



Ekurhuleni Metropolitan Municipality  
Group Annual Financial Statements  
for the year ended 30 June 2013

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## General Information

---

<b>Legal form of entity</b>	Municipality and its municipal entities
<b>Legislation governing the municipality's operations</b>	Municipal Finance Management Act (Act No. 56 of 2003)
<b>Mayoral committee</b>	
Executive Mayor	Clr M Gungubele
	Speaker: Clr P Khumalo
Councillors	Chief Whip: Clr R Mashego
	MMC: Finance: Clr M Makwakwa
	MMC: Health and Social Development: Clr M Maluleke
	MMC: Human Settlements: Clr Q Duba
	MMC: Environmental Management: Clr V M Mabena
	MMC: City Planning and Economic Development: Clr BM Nikani
	MMC: Corporate and Shared Services: Clr P Nkunjana
	MMC: Water and Energy: Clr A Nxumalo
	MMC: Community Safety: Clr M H Sibozza
	MMC: Sport, Heritage, Recreation, Arts and Crafts: Clr Z K Tshongweni
	MMC : Roads and Transport: Clr M I T Mahlangu
<b>Grading of local authority</b>	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.
<b>Accounting Officer</b>	K Ngema 011 999 0481
<b>Chief Financial Officer (CFO)</b>	R Ganda
<b>Registered office</b>	Corner Rose and Cross Streets Germiston 1400
<b>Business address</b>	Corner Rose and Cross Streets Germiston 1400
<b>Postal address</b>	Private Bag X69 Germiston 1400
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor-General of South Africa

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Index

---

The reports and statements set out below comprise the group 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	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Appropriation Statement	8 - 12
Accounting Policies	13 - 35
Notes to the Group Annual Financial Statements	36 - 97

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation Act
DBSA	Development Bank of South Africa
PHB	Public Housing Board
GRAP	Generally Recognised Accounting Practice
DWAF	Department of Water and Forestry
PTIS	Public Transport and Infrastructure
LED	Local Economic Development
FMG	Finance Management Grant
IPSAS	International Public Sector Accounting Standards
SDL	Skills Development Levy
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MIG	Municipal Infrastructure Grant
BKB	Bontle Ke Bontle
GMRF	Germiston Municipal Retirement Fund
USDG	Urban Settlement Development Grant

---

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## 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 group annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the group annual financial statements fairly present the state of affairs of the economic entity 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 group annual financial statements and was given unrestricted access to all financial records and related data.

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

The group 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 economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 group 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 economic entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the economic entity 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 economic entity's internal auditors.

The group annual financial statements set out on pages 4 to 97, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 9 December 2013.

