305	(269,237)	15,904,858

### 7. Investments in controlled entities

Name of company	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Brakpan Bus Company	100.00 %	100.00 %	6	6
Ekurhuleni Development Company	100.00 %	100.00 %	100	100
East Rand Water Care Company	97.00 %	97.00 %	-	-
Pharoe Park Housing Company	93.46 %	93.46 %	100	100
Pharo Park Phase II Housing Company	92.59 %	92.59 %	100	100
Lethabong Housing Institute	100.00 %	100.00 %	-	-
			<b>306</b>	<b>306</b>

### 8. Other Investments

#### Available-for-sale

Unlisted shares	4,000,000	4,000,000
-----------------	-----------	-----------

#### Held to maturity

Investments	326,976,342	341,653,051
-------------	-------------	-------------

#### Total other financial assets

	<b>330,976,342</b>	<b>345,653,051</b>
--	--------------------	--------------------

#### Non-current assets

Available-for-sale	4,000,000	4,000,000
Held to maturity	80,670,381	275,217,804

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>8. Other Investments (continued)</b>	<b>84,670,381</b>	<b>279,217,804</b>
<b>Current assets</b>		
Held to maturity	246,305,961	66,435,247
	<b>330,976,342</b>	<b>345,653,051</b>

### Available-for-sale equity investments not at fair value

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

<b>Rand Airport</b>		
20% interest in ordinary shares	4,000,000	4,000,000

The Company's Equity amounted to R535,737,521 (2009 - R535,935,542) represented by Share Capital of R5,201,000 (2009 - R5,201,000), Reserves of R165,755,503 (2009 - R165,755,503) as well s Retained Income of R364,781,018 (2009 - R364,979,039) as at 28 February 2010.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R 301,501,305 (2009 - R 316,795,946) is encumbered in respect of long term liabilities as disclosed in note 17.

### Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

## 9. Financial assets by category

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

### 2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	326,976,342	-	326,976,342
Long term receivables	302,799,783	-	-	302,799,783
Consumer debtors	1,170,279,864	-	-	1,170,279,864
Other receivables	331,538,194	-	-	331,538,194
Cash and cash equivalents	-	-	664,625,412	664,625,412
Unlisted shares	-	-	4,000,000	4,000,000
	<b>1,804,617,841</b>	<b>326,976,342</b>	<b>668,625,412</b>	<b>2,800,219,595</b>

### 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	341,653,051	-	341,653,051
Long term receivables	128,250,003	-	-	128,250,003
Consumer debtors	1,168,831,431	-	-	1,168,831,431
Other receivables	264,255,180	-	-	264,255,180
Cash and cash equivalents	-	-	1,064,929,449	1,064,929,449
Unlisted shares	-	-	4,000,000	4,000,000
	<b>1,561,336,614</b>	<b>341,653,051</b>	<b>1,068,929,449</b>	<b>2,971,919,114</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 10. Employee benefits

#### Retirement Funds

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The municipality contributes to defined contribution and defined benefit funds.

#### Defined Contribution Funds

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

#### Defined Benefit Plans

The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the municipality will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

#### Post retirement medical aid plan

The municipality 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 municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

An actuarial valuation was performed by ARCH Actuarial Consulting as at 30 June 2010.

#### Carrying value

Present value of the defined benefit obligation-unfunded	(1,217,204,060)	(1,218,237,600)
----------------------------------------------------------	-----------------	-----------------

#### Movements for the year

Opening balance	(1,218,237,600)	(1,137,424,997)
Benefits paid	40,883,760	37,235,184
Net expense recognised in the statement of financial performance - included in employee related costs	(39,850,220)	(118,047,787)
	<b>(1,217,204,060)</b>	<b>(1,218,237,600)</b>

#### Net expense recognised in the statement of financial performance

Current service cost	(52,465,753)	(49,195,825)
Interest cost	(109,254,127)	(120,609,805)
Actuarial (gains) losses	121,869,660	51,757,843
	<b>(39,850,220)</b>	<b>(118,047,787)</b>

#### Key assumptions used

Assumptions used on last valuation on 30 June 2010.

Discount rates used	9.22 %	9.12 %
Health care cost inflation rate	7.27 %	7.79 %

Other assumptions.

#### Key Demographic Assumptions

<b>Assumption</b>	<b>Value</b>
Average retirement age	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>10. Employee benefits (continued)</b>		
Proportion of eligible non-member employees joining the scheme by retirement	20%	
Mortality during employment	SA 85-90	
Mortality post-retirement	PA90-1	
Withdrawal from service (sample annual rates)	<b>Age</b>	<b>Females</b>
	20	24%
	30	15%
	40	6%
	50	2%
	>55	0%
		<b>Males</b>
		16%
		10%
		6%
		2%
		0%
<b>11. Housing debtors</b>		
<b>12. Long-term receivables</b>		
<b>13. Inventories</b>		
Electrical Stock	91,795,321	121,897,266
Sewerage	58,304	87,305
Cleansing	31,501	43,413
Consumable stores	4,294,877	4,184,352
Maintenance materials	4,826,697	4,074,293
Water	14,789,686	14,287,332
Properties Held for Sale	25,430,100	25,430,100
Food and Beverage	21,050	1,501
Fleet and Transport	2,013,817	3,610,011
Fuel (Diesel, Petrol)	6,270,614	6,406,620
	149,531,967	180,022,193
Provision for obsolete Inventories	(2,169,126)	(2,896,808)
	<b>147,362,841</b>	<b>177,125,385</b>
<b>14. Other receivables from exchange transactions</b>		
Other receivables	113,451,240	130,643,754
VAT debtor	35,721,154	90,309,729
Debtor for interest on investments	1,130,110	1,778,400
Lease rental receipts asset	16,159,827	11,142,921
	<b>166,462,331</b>	<b>233,874,804</b>
<b>Credit quality of other receivables from exchange transactions</b>		
The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate.		
<b>15. Other receivables from non-exchange transactions</b>		
Fines	4,582,249	2,712,798
Government grants and subsidies	160,493,614	27,667,578
	<b>165,075,863</b>	<b>30,380,376</b>
<b>Credit quality of other receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
<b>16. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	1,522,569,228	1,369,598,299
Electricity	1,054,440,735	923,408,765

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>16. Consumer debtors (continued)</b>		
Water	1,794,636,369	1,614,609,749
Waste water	511,423,507	467,776,253
Refuse	592,942,615	511,870,779
Housing rental	30,768,516	24,687,044
Other	1,918,537,482	1,690,623,869
	<b>7,425,318,452</b>	<b>6,602,574,758</b>
<b>Less: Provision for debt impairment</b>		
Rates	(1,202,745,486)	(1,045,217,825)
Electricity	(860,920,549)	(748,162,861)
Water	(1,528,436,128)	(1,328,251,658)
Waste water	(477,605,182)	(415,051,609)
Refuse	(436,121,255)	(379,000,973)
Housing rental	(30,768,516)	(24,687,044)
Other (specify)	(1,718,441,472)	(1,493,371,357)
	<b>(6,255,038,588)</b>	<b>(5,433,743,327)</b>
<b>Net balance</b>		
Rates	319,823,742	324,380,474
Electricity	193,520,186	175,245,904
Water	266,200,241	286,358,091
Waste water	33,818,325	52,724,644
Refuse	156,821,360	132,869,806
Other	200,096,010	197,252,512
	<b>1,170,279,864</b>	<b>1,168,831,431</b>
<b>Rates</b>		
Current (0 -30 days)	160,187,754	208,419,815
31 - 60 days	69,975,935	53,946,540
61 - 90 days	48,647,248	40,989,750
91 - 120+ days	1,243,758,291	1,066,242,194
	<b>1,522,569,228</b>	<b>1,369,598,299</b>
<b>Electricity</b>		
Current (0 -30 days)	385,683,672	290,230,779
31 - 60 days	87,807,802	59,567,142
61 - 90 days	40,010,434	34,909,086
91 - 120+ days	540,938,827	538,701,758
	<b>1,054,440,735</b>	<b>923,408,765</b>
<b>Water</b>		
Current (0 -30 days)	108,650,576	47,936,803
31 - 60 days	72,763,623	75,578,593
61 - 90 days	60,868,489	54,897,444
91 - 120+ days	1,552,353,681	1,436,196,909
	<b>1,794,636,369</b>	<b>1,614,609,749</b>
<b>Waste water</b>		
Current (0 -30 days)	25,771,318	32,134,223
31 - 60 days	23,125,685	20,217,660
61 - 90 days	17,827,004	15,907,615
91 - 120+ days	444,699,500	399,516,755
	<b>511,423,507</b>	<b>467,776,253</b>
<b>Consumer arrangements</b>		
91 - 120+ days	113,219,274	95,064,463

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>16. Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	31,663,399	29,172,929
31 - 60 days	18,003,230	16,388,982
61 - 90 days	15,818,160	14,759,512
91 - 120+ days	527,457,826	451,949,786
	<b>592,942,615</b>	<b>512,271,209</b>
<b>Housing rental</b>		
Current (0 -30 days)	543,386	370,668
31 - 60 days	786,926	637,800
61 - 90 days	808,535	581,847
91 - 120+ days	28,629,669	23,096,729
	<b>30,768,516</b>	<b>24,687,044</b>
<b>Other</b>		
Current (0 -30 days)	111,371,246	62,079,513
31 - 60 days	48,347,258	50,390,716
61 - 90 days	35,634,821	48,202,214
91 - 120+ days	1,723,184,157	1,529,951,426
	<b>1,918,537,482</b>	<b>1,690,623,869</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(5,433,743,327)	(4,793,209,517)
Contributions to provision	(1,383,962,067)	(1,453,564,993)
Debt impairment written off against provision	562,666,806	854,547,053
Reversal of provision	-	(41,515,870)
	<b>(6,255,038,588)</b>	<b>(5,433,743,327)</b>

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

### Arrangements

The Carrying value of consumer debtors that would otherwise be past due or impaired whose terms have been renegotiated is R113,219,274 (2009 - R95,064,463).

### 17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	480,060	464,981
Bank balances	664,145,352	1,064,464,468
	<b>664,625,412</b>	<b>1,064,929,449</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

All accounts of the Municipality are current accounts.

### ABSA

Alberton income account	3,311,582	1,621,885
Alberton Direct Banking Account	-	4,972
Benoni Income Account	3,027,128	7,269,973
Benoni Direct Banking	1,337,862	-
Boksburg Income Account	3,650,827	4,825,630
Boksburg Direct Banking Account Bt	-	(1,800)

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>17. Cash and cash equivalents (continued)</b>		
Brakpan Income Account	1,019,870	1,137,042
Brakpan NER Account	-	1,239,490
Germiston Income Account	5,909,250	(4,733,719)
Kempton Park Income Account	8,095,380	1,728,306
Kempton Park Direct Banking Account	850,560	-
Lethabong Direct Banking Account	149,990	13,459
Lethabong Income Account	467,337	1,675,273
Nigel Income Account	1,859,622	1,908,207
Springs Income Account	502,402	6,065
Springs Direct Banking Account	1,125,912	2,316,785
Springs Market Account	1,220,120	49,454
RSC Levies Account	802,650	-
External Finance Fund Account	275,133,232	337,581,381
Capital Replacement Reserve Account	753	703
Primary Bank Account (Capital from revenue account)	136,953,414	91,655,748
Salary Account	4,235,901	10,834,395
Treasury Account	63,266,255	39,037,345
Expenditure Imprest Account	(19,255,230)	52,030,565
Chip Account (MIG)	51,311,824	88,578,883
Housing Account	116,240,993	81,831,809
Solid Waste Account	-	1,499,014
Petty Cash and Floats	480,060	464,980
Short Term Deposits at various institutions with dates within 3 months	2,927,434	342,354,104
ABSA Licences income bank account	284	-
	<b>664,625,412</b>	<b>1,064,929,949</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 17. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Income Alberton-111-841-0641	-	-	-	3,311,582	1,621,885	1,603,534
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	-	-	4,972	100,199
ABSA BANK - Income Benoni - 4055327394	-	-	-	3,027,128	7,269,973	3,342,443
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	1,337,862	-	18,080
ABSA BANK - Income Boksburg - 230000069	-	-	-	3,650,827	4,825,630	3,816,853
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	-	-	-	(1,800)	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	1,019,870	1,137,043	1,725,181
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	-	1,239,490	409,390
ABSA BANK - Income Germiston - 2500002277	-	(15,289,000)	-	5,909,250	(4,733,719)	12,382,845
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	850,560	-	(4,423)
ABSA BANK - Income Kempton Park - 260000004	-	-	-	8,095,380	1,728,306	3,013,807
ABSA BANK - Income Lethabong - 4055442546	-	-	-	467,337	1,675,273	(488,494)
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	149,990	13,459	10,800
ABSA BANK - Income Nigel - 270000010	-	-	-	1,859,622	1,908,206	2,381,288
ABSA BANK - Income Springs - 280000051	-	-	-	502,402	6,065	40,229
ABSA BANK - Income Springs - 280000094	-	-	-	1,125,912	2,316,785	723,208
ABSA BANK - Fresh Produce Market - 1135470160	1,220,120	49,454	2,574,846	1,220,120	49,454	(1,340,122)
ABSA BANK - RSC Levies - 1018470132	-	-	875,352	802,650	-	882,494
ABSA BANK - EFF Account (EX CLF) - 4053834321	275,133,232	337,581,381	75,232	275,133,232	337,581,381	75,232
ABSA BANK - C R R Account (EX CDF) - 4053834779	753	703	357,002,773	753	703	357,002,773
ABSA BANK - Primary Bank Acc - 4053835084	136,953,414	91,655,748	144,037,200	136,953,414	91,655,748	144,037,200
ABSA BANK - Salary Account - 4055571973	6,226,280	13,091,058	46,610,088	4,235,901	10,834,395	44,872,646
ABSA BANK - Treasury Account - 4055571931	63,266,255	39,037,346	483,987,813	63,266,255	39,037,345	483,987,813
ABSA BANK - Expenditure Imprest Acc - 4055571915	4,084,411	78,810,003	126,567,003	(19,255,230)	52,030,565	98,686,513
ABSA BANK - CMIP Account - 4055571884	51,311,824	88,578,883	56,071,991	51,311,824	88,578,883	56,071,991
ABSA BANK - Housing Account - 4055571842	116,240,993	81,831,809	116,855,633	116,240,993	81,831,809	116,855,633
ABSA BANK - Solid Waste - 1026820134	-	-	-	-	1,499,014	-
Petty Cash and Floats	-	-	-	480,060	464,980	446,131
Short Term Deposits at various institutions with dates within 3 months	-	342,354,104	987,733,260	2,927,434	342,354,104	987,733,260
EMM - 4075756252	804,183	-	-	-	-	-
ABSA Licences income bank account	-	-	-	284	-	-
<b>Total</b>	<b>655,241,465</b>	<b>1,057,701,489</b>	<b>2,322,391,191</b>	<b>664,625,412</b>	<b>1,064,929,949</b>	<b>2,318,386,504</b>



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>17. Cash and cash equivalents (continued)</b>		
<b>18. Housing development fund</b>		
<b>The housing development fund is represented by the following assets and liabilities</b>		
Property, plant and equipment	-	208,749,619
Housing selling scheme loans	-	24,687,044
Provision for bad debts	-	(24,687,044)
<b>Assets</b>	<b>-</b>	<b>208,749,619</b>
Bank overdraft	-	208,749,619
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>-</b>	<b>-</b>
<b>19. Long-term liabilities</b>		
<b>Held at amortised cost</b>		
Bank Loans	2,211,457,002	1,548,074,663
Development Bank of South Africa	218,359,796	263,055,874
Stock Loans	265,746,033	265,784,033
	<b>2,695,562,831</b>	<b>2,076,914,570</b>
<b>Held at amortised cost - current</b>		
Bank loans	(368,713,578)	(86,579,662)
Development Bank of South Africa	(50,683,899)	(44,696,080)
Stock Loans	(97,000)	(38,000)
	<b>(419,494,477)</b>	<b>(131,313,742)</b>
	<b>2,276,068,354</b>	<b>1,945,600,828</b>
Investments with a carrying value of R301,501,305 (2009 - R316,795,946) is encumbered in respect of long term liabilities above with a carrying value of R553,141,796 (2009 - R342,340,705) as disclosed in note 8.		
<b>Non-current liabilities</b>		
At amortised cost	2,695,562,831	2,076,914,570
At amortised cost - current	(419,494,477)	(131,313,741)
	<b>2,276,068,354</b>	<b>1,945,600,829</b>
<b>20. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Local Economic Development (LED) Grant	9,040	14,193
Restructuring	281,975	1,825,274
HIV / Aids Grant	1,249,227	2,424,177
Bontle Ke Botho	200,313	770,947
Environment & Tourism	390,976	460,215
Demilitarisation Project	5,989	25,095
WSDP	-	1,740,660
Township Initiatives	5,300,126	8,563,402
20 Prioritised Township Programme	-	9,488
UEM Danida	3,916,058	833,001
Principal Job Evaluation Committee - PJEC	-	173
Consolidated Metropolitan Transport Fund (CMTF)	122,947	2,007,925
Lethabong Housing Institute	598,945	2,000,000
Zonki Trust	725,181	725,181
International Council For Local Environmental Initiatives (ICLEI)	78,070	78,070
Public Transport Infrastructure Fund	45,508,940	26,238,065

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>20. Unspent conditional grants and receipts (continued)</b>		
Rondebult Water - Public Contribution	961,041	961,041
Department of Water Affairs & Forestry (DWAF)	582,545	582,545
Integrated National Electrification Programme (INEP)	-	3,090,225
Local Economic Development (LED) - Industrial Hives	838,348	838,348
Local Economic Development (LED) - Street trading Facilities	300,000	300,000
Gautrans	1,184,381	1,184,381
Municipal Infrastructure Grant (MIG)	-	5,724,482
Provincial Housing Board (PHB)	66,129,857	54,959,963
Mayoral Golf Day Proceeds	-	604,728
Community Nursery	-	161,916
Accreditation Capacity Enhancement	3,341,449	3,523,000
HRSC - Health	-	200,000
Roodekop Ext - Public Contribution	1,844,676	1,844,676
Health - Public Contribution	43,728	98,421
Expanded Public Works Programme	12,985,972	-
Neighbourhood Development Partnership Grant	809,701	-
Eastgate Substation - Public Contribution	2,815,347	-
Community Care Centres	7,578,278	-
Other	42,682,365	37,443,589
	<b>200,485,475</b>	<b>159,233,181</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	159,233,181	167,384,946
Additions during the year	2,777,900,912	2,464,221,977
Income recognition during the year	(2,736,648,618)	(2,472,373,742)
	<b>200,485,475</b>	<b>159,233,181</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 21. Provisions

#### Reconciliation of current provisions - 2010

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19,657,530	2,358,904	(1,098,763)	(436,542)	(6,047,502)	14,433,627
Leave and bonus provision	178,737,641	60,264,724	(59,032,390)	-	-	179,969,975
Landfill rehabilitation provision	217,468,979	27,425,546	(131,536,700)	-	-	113,357,825
WCA provision	-	19,073,770	(12,004,854)	-	-	7,068,916
Long service awards	223,109,156	48,690,139	(28,455,098)	-	-	243,344,197
GMRP	127,971,029	94,500,301	(54,451,636)	-	-	168,019,694
	<b>766,944,335</b>	<b>252,313,384</b>	<b>(286,579,441)</b>	<b>(436,542)</b>	<b>(6,047,502)</b>	<b>726,194,234</b>

#### Reconciliation of current provisions - 2009

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Total
COID provision	15,509,939	5,581,335	(1,049,759)	(383,985)	19,657,530
Leave and bonus provision	156,157,845	70,957,732	(48,377,936)	-	178,737,641
Landfill rehabilitation provision	192,863,417	54,380,642	(29,775,080)	-	217,468,979
WCA provision	16,604,621	6,002,427	(28,395,064)	5,788,016	-
Long service awards	211,561,596	33,724,738	(22,177,178)	-	223,109,156
GMRP	113,108,852	14,862,177	-	-	127,971,029
	<b>705,806,270</b>	<b>185,509,051</b>	<b>(129,775,017)</b>	<b>5,404,031</b>	<b>766,944,335</b>

Non-current liabilities	450,773,773	548,617,235
Current liabilities	275,420,461	218,327,100
	<b>726,194,234</b>	<b>766,944,335</b>

#### COID provision

This provision is made for future expected outflows as a result of the municipality's obligation to contribute to the pension fund and medical expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 12% (2009 - 12%) and the inflation assumption used for the increase in expenses/contributions is 7% (2009 - 7%).

#### Leave and bonus provision

The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for.

#### Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to changes in the estimation of the sizes of the cells, the remaining useful lives of the landfill sites. The discounting rate for 2010 remained at 12% (2009 - reduced from 14% to 12%). The net result of the re-estimation had the following effect on the current year amounts:

Reduction in the provision for Landfill site rehabilitation	R131,536,700 (2009 - R29,775,080)
Reduction in the cost of property, plant and equipment	R92,853,604 (2009 - R26,019,337)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset	R38,683,096 (2009 - R3,755,743)

#### Workmenscompensation provision

The provision is for the period March 2010 to June 2010 which has been estimated in the latest return submitted to the compensation commissioner.

#### Long service awards provision

The municipality offers various types of long service awards to its employees.

The key actuarial financial assumptions are as follows:

- Discount rate:	9.06% (2009 - 9.18%)
- General salary inflation (long-term)	6.40% (2009 - 6.54%)

An actuarial valuation was performed by ARCH Actuarial Consulting as at 30 June 2010.

#### GMRP provision

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 21. Provisions (continued)

The provision is for the municipality's obligation to the Germiston Municipal Retirement Fund due to the municipality failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

### 22. Other long term liabilities

### 23. Trade and other payables from exchange transactions

Trade payables	1,657,261,021	1,462,872,753
Payments in advance	440,253,474	251,422,774
Lease rental payments liability	692,452	366,584
Other payables	102,763,253	120,976,816
Retentions	213,823,671	210,665,486
	<b>2,414,793,871</b>	<b>2,046,304,413</b>

### 24. Deposits

Electricity and water	417,027,259	373,154,192
-----------------------	-------------	-------------

Guarantees in lieu of electricity and water deposits is R73,324,416 (2009 - R73,326,119).