---

**Accounting Officer**  
**K Ngema**

---

**Chief Financial Officer**  
**R Ganda**

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2013	2012	2013	2012
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	13	139 702 056	155 946 657	128 801 347	145 045 948
Other Investments	9	28 537 761	25 927 064	22 771 212	21 285 000
Other receivables from exchange transactions	14	499 564 568	312 466 410	485 996 856	302 336 005
Receivables from non-exchange transactions (taxes and transfers)	15	17 666 135	29 540 450	17 666 135	29 540 450
Consumer debtors	16	3 552 483 440	3 008 133 641	3 552 483 440	3 008 133 641
Cash and cash equivalents	17	4 569 370 984	3 050 454 531	4 374 377 023	2 838 424 089
		<b>8 807 324 944</b>	<b>6 582 468 753</b>	<b>8 582 096 013</b>	<b>6 344 765 133</b>
<b>Non-Current Assets</b>					
Investment property	4	168 427 434	150 529 208	128 919 704	110 246 592
Property, plant and equipment (PPE)	5	43 974 042 190	43 502 256 888	42 965 055 930	42 678 423 546
Intangible assets	6	93 007 311	68 192 075	90 611 176	66 506 608
Heritage assets	7	78 395 185	78 395 185	78 395 185	78 395 185
Investments in controlled entities	8	-	-	306	306
Other Investments	9	804 214 431	472 185 461	804 214 431	472 185 461
Deferred tax	10	3 573 716	1 885 958	-	-
Long-term receivables	12	2 386 621	2 519 835	2 386 621	2 519 835
		<b>45 124 046 888</b>	<b>44 275 964 610</b>	<b>44 069 583 353</b>	<b>43 408 277 533</b>
<b>Total Assets</b>		<b>53 931 371 832</b>	<b>50 858 433 363</b>	<b>52 651 679 366</b>	<b>49 753 042 666</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Long-term liabilities	20	647 116 038	202 017 110	629 420 732	182 305 105
Current tax payable		45 472	317 357	-	-
Trade and other payables from exchange transactions	22	4 428 220 205	3 624 850 282	4 376 296 747	3 613 203 120
Deposits	23	624 061 213	536 474 676	620 477 496	532 611 189
Unspent conditional grants and receipts	19	243 200 492	110 469 114	232 406 959	99 675 581
Provisions	21	257 650 901	281 179 211	236 209 055	259 426 470
Current portion of other long-term liabilities		-	1 400 000	-	-
Bank overdraft	17	-	365	-	-
		<b>6 200 294 321</b>	<b>4 756 708 115</b>	<b>6 094 810 989</b>	<b>4 687 221 465</b>
<b>Non-Current Liabilities</b>					
Long-term liabilities	20	4 615 343 800	4 480 496 019	4 503 777 045	4 333 206 439
Retirement benefit obligation	11	1 640 939 877	1 502 270 877	1 640 939 877	1 502 270 877
Deferred tax	10	1 428 470	952 314	-	-
Provisions	21	760 466 832	653 652 489	755 121 133	649 199 245
Other long term liabilities		-	2 800 000	-	-
		<b>7 018 178 979</b>	<b>6 640 171 699</b>	<b>6 899 838 055</b>	<b>6 484 676 561</b>
<b>Total Liabilities</b>		<b>13 218 473 300</b>	<b>11 396 879 814</b>	<b>12 994 649 044</b>	<b>11 171 898 026</b>
<b>Net Assets</b>		<b>40 712 898 532</b>	<b>39 461 553 549</b>	<b>39 657 030 322</b>	<b>38 581 144 640</b>
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
Share premium	18	7 442 007	7 442 007	-	-
Accumulated surplus		40 672 226 053	39 428 117 115	39 657 030 322	38 581 144 640
		<b>40 679 668 060</b>	<b>39 435 559 122</b>	<b>39 657 030 322</b>	<b>38 581 144 640</b>
Minority interest		33 230 472	25 994 427	-	-
<b>Total Net Assets</b>		<b>40 712 898 532</b>	<b>39 461 553 549</b>	<b>39 657 030 322</b>	<b>38 581 144 640</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2013	2012	2013	2012
<b>Revenue</b>					
Property Rates	26	2 801 448 643	2 589 321 741	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges		72 091 881	53 770 449	72 091 881	53 770 449
Service charges	27	13 458 747 714	12 601 620 871	13 500 276 496	12 640 496 148
Rental of facilities and equipment	40	72 589 775	70 487 525	49 599 515	49 227 077
Interest earned - outstanding debtors		257 704 798	199 886 549	257 704 798	199 886 549
Licences and permits		35 331 580	33 960 666	35 331 580	33 960 666
Income from agency services		228 211 226	208 920 868	228 211 226	208 920 868
Fines		173 028 668	210 363 750	173 028 668	210 363 750
Government grants & subsidies	28	4 756 418 414	4 568 533 803	4 746 558 483	4 557 540 172
Public contributions and donations		31 354 044	13 450 224	31 354 044	13 450 224
Rendering of services		8 933 008	8 307 720	-	-
Other income	29	155 429 099	137 511 778	106 834 963	92 216 304
Interest revenue	34	249 052 362	160 839 075	239 543 250	153 736 169
Dividends received	34	98 945	178 572	-	-
<b>Total Revenue</b>		<b>22 300 440 157</b>	<b>20 857 153 591</b>	<b>22 243 406 190</b>	<b>20 803 967 656</b>
<b>Expenditure</b>					
Employee related costs	31	(4 444 795 388)	(4 257 094 193)	(4 276 570 698)	(4 109 531 899)
Remuneration of councillors	32	(87 954 568)	(79 406 240)	(87 954 568)	(79 406 240)
Administration		(1 667 679)	(1 529 442)	-	-
Depreciation and amortisation	35	(2 040 757 497)	(2 015 296 043)	(2 014 261 766)	(1 984 749 539)
Impairment of assets	36	(41 645 746)	(1 973 600)	(41 642 835)	-
Finance costs	37	(534 557 410)	(468 195 783)	(522 865 539)	(453 417 828)
Debt impairment	33	(891 343 772)	(1 444 896 254)	(887 674 954)	(1 442 007 752)
Collection costs		(114 913 079)	(132 422 044)	(114 274 792)	(131 932 643)
Repairs and maintenance		(1 886 265 793)	(1 774 932 619)	(1 839 955 189)	(1 737 189 295)
Bulk purchases	43	(8 495 342 574)	(7 595 425 523)	(8 852 863 936)	(7 930 516 453)
Contracted services	41	(676 921 501)	(677 181 315)	(685 955 162)	(684 662 723)
Grants and subsidies paid	42	(875 645 418)	(362 004 390)	(960 645 418)	(426 284 806)
General Expenses	30	(941 679 003)	(1 123 059 659)	(867 599 390)	(1 065 442 758)
<b>Total Expenditure</b>		<b>(21 033 489 428)</b>	<b>(19 933 417 105)</b>	<b>(21 152 264 247)</b>	<b>(20 045 141 936)</b>
Gain on disposal of capital assets		-	801 307	-	776 424
Loss on disposal of capital assets		(16 742 861)	(21 474 902)	(15 256 261)	(21 039 546)
Taxation	38	1 137 115	803 665	-	-
<b>Surplus for the year</b>		<b>1 251 344 983</b>	<b>903 866 556</b>	<b>1 075 885 682</b>	<b>738 562 598</b>
<b>Attributable to:</b>					
Owners of the controlling entity		1 244 108 938	899 290 021	1 075 885 682	738 562 598
Minority interest		7 236 045	4 576 535	-	-