### 25. Financial liabilities by category

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

#### 2010

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,695,562,831	2,695,562,831
Consumer deposits	417,027,259	417,027,259
Trade and other payables	2,414,793,870	2,414,793,870
Unspent conditional grants	200,485,475	200,485,475
	<b>5,727,869,435</b>	<b>5,727,869,435</b>

#### 2009

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,076,914,570	2,076,914,570
Deposits	373,154,192	373,154,192
Trade and other payables	2,046,304,413	2,046,304,413
Unspent conditional grants	159,233,181	159,233,181
	<b>4,655,606,356</b>	<b>4,655,606,356</b>

### 26. Revenue

Property rates	2,131,999,385	1,778,466,900
Property rates – Penalties imposed and collection charges	71,207,519	108,131,850
Service charges	8,018,492,355	6,205,473,518
Rental of facilities & equipment	48,719,059	46,629,596
Income from agency services	156,773,259	142,254,100
Fines	99,373,320	92,720,626
Licences and permits	24,798,791	25,457,297
Government grants & subsidies	2,876,826,076	2,477,039,069
	<b>13,428,189,764</b>	<b>10,876,172,956</b>

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

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>26. Revenue (continued)</b>		
Service charges	8,018,492,355	6,205,473,518
Rental of facilities & equipment	48,719,059	46,629,596
Income from agency services	156,773,259	142,254,100
Licences and permits	24,798,791	25,457,297
	<b>8,248,783,464</b>	<b>6,419,814,511</b>

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

Property rates	2,131,999,385	1,778,466,900
Property rates – Penalties imposed and collection charges	71,207,519	108,131,850
Fines	99,373,320	92,720,626
Government grants & subsidies	2,876,826,076	2,477,039,069
	<b>5,179,406,300</b>	<b>4,456,358,445</b>

### 27. Property rates

#### Rates received

Residential	1,424,234,294	1,567,379,699
Commercial	1,023,197,584	716,282,181
State	6,564,461	41,782,036
Small holdings and farms	27,027,144	63,866,828
Vacant land	155,790,898	-
Other properties	11,220,441	-
Less: Income forgone	(516,035,437)	(610,843,844)
	2,131,999,385	1,778,466,900
Property rates - penalties imposed and collection charges	71,207,519	108,131,850
	<b>2,203,206,904</b>	<b>1,886,598,750</b>

#### Valuations (R'000)

Residential	210,543,870	15,229,873
Commercial	78,234,916	7,516,950
Provincial and National Government	1,554,164	398,572
Municipal	5,410,910	699,450
Small holdings and farms	11,661,180	1,231,310
Sectional title	35,996,110	-
Vacant land	6,812,163	-
Other	1,255,866	-
	<b>351,469,179</b>	<b>25,076,155</b>

Valuations on land and buildings are performed every 3 to 5 years. The last general valuation roll came into effect on 1 July 2009 and the valuations have accordingly been adjusted in the current financial year. The previous valuation roll was based on land values only and the new roll is based on land values as well as improvements value and therefore the huge increase in valuations in the current year. 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 a monthly basis. Interest is levied on rates outstanding after due date.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>28. Service charges</b>		
Sale of electricity	5,615,472,444	4,054,169,692
Sale of water	1,335,192,680	1,180,942,160
Solid waste	564,339,330	463,107,826
Sewerage and sanitation charges	453,630,313	458,599,197
Fresh produce market	16,245,039	16,216,531
Other service charges	33,612,549	32,438,112
	<b>8,018,492,355</b>	<b>6,205,473,518</b>

### **2009**

Included in the sale of electricity figure is an amount of R306,676,755 for the current year relating to sales of pre-paid electricity. This amount differs with R29,667,275 with information relating to the actual sales obtained from the systems generating the details of these revenues. The sale of pre-paid electricity, according to these systems, should be R336,344,030. The municipality is in the process of investigating this difference.

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>29. Government grants and subsidies</b>		
Equitable share	2,087,357,684	1,719,819,868
Ambulance Subsidy	96,850,000	92,236,000
National Government grants	492,331,874	477,515,679
Provincial Government grants	50,371,008	84,964,905
Public contributions	41,549,568	964,348
Health Subsidies	94,603,579	89,227,750
SETA	13,762,363	12,310,519
	<b>2,876,826,076</b>	<b>2,477,039,069</b>

### National Government grants

Balance unspent at beginning of year	44,732,175	61,706,160
Current-year receipts	376,083,625	458,031,965
Conditions met - transferred to revenue	(492,331,874)	(476,085,299)
Debtor	135,149,603	1,079,349
	<b>63,633,529</b>	<b>44,732,175</b>

### Provincial Government grants

Balance unspent at beginning of year	70,412,211	73,415,410
Current-year receipts	63,864,525	73,935,035
Conditions met - transferred to revenue	(50,371,008)	(80,524,211)
Debtor	-	3,585,977
	<b>83,905,728</b>	<b>70,412,211</b>

### Equitable share

Current-year receipts	2,087,357,684	1,719,819,868
Conditions met - transferred to revenue	(2,087,357,684)	(1,719,819,868)
	-	-

### Public contributions

Balance unspent at beginning of year	6,645,206	4,208,281
Current-year receipts	44,964,205	9,272,346
Conditions met - transferred to revenue	(41,549,568)	(6,835,421)
Debtor	204,012	-
	<b>10,263,855</b>	<b>6,645,206</b>

Included in the total unspent of R 10,263,855 (2009 - R 6,645,206) is an amount of R 3,916,057 (2009 - R 833,001.53) in respect of Danida UEM grant which was paid back to National Treasury.

### Ambulance subsidy

Current-year receipts	96,850,000	92,236,000
Conditions met - transferred to revenue	(96,850,000)	(92,236,000)
	-	-

### Provincial Health Subsidies

Current-year receipts	84,353,579	89,227,750
Conditions met - transferred to revenue	(84,353,579)	(89,227,750)
	-	-

### SETA

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>29. Government grants and subsidies (continued)</b>		
Current-year receipts	13,762,363	12,310,519
Conditions met - transferred to revenue	(13,762,363)	(12,310,519)
	-	-
<b>30. Other revenue</b>		
Other income	92,012,250	66,897,696
<b>31. General expenses</b>		
Advertising	8,780,704	10,304,514
Auditors remuneration	12,972,809	10,871,795
Bank charges	7,506,620	6,286,697
Consulting and professional fees	110,777,791	95,915,280
Consumables	17,717,316	33,906,923
Stock adjustments and write-offs	3,757,910	4,800,158
Entertainment	1,745,583	1,779,648
Animal Costs	1,670,428	1,327,733
Gifts	322,386	605,470
Insurance	61,627,938	33,937,242
IT expenses	13,823,528	25,491,494
Rentals	45,017,494	3,902,981
Fleet	98,648,531	112,064,255
Marketing	10,211,084	8,143,659
Magazines, books and periodicals	363,136	630,195
Fuel and oil	3,221,297	2,160,008
Productions	1,965,868	356,169
Postage and courier	16,089,837	16,421,103
Printing and stationery	30,622,078	28,296,022
Software expenses	421,169	10,367,583
Staff welfare	4,277,424	4,665,919
Subscriptions and membership fees	9,206,975	9,104,112
Telephone and fax	61,064,629	71,229,596
Training	15,490,140	20,588,342
Travel - local	5,408,439	6,993,611
Travel - overseas	3,583,145	4,453,723
Refuse	33,268,008	17,279,935
Title deed search fees	647,186	258,200
Uniforms	29,402,021	17,745,014
Venue expenses	4,258,193	6,752,467
Other expenses	231,267,970	236,726,631
	<b>845,137,637</b>	<b>803,366,479</b>
<b>32. Operating deficit</b>		
Operating deficit for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Lease rentals on operating lease - Other		
• Contractual amounts	45,017,494	3,902,981
Gain on sale of property, plant and equipment (ppe)	34,665,026	5,275,393
Impairment on property, plant and equipment	217,563	1,559,532
Deficit on sale of assets	1,456,943	4,080,171
Amortisation on intangible assets	1,376,627	-
Depreciation on property, plant and equipment	2,103,417,564	2,156,394,248
Employee costs	3,926,738,680	3,506,884,071



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>33. Employee related costs</b>		
Basic	2,693,452,194	2,234,013,986
Medical aid - company contributions	214,956,704	261,343,868
UIF	19,996,919	18,236,571
WCA	19,073,769	11,790,443
SDL	28,445,736	24,952,247
Other payroll levies	718,323	636,941
Leave pay provision charge	58,989,363	93,819,275
Standby Allowances	16,589,856	13,875,574
Post-employment benefits - Pension - Defined contribution plan	490,515,218	419,790,293
Overtime payments	323,022,782	352,345,393
Long-service awards	20,556,800	11,747,770
Ad Hoc Travelling	1,164,876	1,301,594
Cellphone Allowances	6,420,328	4,313,431
Less: Employee costs capitalised to PPE	(29,677,652)	-
	<b>3,864,225,216</b>	<b>3,448,167,386</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1,833,600	1,360,703
Salary of the City Manager for a period of 12 months (2009 - 9 months)		
<b>Deputy City Managers</b>		
Annual Remuneration - average	1,360,703	1,226,590
<b>Remuneration of Executive Directors</b>		
Annual Remuneration - average	1,036,973	951,627
<b>34. Remuneration of councillors</b>		
Executive Mayor	952,586	935,179
Mayoral Committee Members	7,764,372	7,343,350
Speaker	751,764	728,534
Councillors	47,874,493	44,726,804
Councillors' pension contribution	5,170,249	4,982,817
	<b>62,513,464</b>	<b>58,716,684</b>
<b>In-kind benefits</b>		
The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has full-time bodyguards. From time to time this service is also used by other councillors.		
<b>35. Debt impairment</b>		
Contributions to debt impairment provision	1,374,651,991	1,452,215,218
Debts impaired	9,310,076	1,349,775
	<b>1,383,962,067</b>	<b>1,453,564,993</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>36. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	51,575,046	105,412,442
External investments	35,194,245	92,488,346
Interest received - other	3,573,785	800,834
Staff loans	-	30
	<b>90,343,076</b>	<b>198,701,652</b>
<b>37. Depreciation and amortisation</b>		
Property, plant and equipment (PPE)	2,103,417,564	2,155,855,775
Intangible assets	1,376,627	269,236
	<b>2,104,794,191</b>	<b>2,156,125,011</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>38. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment (PPE)	217,563	1,559,532

### Impairment

#### 2010

During 2010 impairments occurred in the Roads and Storm water and the Community facility sectors. The date the impairments were recorded was 30 June 2010.

The impairment amounts were calculated as follows:

The recoverable amount is the highest of:

1. Fair value less cost to sell: Depreciated Replacement Cost less cost to sell
2. Value in use: Depreciated Replacement Cost

Once the current replacement cost (CRC) has been determined, the depreciated replacement cost (DRC) will be calculated. DRC is a powerful technique to determine the fair value of assets.

To determine the DRC, one requires knowledge of the following:

- The estimated useful life (EUL) of the asset or component under review;
- The estimated current replacement cost (CRC) – CRC is an estimate of replacing the asset with a modern equivalent of similar capacity.

DRC is calculated as follows:

$$\text{DRC} = \text{RUL/EUL} \times \text{CRC}$$

Where RUL = Remaining Useful life.

#### Roads and stormwater

- Road Bridge

Flood damage as a result of high intensity rainfall caused the water, carried by the stream, to exceed the capacity of the bridge. The flood water washed away parts of the embankment, the bridge abutments and the floor and part of the substructure of the bridge. It is also evident that the river course has deviated from the original, possibly as a result of the flooding and silting, with the result that the water approaches the bridge diagonally which will increase the risk of damage.

Carrying value before the impairment: R338,143

Recoverable amount is calculated as the highest of:

- Fair value less cost to sell: Depreciable Replacement Cost less cost to sell: R177,494
- Value in use: Depreciable Replacement Cost: R177,494

The road bridge will not be sold; therefore there will not be any selling cost to deduct from the fair value.

The recoverable amount is R177,494.

Impairment of the road bridge: R160,649

#### Solid Waste

- Alrode Waste Transfer Station

The Alrode Waste Transfer Station was closed due to a High Court order that determined that the site was incorrectly zoned. At this stage the site is not operating and it will possibly not operate for the next two years, the period estimated for the zoning application to be processed and approved.

Carrying value before the impairment: R410,417.54

Recoverable amount is calculated as the highest of:

- Fair value less cost to sell: Depreciable Replacement Cost less cost to sell: R420,597.66
- Value in use: Depreciable Replacement Cost: R467,330.73

The selling cost of the Alrode Waste Transfer Station is considered to be 10% of the fair value; therefore the selling cost will amount to R46,733.07

The recoverable amount is R467,330.57.

Impairment of the road bridge: R56,913.73

#### 2009

There were a few impairments in 2009 on MV- and HV Substations. The date the impairments were recorded was 30 June 2009 because there was no clarity on when the impairment actually started; therefore the depreciation charge was not affected. According to Directive 5 of the Accounting Standards Board 30 June 2009 is the first financial year in which Local Government needs to review assets for impairment and show the financial implications in the financial statements; therefore it is difficult to state the exact date the impairments occurred.