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

	Share premium	Fair value adjustment assets-available-for-sale reserve	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Minority interest	Total net assets
Figures in Rand						
<b>Economic entity</b>						
Opening balance as previously reported	7 442 007	2 580 970	38 912 438 780	38 922 461 757	19 952 831	38 942 414 588
Adjustments						
Change in accounting policy	-	(2 580 970)	2 580 970	-	(79 824)	(79 824)
Prior period error	-	-	(386 192 656)	(386 192 656)	1 544 884	(384 647 772)
<b>Balance at 01 July 2011 as restated</b>	<b>7 442 007</b>	<b>-</b>	<b>38 528 827 094</b>	<b>38 536 269 101</b>	<b>21 417 891</b>	<b>38 557 686 992</b>
Other adjustments	-	463 096	-	463 096	14 323	477 419
Changes in accounting policies	-	(463 096)	-	(463 096)	(14 323)	(477 419)
Net income (losses) recognised directly in net assets	-	-	-	-	-	-
Surplus for the year	-	-	899 290 021	899 290 021	4 576 536	903 866 557
Total recognised income and expenses for the year	-	-	899 290 021	899 290 021	4 576 536	903 866 557
Total changes	-	-	899 290 021	899 290 021	4 576 536	903 866 557
<b>Balance at 01 July 2012</b>	<b>7 442 007</b>	<b>-</b>	<b>39 428 117 115</b>	<b>39 435 559 122</b>	<b>25 994 427</b>	<b>39 461 553 549</b>
Changes in net assets						
Surplus for the year	-	-	1 244 108 938	1 244 108 938	7 236 045	1 251 344 983
Total changes	-	-	1 244 108 938	1 244 108 938	7 236 045	1 251 344 983
<b>Balance at 30 June 2013</b>	<b>7 442 007</b>	<b>-</b>	<b>40 672 226 053</b>	<b>40 679 668 060</b>	<b>33 230 472</b>	<b>40 712 898 532</b>
Note(s)	18					
<b>Controlling entity</b>						
Opening balance as previously reported	-	-	38 275 480 847	38 275 480 847	-	38 275 480 847
Adjustments						
Prior period error (Note 49)	-	-	(432 898 805)	(432 898 805)	-	(432 898 805)
<b>Balance at 01 July 2011 as previously reported</b>	<b>-</b>	<b>-</b>	<b>37 842 582 042</b>	<b>37 842 582 042</b>	<b>-</b>	<b>37 842 582 042</b>
Changes in net assets						
Surplus/(Deficit) for the year	-	-	738 562 598	738 562 598	-	738 562 598
Total changes	-	-	738 562 598	738 562 598	-	738 562 598
<b>Balance at 01 July 2012</b>	<b>-</b>	<b>-</b>	<b>38 581 144 640</b>	<b>38 581 144 640</b>	<b>-</b>	<b>38 581 144 640</b>
Changes in net assets						
Surplus for the year	-	-	1 075 885 682	1 075 885 682	-	1 075 885 682
Total changes	-	-	1 075 885 682	1 075 885 682	-	1 075 885 682
<b>Balance at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>39 657 030 322</b>	<b>39 657 030 322</b>	<b>-</b>	<b>39 657 030 322</b>
Note(s)	18					

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2013	2012	2013	2012
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Property rates		2 670 583 370	1 837 968 927	2 672 006 013	1 839 046 466
Sale of goods and services		12 392 493 860	11 849 480 804	12 368 226 470	11 843 870 845
Grants-Operational		3 693 589 658	3 227 593 885	3 711 812 353	3 221 893 885
Grants -Capital		1 167 477 509	1 301 440 972	1 167 477 509	1 301 440 972
Interest income		509 256 024	364 602 400	497 248 048	353 622 718
Dividends received		98 945	178 572	-	-
Other receipts		668 959 421	675 017 056	624 359 995	606 654 348
		<b>21 102 458 787</b>	<b>19 256 282 616</b>	<b>21 041 130 388</b>	<b>19 166 529 234</b>
<b>Payments</b>					
Employee costs		(4 222 886 509)	(4 134 765 117)	(4 055 197 226)	(3 994 959 002)
Suppliers		(10 607 329 990)	(9 734 941 945)	(10 892 062 527)	(10 131 175 841)
Finance costs		(534 557 410)	(468 195 783)	(522 865 539)	(453 417 828)
Other payments		(1 964 083 919)	(1 648 782 599)	(2 036 785 737)	(1 515 301 796)
		<b>(17 328 857 828)</b>	<b>(15 986 685 444)</b>	<b>(17 506 911 029)</b>	<b>(16 094 854 467)</b>
<b>Net cash flows from operating activities</b>	<b>44</b>	<b>3 773 600 959</b>	<b>3 269 597 172</b>	<b>3 534 219 359</b>	<b>3 071 674 767</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment (PPE)	5	(2 522 621 976)	(2 019 842 313)	(2 310 813 306)	(1 961 164 334)
Proceeds from the sale of property, plant and equipment	5	3 698	867 843	-	811 991
Purchase of investment property	4	(19 464 343)	-	(19 266 843)	-
Proceeds from sale of investment property	4	-	820 466	-	834 200
Purchase of intangible assets	6	(41 428 305)	(40 088 041)	(40 356 849)	(39 850 108)
Proceeds from sale of financial assets		(334 639 667)	(243 106 353)	(333 515 182)	(242 575 150)
Net movement in long term receivables		133 214	(187 165)	133 214	(187 165)
<b>Net cash flows from investing activities</b>		<b>(2 918 017 379)</b>	<b>(2 301 535 563)</b>	<b>(2 703 818 966)</b>	<b>(2 242 130 566)</b>
<b>Cash flows from financing activities</b>					
Movement in long term liabilities		579 946 709	606 210 852	617 686 233	624 443 368
Movement in deposits		87 586 529	45 630 460	87 866 308	45 573 078
Movement in other long term liabilities		(4 200 000)	(1 400 000)	-	-
<b>Net cash flows from financing activities</b>		<b>663 333 238</b>	<b>650 441 312</b>	<b>705 552 541</b>	<b>670 016 446</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>1 518 916 818</b>	<b>1 618 502 921</b>	<b>1 535 952 934</b>	<b>1 499 560 647</b>
Cash and cash equivalents at the beginning of the year		3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>4 569 370 984</b>	<b>3 050 454 166</b>	<b>4 374 377 023</b>	<b>2 838 424 089</b>