The impairments were on Non-cash generating assets which is defined as assets held where the primary objective is not to generate a commercial return. (ED 45.9)

The impairment amount was calculated as follows:

The recoverable amount is the highest of:

1. Fair value less cost to sell: Depreciable Replacement Cost less cost to sell, and

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 38. Impairment of assets (continued)

2. Value in use amount: Depreciable Replacement Cost.

In order to establish a uniform basis of assessment and valuation, the valuation must be based on a specific date. It has been decided that 30 June 2008 will serve as the effective date. The current replacement cost (CRC) of infrastructure assets as at the effective date have been used to determine the replacement cost.

Once the CRC has been determined, the depreciated replacement cost (DRC) has been calculated. DRC is a powerful technique to determine the fair value of assets, particularly where historical costs are not known and/or where uncertainty exists on the age of assets.

To determine DRC, one requires knowledge of the following:

- The estimated useful live (EUL) of the asset or component under review;
- The estimated current replacement cost (CRC) - CRC is an estimate of the cost of replacing the asset with a modern equivalent of similar capacity.

DRC is calculated as follows:

$$\text{DRC} = \text{RUL/EUL} \times \text{CRC}$$

Where RUL = Remaining Useful Life, established as follows:

- Above ground assets – by visual assessment of condition and knowledge of routine maintenance regime (condition grading table gives guidelines).

- Below ground assets – Expected Useful Life minus age (since construction or last renewal).

A key assumption in determining whether impairments had taken place started with condition grading.

The selling cost on these electrical assets will make up about 10% of the fair value; therefore the selling costs will amount to R510,825. The fair value less selling costs will be R4,597,425. The Value in use amount will be the Depreciated Replacement Cost which is R5,108,250. According to the figures above the recoverable amount will be R5,108,825. The total carrying value of these assets at 30 June 2009 after impairment is R5,108,825. The carrying value of the assets before the impairments was R6,667,782; therefore the impairment is R1,559,532.

### 39. Finance costs

Non-current borrowings	264,140,253	156,401,682
Other interest paid	43,317,359	40,278,704
	<b>307,457,612</b>	<b>196,680,386</b>

### 40. Auditors' remuneration

Fees	12,972,809	10,871,795
------	------------	------------

### 41. Rental of facilities and equipment

#### Facilities and equipment

Rental of facilities	48,676,993	44,284,729
Rental of equipment	42,066	2,344,867
	<b>48,719,059</b>	<b>46,629,596</b>

Included in the above rentals are operating lease rentals at straight-lined amounts of R15,311,058.66 (2009 - R13,910,851).

### 42. Contracted services

Information Technology Services	13,725,349	12,741,488
Security contracts	94,452,472	41,647,315
Meter management contracts	19,069,443	19,631,315
Environmental contracts	248,586,349	271,145,564
Other Contractors	187,686,156	216,394,632
	<b>563,519,769</b>	<b>561,560,314</b>

### 43. Grants and subsidies paid

#### Other subsidies

Discretionary grant: Sport and Social support	4,141,449	3,520,769
Subsidy: SPCA	2,315,000	2,205,000
Discretionary grant: General	-	4,849,461

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>43. Grants and subsidies paid (continued)</b>		
Free basic electricity	42,811,835	34,118,884
Discretionary grant: Educational	5,633,159	6,217,649
Grants: Education (External)	2,191,626	2,919,228
	<b>57,093,069</b>	<b>53,830,991</b>
<b>44. Bulk purchases</b>		
Electricity	3,755,448,110	2,842,924,008
Water	1,128,744,933	1,069,703,312
Sewer purification	265,870,140	209,382,327
	<b>5,150,063,183</b>	<b>4,122,009,647</b>
<b>45. Cash generated from operations</b>		
Deficit	(1,502,688,739)	(2,414,059,061)
<b>Adjustments for:</b>		
Depreciation and amortisation	2,104,794,191	2,156,394,248
Loss on sale of assets and liabilities	(34,665,026)	(5,275,393)
Gain on sale of non-current assets and disposal groups	1,456,943	4,080,171
Impairment deficit	217,563	1,559,532
Debt impairment	1,383,962,067	1,453,564,993
Movements in retirement benefit assets and liabilities	(1,033,540)	-
Movements in provisions through surplus and deficit	52,103,503	167,969,897
<b>Changes in working capital:</b>		
Inventories	29,762,544	(21,968,481)
Other receivables from exchange transactions	67,412,473	(72,322,732)
Other receivables from non-exchange transactions	(134,695,487)	(25,681,495)
Consumer debtors	(1,385,410,500)	(1,453,671,415)
Trade and other payables from exchange transactions	368,489,454	468,280,010
Unspent conditional grants and receipts	41,252,294	(8,151,765)
	<b>990,957,740</b>	<b>250,718,509</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 46. Commitments

#### Authorised capital expenditure

##### Already contracted and provided for

• Community	172,373,675	167,325,700
• Infrastructure	552,404,381	849,753,533
• Other assets	222,900,186	104,733,600
	<b>947,678,242</b>	<b>1,121,812,833</b>

##### Not yet contracted for and authorised

• All	1,212,412,865	1,260,872,861
-------	---------------	---------------

This committed expenditure relates to Property, plant and equipment and will be financed by available bank facilities, retained surpluses, external funding (bond issue, loans, grants, contributions etc) , existing cash resources etc.

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

##### Minimum lease payments due

- within one year	12,255,596	5,975,259
- in second to fifth year inclusive	10,484,680	884,864
	<b>22,740,276</b>	<b>6,860,123</b>

Operating lease payments represent rentals payable by the municipality for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 8.45% for office buildings and 0% for photocopier machines.

The actual lease contract amounts range between R8,000 and R300,000 (2009 - R4,000 and R260,000) per month on the office buildings and between R62 and R2,200 (2009 - R62 and R2,200) per month on the photocopier machines.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	13,424,948	15,326,643
- in second to fifth year inclusive	32,415,288	39,195,296
- later than five years	121,254,636	123,126,716
	<b>167,094,872</b>	<b>177,648,655</b>

Certain of the municipality's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R0 (social benefit) up to R 368,294 (2009 - R 461,988).

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 47. Contingencies

#### Definitions of claims categories

Category A: Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

#### CONTINGENT LIABILITIES

##### Category A Claims:

Germiston Retirement Fund - Claim that EMM failed to meet its obligation to contribute to the Fund due to the required investment yield not being achieved

Engen Petroleum Ltd/Atlas road - Claim as a result of rerouting of a provincial road

WLT Advertising CC - Claim for damages as a result of conduct

Dehal Inc - Advocates claim for work done

Van Deventer- Claim for damages arising from cancelled land transaction

South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train

SALA Pension fund

Pambili Wasteman

Snyman & Robbertse - Claim for legal costs and damages following not guilty verdict of disciplinary hearing

Miya-Mdluli Investments CC

Neiljud - Claim for arrear rates

Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes

Hentic (Pty) Ltd and Mercedes Cura - Appeal against finding

Technology Corporate Management - Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act

Group 15 - Possible claim submitted by employees of EMM

Hometalk - Possible claim for losses in respect of developments

Other

	CCC/Region	2010	2009
Germiston Retirement Fund - Claim that EMM failed to meet its obligation to contribute to the Fund due to the required investment yield not being achieved	Germiston	-	61,000,000.00
Engen Petroleum Ltd/Atlas road - Claim as a result of rerouting of a provincial road	Kempton Park	14,061,088.00	14,061,088.00
WLT Advertising CC - Claim for damages as a result of conduct	Metro	31,706,247.00	31,706,247.00
Dehal Inc - Advocates claim for work done	Metro	2,600,000.00	2,600,000.00
Van Deventer- Claim for damages arising from cancelled land transaction	Kempton Park	30,000,000.00	30,000,000.00
South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train	Kempton Park	2,200,362.00	2,200,362.00
SALA Pension fund	Metro	-	2,073,632.58
Pambili Wasteman	Metro	-	40,000,000.00
Snyman & Robbertse - Claim for legal costs and damages following not guilty verdict of disciplinary hearing	Metro	5,000,000.00	5,000,000.00
Miya-Mdluli Investments CC	Kempton Park	-	4,628,000.00
Neiljud - Claim for arrear rates	Metro	20,000,000.00	20,000,000.00
Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes	Metro	39,000,000.00	39,000,000.00
Hentic (Pty) Ltd and Mercedes Cura - Appeal against finding	Springs	2,500,000.00	-
Technology Corporate Management - Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act	Metro	5,279,949.00	-
Group 15 - Possible claim submitted by employees of EMM	Metro	2,000,000,000.00	
Hometalk - Possible claim for losses in respect of developments	Metro	65,000,000.00	
Other	Metro	6,823,010.00	4,063,008.00
<b>Sub-Total</b>		<b>2,224,170,656.00</b>	<b>256,332,337.58</b>
	<b>CCC/Region</b>	<b>2010</b>	<b>2009</b>
<b>Category B Claims: Other Claims</b>	Metro	1,746,217.00	2,084,298.00
<b>Category C Claims: Other Matters</b>	Metro	240,000.00	1,453,874.00
<b>Sub-Total</b>		<b>1,986,217.00</b>	<b>3,538,172.00</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 47. Contingencies (continued)

#### CONTINGENT ASSETS

##### Category A Claims:

	CCC/Region	2010	2009
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	Metro	4,000,000.00	4,000,000.00
Ramahope- misappropriation of funds	East	-	850,000.00
Claim against Senior Business Brokers who failed to deposit moneys collected on behalf of EMM	East	-	1,734,776.00
Claim against Wallace Pienaar Properties who failed to procure the proclamation of a township	North	-	860,000.00
Summer Symphony - Compensation claim instituted by Plaintiff as a result of a non-settled Expropriation proceedings by EMM	North	-	49,652,700.00
Other contingent Assets	Metro	3,444,776.00	-
	<b>Sub-Total</b>	<b>7,444,776.00</b>	<b>57,097,475.88</b>
	<b>CCC/Region</b>	<b>2010</b>	<b>2009</b>
<b>Category B Claims:</b> Other Claims	Metro	1,319,533.00	819,533.00
<b>Category C Claims:</b> Other Matters	Metro	2,737,476.00	1,245,000.00
	<b>Sub-Total</b>	<b>4,057,009.00</b>	<b>2,064,353.00</b>



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 48. Related parties

Relationships

Controlled entities

Close family member of key management

Refer to note 7

Declarations are retained in a register at tender office.

Tenders awarded to family members of staff.

1. IS (CW) 55/2009: Construction of ablution blocks and upgrading of stores at Kempton Park Roads Depot: Awarded 15 March 2010 to Motshethale/Seletje Joint Venture (SJ Lekgwathi has 40% ownership) For the amount of R7,975,780.00 (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

2. A-ED (WMS) 12/2009: The appointment of a development contractor to appoint community based contractors to render comprehensive refuse removal services in specified areas from 1 July 2010 until 30 June 2014. Awarded May 2010 but with effect of 1 July 2010 until 30 June 2015

Awarded 17 May 2010 to Tedcor (Pty) Ltd and Mazambane Trading (Pty) Ltd Joint Venture to form Hlanzekile Waste Services (Pty) Ltd (SJ Lekgwathi has 50% ownership.)

\*\* Portion of bid for South of N17, Van Dyk Park, Buhle Park Phase 2 and Boksburg – estimated amount of R110,500,000 (R110,5 Million) for the period of the contract

\*\* Portion of bid for Tembisa and adjacent area – estimated amount of R182,000,000. R182 Million) for the period of the contract. (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

3. Zolile Zozo Trading and Projects: Thandi Sylvia Sekgomane's son, Zolile is operating as a supplier to the municipality. The total amount of transactions for the 2009/2010 year totals to R 906,384.