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Economic entity - 2013</b>											
<b>Financial Performance</b>											
Property rates	3 472 051 814	-	3 472 051 814	-	-	3 472 051 814	2 873 540 524		(598 511 290)	83 %	83 %
Service charges	14 500 476 026	-	14 500 476 026	-	6 001 462	14 506 477 488	13 458 747 714		(1 047 729 774)	93 %	93 %
Investment revenue	171 367 000	533 000	171 900 000	-	-	171 900 000	249 151 307		77 251 307	145 %	145 %
Transfers recognised - operational	3 503 200 922	209 410 023	3 712 610 945	-	-	3 712 610 945	3 647 933 385		(64 677 560)	98 %	104 %
Other own revenue	1 001 061 235	(5 387 156)	995 674 079	-	(48 960)	995 625 119	931 228 154		(64 396 965)	94 %	93 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>22 648 156 997</b>	<b>204 555 867</b>	<b>22 852 712 864</b>	-	<b>5 952 502</b>	<b>22 858 665 366</b>	<b>21 160 601 084</b>		<b>(1 698 064 282)</b>	<b>93 %</b>	<b>93 %</b>
Employee costs	(4 805 821 127)	103 855 989	(4 701 965 138)	-	31 135 959	(4 670 829 179)	(4 444 795 388)		226 033 791	95 %	92 %
Remuneration of councillors	(103 326 033)	-	(103 326 033)	-	-	(103 326 033)	(87 954 568)		15 371 465	85 %	85 %
Debt impairment	(1 259 243 009)	(207 000)	(1 259 450 009)			(1 259 450 009)	(891 343 772)		368 106 237	71 %	71 %
Depreciation and asset impairment	(2 260 941 010)	1 506 465	(2 259 434 545)		(27)	(2 259 434 572)	(2 082 403 243)		177 031 329	92 %	92 %
Finance charges	(611 389 566)	(531 831)	(611 921 397)	-	(2 444 571)	(614 365 968)	(534 557 410)		79 808 558	87 %	87 %
Materials and bulk purchases	(9 162 297 706)	(2 611 568)	(9 164 909 274)	-	(850 000)	(9 165 759 274)	(8 495 342 574)		670 416 700	93 %	93 %
Transfers and grants	(1 200 666 504)	(68 950 335)	(1 269 616 839)	-	(2 008 633)	(1 267 608 206)	(875 645 418)		391 962 788	69 %	73 %
Other expenditure	(4 131 716 516)	(118 121 158)	(4 249 837 674)	-	(34 285 230)	(4 284 122 904)	(3 638 189 916)		645 932 988	85 %	88 %
<b>Total expenditure</b>	<b>(23 535 401 471)</b>	<b>(85 059 438)</b>	<b>(23 620 460 909)</b>	-	<b>(8 452 502)</b>	<b>(23 624 896 145)</b>	<b>(21 050 232 289)</b>		<b>2 574 663 856</b>	<b>89 %</b>	<b>89 %</b>
<b>Surplus/(Deficit)</b>	<b>(887 244 474)</b>	<b>119 496 429</b>	<b>(767 748 045)</b>	-	<b>(2 500 000)</b>	<b>(766 230 779)</b>	<b>110 368 795</b>		<b>876 599 574</b>	<b>(14)%</b>	<b>(14)%</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1 343 769 011	(216 445 526)	1 127 323 485	-	2 500 000	1 129 823 485	1 108 485 029		(21 338 456)	98 %	82 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	31 354 044		31 354 044	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>456 524 537</b>	<b>(96 949 097)</b>	<b>359 575 440</b>	-		<b>363 592 706</b>	<b>1 250 207 868</b>		<b>886 615 162</b>	<b>344 %</b>	<b>274 %</b>
Taxation	23 000	2 000	25 000	-		25 000	(1 137 115)		(1 162 115)	(4 548)%	(4 944)%