### Related party balances

#### Amounts included in Trade Receivable and Consumer Debtors regarding related parties - municipal entities

ERWAT	6,907,075	1,342,785
Pharoe Park Housing Company	1,814,626	922,998
Brakpan Bus Company	16,177,371	301,341
Lethabong Housing Institute	1,000,202	240,196
Pharoe Park Phase II	2,738,344	1,217,399
Ekurhuleni Development Company	7,476	1,027

#### Amounts included in Trade Payable regarding related parties - municipal entities

ERWAT	18,533,273	13,939,876
Brakpan Bus Company	9,735	306,156

### Related party transactions

#### Sales to related parties - municipal entities

ERWAT	32,684,458	27,992,151
Pharoe Park Housing Company	2,397,991	1,628,073
Pharoe Park Phase II	2,691,587	1,486,835
Ekurhuleni Development Company	30,123	26,388
Brakpan Bus Company	-	122,905
Lethabong Housing Institute	839,195	48,579

#### Purchases from (sales to) related parties - municipal entities

ERWAT	305,368,928	242,805,316
-------	-------------	-------------

#### Grants to related parties - municipal entities

Ekurhuleni Development Company	13,047,926	90,589
--------------------------------	------------	--------

### 49. Change in discount rate

#### Discount rate

Management revised the discount rate used for calculating provisions in the current period. The discount rate was unadjusted at 12% (2009 - adjusted from 14% to 12%) due to the weighted average cost of capital remaining the same.

### 50. Prior period errors

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 50. Prior period errors (continued)

#### 2010

##### **Property, Plant & Equipment**

Write-off of immovable assets recorded in the BAUD asset register system to be replaced by immovable properties which are componentised in the IMQS asset register system.

Write-off of immovable assets which could not be verified in the past but that were never corrected in the register - Validation of asset register.

Asset register validations.

##### **Other receivables from Exchange Transactions (VAT) and Service Charges (Sale of electricity)**

Pre-paid electricity over declared on agent sales.

##### **Other receivables from Exchange Transactions (Agent debtors) and Service Charges (Sale of electricity)**

Additional pre-paid electricity and relating debtor on agent sales when accrual accounting is applied.

##### **Provisions and Employee Related Cost**

Provision for Germiston retirement Fund contractual obligation in respect of shortfall in growth of investments.

##### **Intangible Assets and Operating expenditure**

Intangible Assets incorrectly charged to operating expenditure in the past.

##### **Leases as Lessor**

The lease register was validated during the current year and a subsequent adjustments were made.

##### **Retirement benefit obligation**

The municipality obtained an actuarial valuation for the determination of the obligation and adjusted it retrospectively.

##### **Long service awards**

The municipality obtained an actuarial valuation for the determination of the obligation and adjusted it retrospectively.

##### **Notes**

Utilization of Long-term Liabilities Reconciliation were disclosed with incorrect amounts. The note has been amended to reflect the correct amounts.

#### 2009

##### **Land**

Land parcels have been incorrectly recognised by the municipality due to general plans being registered in the deeds office, which have subsequently been cancelled and replaced by new township layouts.

##### **Revenue and debtors**

Revenue was incorrectly charged in prior years and was corrected.

##### **Expenditure and Property, Plant and Equipment (PPE)**

Property, Plant and Equipment are brought in-line when physical verification exercises are complete. The adjustments due to these verifications were effected.

##### **Intangible assets and Property, Plant and Equipment (PPE)**

The municipality has previously incorrectly accounted for intangible assets (software) under PPE instead of Intangible assets. The adjustments due to this mistake were effected.

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

##### **Statement of financial position**

Property, plant and equipment (PPE)	8,089,649,548	(404,496)
Land	-	74,078,102
Consumer debtors	(3,770,882)	(160,991,775)
Provisions	(351,080,185)	-
Intangible assets	12,213,926	1,204,737
Opening Accumulated Surplus	(6,914,170,238)	(76,625,456)
Trade and other payables from exchange transactions	-	8,730,552
Other receivables from exchange transactions	(18,787,700)	-
Inventory	25,430,100	-
Investment property	32,926,886	-

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>50. Prior period errors (continued)</b>		
Retirement benefit obligation	(1,218,237,600)	-
<b>Statement of financial performance</b>		
Service charges	(5,499,569)	-
Rental of facilities and equipment	4,417,003	154,008,336
Interest paid	14,862,177	-
General expenses	(6,755,874)	-
Depreciation	249,162,859	-
Deficit on disposal of assets	(2,720,614)	-
Employee related costs	92,360,163	-
<b>51. Comparative figures</b>		
Certain comparative figures have been re-classified and certain descriptions have changed:		
<b>Statement of Financial Position</b>		
Some amounts were re-classified.		
<b>Statement of Financial Performance</b>		
Collection costs are now being disclosed separately and was thus taken out of general expenses in the prior year to disclose the comparative figures.		
<b>Notes</b>		
Certain notes have been amended:		
1. Commitments: Operating leases - lessor (income)		
2. Utilization of Long-Term Liabilities reconciliation		
<b>Statement of financial position</b>		
Other receivables from exchange transactions	-	(1,154,879)
Consumer debtors	-	1,155,378
Cash and cash equivalents	-	(500)
<b>Statement of financial performance</b>		
General expenses	-	(63,841,260)
Collection costs	-	63,841,260
<b>52. Risk management</b>		
<b>Capital risk management</b>		
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.		
The capital structure of the municipality consists of debt, which includes the borrowings disclosed in note 19 and cash and cash equivalents disclosed in note 17.		
Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.		
There are no externally imposed capital requirements.		
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.		
The gearing ratio at 2010 and 2009 respectively were as follows:		
<b>Total borrowings</b>		
Other financial liabilities	19	(419,494,477)
Less: Cash and cash equivalents	17	664,625,412
Net debt		(1,084,119,889)
Total equity		36,684,408,751

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 52. Risk management (continued)

<b>Total capital</b>	<b>40,665,944,213</b>	<b>35,488,165,561</b>
----------------------	-----------------------	-----------------------

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk management is carried out by the risk management department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	269,517,218	35,616,282	651,191,552	1,756,480,806
Trade and other payables	2,414,793,870	-	-	-
<b>At 30 June 2009</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Long-term and other liabilities	38,000	252,279,191	719,140,446	1,120,182,958
Trade and other payables	2,046,304,413	-	-	-

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At year end, financial instruments exposed to interest rate risk is as follows:

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	13.00 %	1,170,279,864	-	-	-	-
Long-term receivables	13.00 %	100,933,261	100,933,261	100,933,261	-	-

#### Fair value interest rate risk

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009				
<b>52. Risk management (continued)</b>						
Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Long-term and other liabilities	12.00 %	269,517,218	35,616,282	651,191,552	-	1,756,480,806

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors. The municipality only deposits cash with major banks and makes investments in entities with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
Other investments	326,976,342	341,653,051
Long-term receivables	302,799,782	128,250,003
Consumer debtors	1,170,279,864	1,168,831,431
Other receivables	331,538,194	264,255,180
Cash and cash equivalents	664,625,412	1,064,929,449

### Price risk

The municipality is exposed to equity price risk because of investments held by the municipality and classified on the statement of financial position as available-for-sale. The municipality is not exposed to commodity price risk.

The municipality has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

### 53. Going concern

The Metro's cash and cash equivalents held at financial year end were as follows over the last three years:

	2007/08	2008/09	2009/10
Cash and Cash Equivalents	2,318,386,503	1,064,929,449	664,625,412
Liquidity Ratio	1.72	0.96	0.73
Acid Test Ratio	1.66	0.90	0.69
Number of Days Cash on Hand (Actual Cash)	114.15	49.49	20.23
Cash Adjusted for capital funding only received in July 2010			1,479,627,133
Adjusted Liquidity Ratio			0.96
Adjusted Acid Test Ratio			0.92
Adjusted Number of Days Cash on Hand (Actual Cash)			45.00

The fact that a portion of the long term funding for the capital projects for the 2009/10 financial year was only taken up in July 2010, had a significant impact on the closing cash. Had the transaction been finalised by 30 June 2010, the closing cash balance would have been R1,479,625,412 - a 39% increase from June 2009. The liquidity position has increased as a result of three key factors:

1. A strategic decision was taken to fund long term infrastructure from long term funding and not cash reserves as in the past.
2. Debtors collection levels increased to just below 91% - this is the highest collection level that the Metro has achieved since inception of the Metro in 2000.
3. A Revenue Management and Enhancement Project has been embarked upon to increase the Metro's revenue base.

The above indicators as well as the power to levy taxes suggest that the Going Concern Assumption is appropriate.

### 54. Events after the reporting date

#### 1. Issuing of Municipal Bond for the funding of the 2009/10 Capital Expenditure

The Ekurhuleni Metropolitan Municipality has raised R815m in a 10-year, fixed-rate bond issuance for the funding of the 2009/10 capital infrastructure. R1.516 billion total bids were received (1.9x oversubscribed). The bond is priced at 185 basis points over the relevant government benchmark bond (R208), with a final rate of 10.56%. Ekurhuleni is the third metropolitan municipality in South Africa to issue in the local debt capital market following the City of Johannesburg and the City of Cape Town. The transaction was concluded on the 28th July 2010.

#### 2. Write-off of Municipal Services Accounts of Municipal Entities

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 54. Events after the reporting date (continued)

The Ekurhuleni Metropolitan Municipality will consider the writing off of municipal arrears of the Municipal Entities at a Council Meeting in September 2010. The following amounts are involved:

ERWAT – R8 224 466,01 (Including VAT)

Ekurhuleni Development Company – R5 571 955,39

### 3. Resignation of Senior Staff

The Deputy City Manager for Operations, Mr. Johan Leibbrandt has resigned during July 2010 and left the employ of the municipality at the end of August 2010.

The General Manager: 2010, Mr. Joe Mojapelo has resigned during July 2010 and left the employ of the municipality at the end of September 2010.

### 4. Provision of Guarantees for Loans of Municipal Entities

Council resolved to provide the following guarantees to loans of municipal entities:

#### Guarantee already approved:

Brakpan Bus Company: Nedbank loan of R15 million over a 5 year period at a floating interest rate of prime less 150 basis points namc, the effective rate at balance sheet date was 8,5%.

#### Guarantee approved in principle:

ERWAT: Nedbank loan of R550 million over a 20 year period at a floating interest rate of JIBAR plus 3.1%, the effective rate at balance sheet date was 9,75%.

### 5. Approval of a Turnaround Strategy for the Ekurhuleni Development Company

Council approved the implementation of a Turnaround Strategy for the Ekurhuleni Development Company during July 2010. With the implementation of this strategy, a subsidy of R6.5 million per year will be paid over to the Ekurhuleni Development Company for the next three financial years.

### 6. Approval of Service Level Agreement between EMM and the Brakpan Bus Company

Council approved a Service Level Agreement between the EMM and the Brakpan Bus Company during July 2010.

### 7. Extension of Free Basic Electricity funding agreement with Eskom

Council approved the extension of the existing funding agreement for the rendering of Free Basic Electricity by Eskom. The first funding agreement provided for the roll out of Ekurhuleni funded free units of electricity to all households in the areas supplied by Eskom, as well as the payment of monthly accounts for the free basic electricity rendered by Eskom. Council has now extended the agreement to ensure the continuation of the roll out of free basic electricity to Eskom supply areas within the Ekurhuleni boundaries until 30 June 2013. The expense to Council is estimated at R5 million per month at a number of 100 000 customers and at a rate of 100 kilowatt-hours per month targeted to the Eskom Homelight tariff customers. This value is calculated at 2009/2010 costs.

## 55. Unauthorised, Fruitless, wasteful and irregular expenditure

### 2010

Department	Description	Amount	Classification
Finance	Investigation into unbanked cash from sales of prepaid electricity by cashiers from a number of CCC's	R3,404,156.00	Loss of income
Environmental Development	Investigation into allegations of higher rates charged by suppliers whom have been engaged to provide specialized waste removal vehicles to EMM outside of contract.	R1,017,750.00	Fruitless & wasteful
Environmental Development	Investigation into alleged irregularities by EMM contract employee who used her company to provide council with energy saving air conditioners, which some of these were not installed.	R 474,109.00	Irregular expenditure

### 2009

The municipality has incurred irregular expenditure as a result of non compliance to Supply Chain Management regulations and policies amounting to R286.7 million. The municipality is/has investigated persons responsible for such irregular expenditure. Disciplinary and/or criminal actions will be taken against a person in breach of the Act relating to irregular expenditure. The municipality is in a process to recover or rectify such expenditure and to prevent a recurrence of such expenditure.

## 56. In-kind donations and assistance

The Municipality received the following in-kind donations and assistance

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand 2010 2009

### 56. In-kind donations and assistance (continued)

Description:

1. Two chartered accountants and seven registered engineers have been seconded to the municipality as part of the partnership between DLG and SAICA.

### 57. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	8,650,000	8,125,000
Amount paid - current year	(8,650,000)	(8,125,000)
	-	-

#### Audit fees

Current year subscription / fee	12,972,809	11,665,025
Amount paid - current year	(12,586,624)	(11,665,025)
	<b>386,185</b>	-

#### PAYE and UIF

Current year payroll deductions	495,522,895	443,826,196
Amount paid - current year	(495,522,895)	(443,826,196)
	-	-

#### Pension and Medical Aid Deductions

Current year payroll deductions	955,032,473	777,497,777
Amount paid - current year	(955,032,473)	(777,497,777)
	-	-

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Khumalo JV	1,801	3,892	5,693
Mabena VM	1,668	112	1,780
Mabena VM	-	2,288	2,288
Mashinini SJ	1,440	471	1,911
Mashinini SJ	-	48,015	48,015
Mofokeng GJ	352	769	1,121
Radebe ML	407	231	638
Ndita M	-	17,502	17,502
	<b>5,668</b>	<b>73,280</b>	<b>78,948</b>

30 June 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mabena VM	2,322	3,740	6,062
Mafanga ZL	377	-	377
Mahano F	120	-	120
Mashinini JS	669	49,679	50,348
Mofokeng JG	155	-	155
Ndita M	262	18,936	19,198
Nxumalo MJ	255	201	456

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>57. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Sauls AEK	1,000	-
Siboza MH	-	567
Thaba LJ	290	-
Thibedi MA	45	6,959
Akoon MGH	195	731
Maluleke MM	194	-
Mapekula V	986	-
Nxumalo A	151	-
	<b>7,021</b>	<b>80,813</b>
		<b>87,834</b>

### 58. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities	2,076,914,571	1,127,825,029
Redemption of loans	(181,351,739)	(150,910,458)
New loans	800,000,000	1,100,000,000
	2,695,562,832	2,076,914,571
Used to finance property, plant and equipment: Opening Balance	(2,076,914,571)	(1,127,825,029)
Redemption of loans	181,351,739	150,910,458
Capital financed from external loans for the year	(1,283,767,872)	(1,100,000,000)
Long term liabilities taken up in following financial year in respect of capital expenditure of current year	815,000,000	-
<b>Unspend long term liabilities</b>	<b>331,232,128</b>	<b>-</b>

Cash set aside for the repayment of long-term liabilities for the 2009/2010 year is R 297,061,904 (2008/2009 - R 316,795,946).

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

### 59. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

### 60. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

### 61. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

### The expenses incurred, as listed hereunder, have been approved/condoned

Emergencies	2,185,119	15,022,403
Sole supplier	16,248,779	75,265,414
Appointment of consultants	18,228,827	377,174,268
Upgrade electricity infrastructure	4,331,861	76,678,812
Upgrade road infrastructure	-	853,520
Upgrade water infrastructure	5,051,795	52,032,051
Events	11,869,741	2,118,825
Other	185,010,849	78,186,100
Extension of contract	67,126,413	132,597,967
Deviations less than R200,000	4,926,318	15,579,771
	<b>314,979,702</b>	<b>825,509,131</b>

### 62. Unaccounted Electricity And Water

#### Electricity

2009/2010

2008/2009



# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

2010

2009

### 62. Unaccounted Electricity And Water (continued)

	Units	Value	Units	Value
Units purchased	10,872,634,812.00	3,725,462,920.18	10,826,701,444.10	2,842,924,008.00
Units sold	<u>10,577,771,862.87</u>	<u>3,624,429,361.85</u>	<u>10,706,131,100.10</u>	<u>2,811,264,104.25</u>
Units lost	294,862,949.13	101,033,558.33	120,570,344.00	31,659,903.75
Units lost %	2.71%	2.71%	1.13%	1.13%

### Water

	2009/2010		2008/2009	
	Units	Value	Units	Value
Units on hand 1 July	2,720,000.00	8,834,016.00	2,635,000.00	8,088,939.39
Units purchased	<u>319,747,745.00</u>	<u>1,128,744,933.37</u>	<u>329,424,656.00</u>	<u>1,071,193,464.97</u>
	322,467,745.00	1,137,578,949.37	332,059,656.00	1,079,282,404.36
Units on hand 30 June	<u>2,720,000.00</u>	<u>9,621,456.00</u>	<u>2,720,000.00</u>	<u>8,834,016.00</u>
Units for sale	319,747,745.00	1,127,957,493.37	329,339,656.00	1,070,448,388.36
Units sold	<u>214,012,502.00</u>	<u>754,960,773.62</u>	<u>226,261,533.80</u>	<u>735,736,903.62</u>
Units lost	105,735,243.00	372,996,719.75	103,078,122.20	334,711,484.74
Units lost %	33.07%	33.07%	31.29%	31.25%

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

### 63. Statement of comparative and actual information

2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>									
Property rates	2,127,262,911	2,350,361,421		2,350,361,421	2,203,206,904		147,154,517	94 %	104 %
Service charges	8,761,835,673	8,764,180,293		8,764,180,293	8,018,492,355		745,687,938	91 %	92 %
Investment revenue	579,218,861	459,218,861		459,218,861	90,343,076		368,875,785	20 %	16 %
Transfers recognised - operational	2,343,228,440	2,431,121,904		2,431,121,904	2,863,063,713		(431,941,809)	118 %	122 %
Other own revenue	592,226,265	405,990,977		405,990,977	727,300,336		(321,309,359)	179 %	123 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>14,403,772,150</b>	<b>14,410,873,456</b>		<b>14,410,873,456</b>	<b>13,902,406,384</b>		<b>508,467,072</b>	<b>96 %</b>	<b>97 %</b>
Employee costs	(3,999,057,276)	(3,934,456,543)	9,588,036	(3,924,868,507)	(3,864,225,216)	-	(60,643,291)	98 %	97 %
Remuneration of councillors	(66,636,377)	(66,636,377)	310,000	(66,326,377)	(62,513,464)	-	(3,812,913)	94 %	94 %
Debt impairment	(1,142,999,829)	(1,354,372,981)		(1,354,372,981)	(1,383,962,067)	-	29,589,086	102 %	121 %
Depreciation and asset impairment	(510,566,620)	(1,951,840,280)		(1,951,840,280)	(2,105,011,754)	-	153,171,474	108 %	412 %
Finance charges	(274,795,300)	(296,520,900)	-	(296,520,900)	(307,457,612)	-	10,936,712	104 %	112 %
Materials and bulk purchases	(5,345,503,871)	(5,345,503,871)	-	(5,345,503,871)	(5,150,063,183)	-	(195,440,688)	96 %	96 %
Transfers and grants	(61,505,000)	(62,005,000)	(500,000)	(62,505,000)	(57,093,069)	-	(5,411,931)	91 %	93 %
Other expenditure	(3,002,694,516)	(3,011,622,393)	(9,398,036)	(3,021,020,429)	(2,488,531,121)	-	(532,489,308)	82 %	83 %
<b>Total expenditure</b>	<b>(14,403,758,789)</b>	<b>(16,022,958,345)</b>	<b>-</b>	<b>(16,022,958,345)</b>	<b>(15,418,857,486)</b>	<b>-</b>	<b>(604,100,859)</b>	<b>96 %</b>	<b>107 %</b>
<b>Surplus/(Deficit)</b>	<b>13,361</b>	<b>(1,612,084,889)</b>		<b>(1,612,084,889)</b>	<b>(1,516,451,102)</b>		<b>(95,633,787)</b>	<b>94 %</b>	<b>(11,349,832)%</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	586,471,168		586,471,168	13,762,363		572,708,805	2 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>13,361</b>	<b>(1,025,613,721)</b>		<b>(1,025,613,721)</b>	<b>(1,502,688,739)</b>		<b>477,075,018</b>	<b>147 %</b>	<b>(11,246,828)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>13,361</b>	<b>(1,025,613,721)</b>		<b>(1,025,613,721)</b>	<b>(1,502,688,739)</b>		<b>477,075,018</b>	<b>147 %</b>	<b>(11,246,828)%</b>

# Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>									
Total capital expenditure	2,382,685,694	2,268,169,866	-	2,268,169,866	1,935,436,671	-	332,733,195	85 %	81 %
<b>Sources of capital funds</b>									
Transfers recognised - capital	514,423,000	579,682,207		579,682,207	499,321,827		80,360,380	86 %	97 %
Public contributions and donations	-	9,489,171		9,489,171	9,164,860		324,311	97 %	DIV/0 %
Borrowing	768,455,849	1,505,786,290	15,002,000	1,520,788,290	1,298,837,641		221,950,649	85 %	169 %
Internally generated funds	1,099,806,845	173,212,198	(15,002,000)	158,210,198	127,703,634		30,506,564	81 %	12 %
<b>Total sources of capital funds</b>	<b>2,382,685,694</b>	<b>2,268,169,866</b>		<b>2,268,169,866</b>	<b>1,935,027,962</b>		<b>333,141,904</b>	<b>85 %</b>	<b>81 %</b>
<b>Cash flows</b>									
Net cash from (used) operating	1,040,872,498	1,040,872,498		1,040,872,498	990,957,740		49,914,758	95 %	95 %
Net cash from (used) investing	(2,365,255,060)	(2,365,255,060)		(2,365,255,060)	(2,056,300,106)		(308,954,954)	87 %	87 %
Net cash from (used) financing	604,227,148	604,227,148		604,227,148	665,038,329		(60,811,181)	110 %	110 %
Cash / cash equivalents at beginning of year	2,320,695,059	2,320,695,059		2,320,695,059	1,064,929,449		1,255,765,610	46 %	46 %
<b>Cash/cash equivalents at the year end</b>	<b>1,600,539,645</b>	<b>1,600,539,645</b>		<b>1,600,539,645</b>	<b>664,625,412</b>		<b>935,914,233</b>	<b>42 %</b>	<b>42 %</b>

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

Appendix A: Schedule of external loans

# APPENDIX A

## GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
<b>LONG-TERM LOANS</b>							
Stock Loan @ 10%	64	2009/06/30	20,000	-	20,000	-	-
Stock Loan @ 10%	66	2009/09/30	18,000	-	18,000	-	-
Stock Loan @ 10%	67	2010/09/30	10,000	-	-	10,000	-
Stock Loan @ 10%	68	2011/12/31	5,000	-	-	5,000	-
Stock Loan @ 10%	69	2011/03/31	45,000	-	-	45,000	-
Stock Loan @ 10%	70	2011/03/31	10,000	-	-	10,000	-
Stock Loan @ 15.8%	405	2011/06/30	29,000,000	-	-	29,000,000	-
Stock Loan @ 16.3	75	2011/06/30	25,000,000	-	-	25,000,000	-
Stock Loan @ 16.5%	76	2011/06/30	2,400,000	-	-	2,400,000	-
Stock Loan @ 16.5%	77	2011/06/30	73,319,100	-	-	73,319,100	-
Stock Loan @ 10%	73	2011/06/30	32,000	-	-	32,000	-
Stock Loan @ 15.8%	96	2011/06/30	31,000,000	-	-	31,000,000	-
Stock Loan @ 15.65%	2	2011/06/30	50,000,000	-	-	50,000,000	-
Stock Loan @ 16.7%	97	2011/06/30	22,004,587	-	-	22,004,587	-
Stock Loan @ 10%	74	2011/09/30	14,333	-	-	14,333	-
Stock Loan @ 10%	75	2011/12/31	60,000	-	-	60,000	-
Stock Loan @ 10%	77	2012/06/30	5,257	-	-	5,257	-
Stock Loan @ 10%	78	2012/06/30	9,000	-	-	9,000	-
Stock Loan @ 10%	81	2013/03/31	10,000	-	-	10,000	-
Stock Loan @ 10%	80	2013/06/30	1,190	-	-	1,190	-
Stock Loan @ 10%	82	2013/06/30	18,733	-	-	18,733	-
Stock Loan @ 10%	83	2013/06/30	20,000	-	-	20,000	-
Stock Loan @ 10%	84	2013/06/30	5,000	-	-	5,000	-
Stock Loan @ 10%	87	2013/09/30	13,333	-	-	13,333	-
Stock Loan @ 10%	89	2013/12/31	7,000	-	-	7,000	-
Stock Loan @ 14.2%	26	2014/11/30	32,620,000	-	-	32,620,000	-
Stock Loan @ 10%	91	2014/09/30	69,000	-	-	69,000	-
Stock Loan @ 10%	92	2014/12/31	26,667	-	-	26,667	-
Stock Loan @ 10%	93	2014/12/31	16,667	-	-	16,667	-
Stock Loan @ 10%	94	2015/06/30	4,166	-	-	4,166	-
Stock Loan @ 10%	95	2015/06/30	20,000	-	-	20,000	-
			-	-	-	-	-
			-	-	-	-	-
			<b>265,784,033</b>	<b>-</b>	<b>38,000</b>	<b>265,746,033</b>	<b>-</b>
<b>STRUCTURED LOANS</b>							
ABSA @ 15.9%	1	2012/12/31	-	-	-	-	-
INCA @ 16.5%	13	2011/06/30	50,000,000	-	50,000,000	-	-
			19,453,504	-	-	19,453,504	-

# APPENDIX A

## GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
INCA @ 12.25%	11	2011/12/31	55,920,726	-	20,398,692	35,522,034	-
DBSA NO 2 @ 12.2%	25	2013/03/31	86,338,407	-	17,922,124	68,416,283	-
DBSA NO 1 @ 13.5%	5	2014/06/30	176,717,468	-	26,773,954	149,943,514	-
NEDBANK @ 10.78%	3	2018/12/24	1,022,700,433	-	66,219,627	956,480,806	918,453,346
ABSA R800M 2009/2010	12	2010/03/03	-	400,000,000	-	400,000,000	-
ABSA R800M 2009/2010	12	2010/03/03	-	200,000,000	-	200,000,000	-
ABSA R800M 2009/2010	12	2010/03/03	-	200,000,000	-	200,000,000	-
ABSA @ 11.99%	2	2014/06/30	400,000,000	-	-	400,000,000	-
			<b>1,811,130,538</b>	<b>800,000,000</b>	<b>181,314,397</b>	<b>2,429,816,141</b>	<b>918,453,346</b>
FUNDING FACILITY			-	-	-	-	-





# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary information**

---

Appendix B: Analysis of property, plant and equipment

**GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**  
**Historical Cost** **Accumulated Depreciation and Impairment**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Adjustment to Provisions</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Additions and Impairments</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Carrying Value</b>	<b>Budget Additions</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Heritage</b>											
Conservation areas	16,078,825	-	-	-	<b>16,078,825</b>	-	-	-	-	<b>16,078,825</b>	-
Historical Buildings And Structures	10,201,178	-	-	-	<b>10,201,178</b>	-	-	-	-	<b>10,201,178</b>	-
Other heritage	52,115,182	-	-	-	<b>52,115,182</b>	-	-	-	-	<b>52,115,182</b>	-
	<b>78,395,185</b>	-	-	-	<b>78,395,185</b>	-	-	-	-	<b>78,395,185</b>	-
<b>Land</b>											
Land	1,223,471,537	4,566,029	-	3,935,900	<b>1,224,101,666</b>	-	-	-	-	<b>1,224,101,666</b>	-
	<b>1,223,471,537</b>	<b>4,566,029</b>	-	<b>3,935,900</b>	<b>1,224,101,666</b>	-	-	-	-	<b>1,224,101,666</b>	-
<b>Infrastructure</b>											
Electricity Network	13,656,519,876	366,262,204	-	-	<b>14,022,782,080</b>	488,198,397	486,412,271	-	<b>974,610,668</b>	<b>13,048,171,412</b>	-
Water and sanitation network	5,824,402,718	364,517,917	-	817,076	<b>6,188,103,559</b>	200,647,202	200,323,894	-	<b>400,971,096</b>	<b>5,787,132,463</b>	-
Roads and Stormwater Network	18,305,415,698	601,413,318	-	484,361	<b>18,906,344,655</b>	986,351,001	975,562,000	-	<b>1,961,913,001</b>	<b>16,944,431,654</b>	-
ICT Network	671,530,955	13,530,049	-	-	<b>685,061,004</b>	36,242,268	36,359,472	-	<b>72,601,740</b>	<b>612,459,264</b>	-
Rail network	47,620,581	-	-	-	<b>47,620,581</b>	2,060,805	2,060,805	-	<b>4,121,610</b>	<b>43,498,971</b>	-
	<b>38,505,489,828</b>	<b>1,345,723,488</b>	-	<b>1,301,437</b>	<b>39,849,911,879</b>	<b>1,713,499,673</b>	<b>1,700,718,442</b>	-	<b>3,414,218,115</b>	<b>36,435,693,764</b>	-

**GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009**  
**Historical Cost** **Accumulated Depreciation and Impairment**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Adjustment to Provisions</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Additions and Impairments</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Carrying Value</b>	<b>Budget Additions</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Community</b>											
Community facilities	2,235,373,901	125,720,925	(92,853,604)	-	<b>2,268,241,222</b>	95,862,050	104,857,694	-	<b>200,719,744</b>	<b>2,067,521,478</b>	-
Sport and recreation facilities	1,026,549,803	106,309,103	-	-	<b>1,132,858,906</b>	54,758,330	54,758,329	-	<b>109,516,659</b>	<b>1,023,342,247</b>	-
	<b>3,261,923,704</b>	<b>232,030,028</b>	<b>(92,853,604)</b>	-	<b>3,401,100,128</b>	<b>150,620,380</b>	<b>159,616,023</b>	-	<b>310,236,403</b>	<b>3,090,863,725</b>	-
<b>Other property, plant and equipment</b>											
Animals	159,316	-	-	-	<b>159,316</b>	-	-	-	-	<b>159,316</b>	-
Computer equipment	104,534,909	10,493,472	-	332,112	<b>114,696,269</b>	62,943,528	15,093,311	182,234	<b>77,854,605</b>	<b>36,841,664</b>	-
Furniture and fittings	135,469,431	10,730,511	-	16,870	<b>146,183,072</b>	92,756,485	9,048,507	11,243	<b>101,793,749</b>	<b>44,389,323</b>	-
Other housing	12,192,849	-	-	-	<b>12,192,849</b>	564,633	564,633	-	<b>1,129,266</b>	<b>11,063,583</b>	-
Social housing	3,794,151,607	-	-	-	<b>3,794,151,607</b>	75,883,032	74,365,371	-	<b>150,248,403</b>	<b>3,643,903,204</b>	-
Operational buildings	1,305,999,927	157,842,619	-	-	<b>1,463,842,546</b>	85,360,471	85,360,472	-	<b>170,720,943</b>	<b>1,293,121,603</b>	-
Plant And Equipment	146,178,901	48,559,456	-	-	<b>194,738,357</b>	69,385,165	23,074,870	-	<b>92,460,035</b>	<b>102,278,322</b>	-
Vehicles	549,272,595	114,593,766	-	-	<b>663,866,361</b>	228,926,801	35,793,498	-	<b>264,720,299</b>	<b>399,146,062</b>	-
	<b>6,047,959,535</b>	<b>342,219,824</b>	-	<b>348,982</b>	<b>6,389,830,377</b>	<b>615,820,115</b>	<b>243,300,662</b>	<b>193,477</b>	<b>858,927,300</b>	<b>5,530,903,077</b>	-
<b>Total</b>											
Heritage	78,395,185	-	-	-	<b>78,395,185</b>	-	-	-	-	<b>78,395,185</b>	-
Land	1,223,471,537	4,566,029	-	3,935,900	<b>1,224,101,666</b>	-	-	-	-	<b>1,224,101,666</b>	-
Infrastructure	38,505,489,828	1,345,723,488	-	1,301,437	<b>39,849,911,879</b>	1,713,499,673	1,700,718,442	-	<b>3,414,218,115</b>	<b>36,435,693,764</b>	-
Community	3,261,923,704	232,030,028	(92,853,604)	-	<b>3,401,100,128</b>	150,620,380	159,616,023	-	<b>310,236,403</b>	<b>3,090,863,725</b>	-
Other property, plant and equipment	6,047,959,535	342,219,824	-	348,982	<b>6,389,830,377</b>	615,820,115	243,300,662	193,477	<b>858,927,300</b>	<b>5,530,903,077</b>	-
	<b>49,117,239,789</b>	<b>1,924,539,369</b>	<b>(92,853,604)</b>	<b>5,586,319</b>	<b>50,943,339,235</b>	<b>2,479,940,168</b>	<b>2,103,635,127</b>	<b>193,477</b>	<b>4,583,381,818</b>	<b>46,359,957,417</b>	-

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary information**

---

Appendix D: Segmental Statement of Financial Performance

	MUNICI	NAME		
	Current year 2009 Yrly Per.	Prior Year # 1 2008 Yrly Per.		
	Act. Bal.	Bud. Amt	Variance	
	June Year to Date Rand	June Year to Date Rand	Rand	
EXECUTIVE	-	-	-	
FINANCE	-	-	-	
PLANNING	-	-	-	
HEALTH	-	-	-	
COMMUNITY	-	-	-	
HOUSING	-	-	-	
PUBLIC	-	-	-	
SPORT	-	-	-	
ENVIRONMENTAL	-	-	-	
WASTE	-	-	-	
ROAD	-	-	-	
WATER	-	-	-	
ELECTRICITY	-	-	-	
OTHER	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	Less Inter-Dep Charges Total
	-	-	-	
	-	-	-	
	-	-	-	

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary information**

---

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Current year 2009 Bud. Amt</b>	<b>Current year 2009 Act. Bal.</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	
<b>Revenue</b>				
Property rates	2,250,016	2,131,999	118,017	Growth in valuation roll lower than anticipated.
Property rates - penalties imposed and collection charges	100,346	71,208	29,138	Reduction in interest rate as well as re-classification to fines and/or services.
Service charges	8,764,180	8,018,492	745,688	Electricity sales lower by 8% and Water by 22%
Rental of facilities and equipment	42,791	48,719	(5,928)	Lease Income recognised in terms of GRAP 13.
Interest received (Debtors)	400,000	270,959	129,041	Reduction in interest rate as well as re-classification to fines and/or services.
Fines	95,687	99,373	(3,686)	
Licences and permits	27,143	24,799	2,344	Lower growth impacted on building plans income.
Income from agency services	165,159	156,773	8,386	
Government grants & subsidies	3,017,593	2,876,826	140,767	Not all capital grants recognised as income due to expenditure not being incurred in full .
	<b>14,862,915</b>	<b>13,699,148</b>	<b>1,163,767</b>	
<b>Other income</b>				
Other income	74,867	92,012	(17,145)	Unpredictable portion of income, varies from year to year.
Interest received - investment	59,219	90,343	(31,124)	Fair value adjustment of investment of R37 million included in income.
Property, plant and equipment	-	34,665	(34,665)	Sale of land at fair value not budgeted for.
	<b>134,086</b>	<b>217,020</b>	<b>(82,934)</b>	
<b>Total Revenue</b>	<b>14,997,001</b>	<b>13,916,168</b>	<b>1,080,833</b>	
<b>Expenses</b>				
Employee related costs	(3,924,869)	(3,864,225)	(60,644)	
Remuneration of councillors	(66,326)	(62,513)	(3,813)	
Debt impairment	(1,354,373)	(1,383,962)	29,589	
Collection costs	(96,785)	(73,530)	(23,255)	Anticipated approval of revised credit control organogram - funding set aside to fund new positions - not approved by 30 June 2010.
Depreciation	(1,951,840)	(2,103,418)	151,578	Higher values for land and buildings due to fair value adjustment.
Amortisation	-	(1,377)	1,377	
Repairs and maintenance	(1,164,194)	(1,004,887)	(159,307)	Mainly related to underspending in the Electricity, Solid Waste, ICT and CCA departments.
Finance costs	(296,521)	(307,458)	10,937	Municipal Bond taken up by July 2010.
Bulk purchases	(5,345,504)	(5,150,063)	(195,441)	
Contracted Services	(607,966)	(563,520)	(44,446)	Cost saving measures implemented by Council - limited new contracts awarded.
Grants and subsidies paid	(62,005)	(57,093)	(4,912)	
General expenses	(1,152,575)	(845,137)	(307,438)	Cost saving measures implemented by Council.
Impairments	-	(218)	218	

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Current year 2009 Bud. Amt</b>	<b>Current year 2009 Act. Bal.</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
	(16,022,958)	(15,417,401)	(605,557)	
Operating profit	(1,025,957)	(1,501,233)	475,276	
Other revenue and costs	-	(1,457)	1,457	
Net surplus/ (deficit) for the year	(1,025,957)	(1,502,690)	476,733	



# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary information**

---

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)  
FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Additions</b>	<b>Under</b>	<b>Closing</b>	<b>Budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>Rand</b>	<b>Construction</b>	<b>Balance</b>	<b>Rand</b>	<b>Rand</b>	
		<b>Rand</b>	<b>Rand</b>			
<b>Infrastructure</b>						
2010 office	64,923,078	-	<b>64,923,078</b>	70,804,180	(5,881,102)	
City development	638,225	-	<b>638,225</b>	2,239,000	(1,600,775)	ICT procurement delayed.
City manager	179,961	-	<b>179,961</b>	229,500	(49,539)	Equipment only - cost saving measures applied.
Communications and marketing	180,304	-	<b>180,304</b>	203,679	(23,375)	Equipment only - cost saving measures applied.
Community safety	63,885,509	-	<b>63,885,509</b>	71,761,158	(7,875,649)	ICT procurement delayed.
Council general	20,328,979	-	<b>20,328,979</b>	30,052,285	(9,723,306)	Germiston Precinct Project in feasibility stage.
Customer care centres	29,185,944	-	<b>29,185,944</b>	70,214,528	(41,028,584)	Delays in finalising tenders for Greenfields projects.
Deputy city manager: Operations	-	-	-	29,868	(29,868)	Equipment only - cost saving measures applied.
Economic development	24,427,018	-	<b>24,427,018</b>	26,792,106	(2,365,088)	
Electricity and energy	380,478,414	-	<b>380,478,414</b>	401,463,435	(20,985,021)	
Environmental development: Enviro	9,314,845	-	<b>9,314,845</b>	10,882,461	(1,567,616)	Delay in lakes rehabilitation and vehicle purchases delayed.
Finance	3,897,590	-	<b>3,897,590</b>	5,289,915	(1,392,325)	ICT procurement delayed.
Fleet management	205,793	-	<b>205,793</b>	1,890,000	(1,684,207)	Equipment only - cost saving measures applied.
Health	85,196,718	-	<b>85,196,718</b>	105,599,807	(20,403,089)	Government Grant Funding Budgeted for not available for project.
Housing	284,546,354	-	<b>284,546,354</b>	355,463,741	(70,917,387)	Land purchases only registered in deeds office during July 2010.
Human resources	53,111	-	<b>53,111</b>	306,800	(253,689)	
Information communication technology	18,561,113	-	<b>18,561,113</b>	93,586,914	(75,025,801)	New ICT Strategy to be approved before further investments.
Integrated development planning	4,595	-	<b>4,595</b>	5,300	(705)	Equipment only - cost saving measures applied.
Internal audit	310,530	-	<b>310,530</b>	454,500	(143,970)	Equipment only - cost saving measures applied.
Corporate and legal services	6,376,013	-	<b>6,376,013</b>	7,030,070	(654,057)	
Springs market	632,791	-	<b>632,791</b>	2,132,095	(1,499,304)	Equipment only - cost saving measures applied.
Political office	1,853,723	-	<b>1,853,723</b>	3,962,100	(2,108,377)	Equipment only - cost saving measures applied.
Research and Development	226,827	-	<b>226,827</b>	175,167	51,660	
IS - Roads and civil works	577,371,851	-	<b>577,371,851</b>	620,349,334	(42,977,483)	
Solid waste	80,715,490	-	<b>80,715,490</b>	92,296,565	(11,581,075)	Delays in vehicle purchases.
Sport recreations arts & culture	109,222,390	-	<b>109,222,390</b>	110,492,390	(1,270,000)	
IS - Water services	91,857,780	-	<b>91,857,780</b>	90,996,420	861,360	
Deputy city manager: Strategic	63,102	-	<b>63,102</b>	397,000	(333,898)	Equipment only - cost saving measures applied.
Environmental Development: Health	869,557	-	<b>869,557</b>	1,675,900	(806,343)	Equipment only - cost saving measures applied.
Environmental Development: Parks	79,520,358	-	<b>79,520,358</b>	91,393,648	(11,873,290)	Delays in vehicle purchases.
	<b>1,935,027,963</b>	-	<b>1,935,027,963</b>	<b>2,268,169,866</b>	<b>(333,141,903)</b>	-

<b>Additions Rand</b>	<b>Under Construction Rand</b>	<b>Closing Balance Rand</b>	<b>Budget Rand</b>	<b>Variance Rand</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
---------------------------	----------------------------------------	-------------------------------------	------------------------	--------------------------	---------------------------------------------------------------------------

# **Ekurhuleni Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary information**

---

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2010  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**  
 June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Finance Management Grant	NT	750,000	-	-	-	632,808	117,192	-	-	Yes
Transformation Grant	NT	-	-	-	-	-	-	-	-	
Restructuring Grant	NT	-	-	-	-	-	814,200	-	729,099	Yes
LED Grant	DFEA	-	-	-	-	-	-	-	5,153	Yes
HIV/AidsGrant	DLG	-	-	1,000,000	-	79,150	636,038	623,765	835,998	Yes
Indigent Burials	DLG	-	-	-	-	-	-	-	-	Yes
Bontle Ke Botle	GDACE	-	-	-	-	40,136	32,632	272,944	224,922	Yes
Environmental & Tourism	GDACE	-	-	-	-	-	-	-	69,239	Yes
Skills & Development Grant - SETA	LGSETA	2,160,884	4,263,955	3,714,909	3,622,615	1,174,255	3,757,334	3,195,977	5,634,798	Yes
Vuna Awards	DPLG	-	-	-	-	-	-	-	-	Yes
Municipal Revenue Enhancement Programme	NT	-	-	-	-	-	-	-	-	Yes
WSDP	DWAF	-	-	-	-	-	-	-	1,740,660	Yes
Township Initiatives - SRAC	GPDSRAC	-	679,000	-	-	11,750	-	1,195,592	2,734,934	Yes
CMTF	GD RTPW	-	-	-	-	-	-	116,673	45,243	Yes
Zonki Trust	GD RTPW	-	-	-	-	-	-	-	1,884,978	Yes
ICLEI- Foreign	ICLEI	-	-	-	-	-	-	-	-	Yes
UEM Danida - Foreign	Govt of Denmark	2,100,000	7,000,000	-	8,000,000	282,148	2,897,561	5,908,848	4,928,387	Yes
CLGF - Foreign	LondonBorough of Lewinsahm	-	-	-	-	-	-	-	-	Yes
Accreditation Capacity	NDoHousing	-	-	-	-	-	15,351	-	166,200	Yes
Demilitarisation Project	DPLG - from Vuna & Public Contribution	-	-	-	-	-	-	-	19,106	Yes
Community Nursery Health (Abedare)	Public Contribution	-	-	-	-	-	-	-	-	Yes
OR Tambo Festival - ACSA	Public Contribution	-	-	-	-	-	-	34,130	20,563	Yes
20 OTP	Gauteng Development Housing	-	-	-	-	-	-	-	9,489	Yes
Lethabong Housing Institute	Public Contribution	-	-	-	-	-	-	1,239,913	161,142	Yes
Tembisa Disaster	Public Contribution	-	-	-	-	-	-	-	-	Yes
PJEC	Various Municipalities	-	-	-	-	-	-	-	173	Yes
	Publi Contr									

Mayoral Golf Day	Public Contribution	-	-	-	-	218,493	70,167	26,183	289,886	Yes
Women's Dialogues	Public Contribution	-	-	-	-	-	-	-	-	Yes
Health Subsidies	Gauteng Department of Health	43,118	23,002,250	43,559,070	27,999,142	43,118	23,002,250	43,559,070	27,999,142	Yes
Emergency Subsidies	DLPG	48,425,000	-	48,425,000	-	48,425,000	-	48,425,000	-	Yes
SRAC	GPDSRAC	-	-	-	-	-	-	-	-	Yes
Roads Transport & Civil Works	GDRTPW	-	-	-	-	-	-	-	-	Yes
Water & Sanitation	DWAT (NT)	-	-	-	-	-	-	-	-	Yes
INEP	DME (NT)	-	-	-	-	-	2,264,357	-	842,844	Yes
PTIS	DoT	-	-	27,745,000	-	11,514	4,807,733	746,078	2,908,801	Yes
LED	DFEA	-	-	-	-	-	-	-	-	Yes
Public contributions - Roads	Public Contribution	-	-	-	370,277	-	-	-	370,277	Yes
Public contributions - Water	Public Contribution	-	-	-	9,118,895	-	-	-	9,118,895	Yes
Substations Electricity	Public Contributions	-	-	-	18,375,033	-	-	-	15,559,686	Yes
EPWP	Department of Public Works	-	-	-	12,985,972	-	-	-	-	Yes
MIG		-	-	288,253,000	-	20,892,718	88,128,629	50,278,146	269,738,042	Yes
PHB	Gauteng Department of Housing	16,689,626	1,377,184	-	16,151,693	231,817	12,047,052	6,995,222	3,774,515	Yes
Community Care Centre	Gauteng Provincial Gov	9,500,000	12,000,000	10,053,000	-	6,048,226	4,837,860	2,153,852	7,348,807	Yes
PHB Interest		1,462,141	1,355,580	1,211,899	1,209,155	-	-	-	-	Yes
NDPG	NT	17,821,712	-	26,607,290	-	1,723,235	8,050,644	9,322,851	23,443,222	Yes
HSRC - Health	HSRC	-	-	-	-	-	-	-	200,000	Yes
UEM - Danida - Foreign	Danish Embassy	-	-	-	-	-	-	182,726	21,286	Yes
Equitable Shares	NT	778,355,693	686,745,755	622,256,236	-	778,355,693	686,745,755	622,256,236	-	Yes
Electricity Demand Management Side		-	3,000,000	-	-	-	368,000	255,898	2,448,676	Yes
		877,308,174	739,423,724	1,072,825,404	97,832,782	858,170,061	838,592,755	796,789,104	383,274,163	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.