Attributable to minorities	-	-	-	-		-	7 236 045		7 236 045	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>456 501 537</b>	<b>(96 951 097)</b>	<b>359 550 440</b>	-		<b>363 567 706</b>	<b>1 244 108 938</b>		<b>880 541 232</b>	<b>342 %</b>	<b>273 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	2 992 235 573	(248 260 406)	2 743 975 167	-		2 743 975 167	2 380 395 044		(363 580 123)	87 %	80 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	1 462 306 780	(235 902 760)	1 226 404 020	-		1 226 404 020	-		(1 226 404 020)	- %	- %
Public contributions and donations	18 750 000	(1 000 000)	17 750 000	-		17 750 000	-		(17 750 000)	- %	- %
Borrowing	1 201 263 000	(56 064 015)	1 145 198 985	-		1 145 198 985	-		(1 145 198 985)	- %	- %
Internally generated funds	309 915 793	44 706 369	354 622 162	-		354 622 162	-		(354 622 162)	- %	- %
<b>Total sources of capital funds</b>	<b>2 992 235 573</b>	<b>(248 260 406)</b>	<b>2 743 975 167</b>	-		<b>2 743 975 167</b>	-		<b>(2 743 975 167)</b>	<b>- %</b>	<b>- %</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	3 049 236 322	177 878 691	3 227 115 013	-		3 227 115 013	3 773 600 959		546 485 946	117 %	124 %
Net cash from (used) investing	(3 186 519 259)	(93 151 107)	(3 279 670 366)	-		(3 279 670 366)	(2 918 017 379)		361 652 987	89 %	92 %
Net cash from (used) financing	856 908 709	(654 000)	856 254 709	-		856 254 709	663 333 238		(192 921 471)	77 %	77 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>719 625 772</b>	<b>84 073 584</b>	<b>803 699 356</b>	-		<b>803 699 356</b>	<b>1 518 916 818</b>		<b>715 217 462</b>	<b>189 %</b>	<b>211 %</b>
Cash and cash equivalents at the beginning of the year	2 272 654 856	649 247 067	2 921 901 923	-		2 921 901 923	3 050 454 166		128 552 243	104 %	134 %
<b>Cash and cash equivalents at year end</b>	<b>2 992 280 628</b>	<b>733 320 651</b>	<b>3 725 601 279</b>	-		<b>3 725 601 279</b>	<b>4 569 370 984</b>		<b>843 769 705</b>	<b>123 %</b>	<b>153 %</b>
<b>Controlling entity - 2013</b>											
<b>Financial Performance</b>											
Property rates	3 019 758 804	-	3 019 758 804	-		3 019 758 804	2 874 963 167		(144 795 637)	95 %	95 %
Service charges	14 500 476 026	-	14 500 476 026	-	6 001 462	14 506 477 488	13 500 276 496		(1 006 200 992)	93 %	93 %
Investment revenue	170 100 000	-	170 100 000	-		170 100 000	239 543 250		69 443 250	141 %	141 %
Transfers recognised - operational	3 499 700 922	209 410 023	3 709 110 945	-		3 709 110 945	3 638 073 454		(71 037 491)	98 %	104 %
Other own revenue	777 445 078	1 614 800	779 059 878	-	(48 960)	779 010 918	850 710 750		71 699 832	109 %	109 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>21 967 480 830</b>	<b>211 024 823</b>	<b>22 178 505 653</b>	-	<b>5 952 502</b>	<b>22 184 458 155</b>	<b>21 103 567 117</b>		<b>(1 080 891 038)</b>	<b>95 %</b>	<b>96 %</b>
Employee costs	(4 608 601 569)	98 837 372	(4 509 764 197)	-	31 135 959	(4 478 628 238)	(4 276 570 698)		202 057 540	95 %	93 %
Remuneration of councillors	(103 326 033)	-	(103 326 033)	-	-	(103 326 033)	(87 954 568)		15 371 465	85 %	85 %
Debt impairment	(1 256 869 428)	-	(1 256 869 428)	-		(1 256 869 428)	(887 674 954)		369 194 474	71 %	71 %

## Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

Depreciation and asset impairment	(2 200 737 898)	-	(2 200 737 898)	(27)	(2 200 737 925)	(2 055 904 601)	-	144 833 324	93 %	93 %	
Finance charges	(580 157 842)	-	(580 157 842)	-	(2 444 571)	(582 602 413)	(522 865 539)	-	59 736 874	90 %	90 %
Materials and bulk purchases	(8 996 274 745)	(2 000 000)	(8 998 274 745)	-	(850 000)	(8 999 124 745)	(8 852 863 936)	-	146 260 809	98 %	98 %
Transfers and grants	(1 200 666 504)	(68 950 335)	(1 269 616 839)	-	(2 008 633)	(1 271 625 472)	(960 645 418)	-	310 980 054	76 %	80 %
Other expenditure	(3 977 500 865)	(118 911 860)	(4 096 412 725)	-	(34 285 230)	(4 130 697 955)	(3 523 040 794)	-	607 657 161	85 %	89 %
<b>Total expenditure</b>	<b>(22 924 134 884)</b>	<b>(91 024 823)</b>	<b>(23 015 159 707)</b>	-	<b>(8 452 502)</b>	<b>(23 023 612 209)</b>	<b>(21 167 520 508)</b>	-	<b>1 856 091 701</b>	<b>92 %</b>	<b>92 %</b>
<b>Surplus/(Deficit)</b>	<b>(956 654 054)</b>	<b>120 000 000</b>	<b>(836 654 054)</b>	-	<b>(2 500 000)</b>	<b>(839 154 054)</b>	<b>(63 953 391)</b>	-	<b>775 200 663</b>	<b>8 %</b>	<b>7 %</b>
Transfers recognised - capital	1 412 402 000	(216 445 526)	1 195 956 474	-	2 500 000	1 198 456 474	1 108 485 029	(89 971 445)	92 %	78 %	
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	31 354 044	31 354 044	DIV/0 %	DIV/0 %	
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>455 747 946</b>	<b>(96 445 526)</b>	<b>359 302 420</b>	-	-	<b>359 302 420</b>	<b>1 075 885 682</b>	-	<b>716 583 262</b>	<b>299 %</b>	<b>236 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>455 747 946</b>	<b>(96 445 526)</b>	<b>359 302 420</b>	-	-	<b>359 302 420</b>	<b>1 075 885 682</b>	-	<b>716 583 262</b>	<b>299 %</b>	<b>236 %</b>

### Capital expenditure and funds sources

Total capital expenditure	2 650 707 810	(93 271 539)	2 557 436 271	-	2 557 436 271	2 378 567 621	(178 868 650)	93 %	90 %
<b>Sources of capital funds</b>									
Transfers recognised - capital	1 393 673 791	(218 269 771)	1 175 404 020	-	1 175 404 020	1 108 480 192	(66 923 828)	94 %	80 %
Public contributions and donations	18 750 000	(1 000 000)	17 750 000	-	17 750 000	13 644 209	(4 105 791)	77 %	73 %
Borrowing	975 823 000	111 910 160	1 087 733 160	-	1 087 733 160	963 637 869	(124 095 291)	89 %	99 %
Internally generated funds	262 461 019	14 088 072	276 549 091	-	276 549 091	257 609 809	(18 939 282)	93 %	98 %
<b>Total sources of capital funds</b>	<b>2 650 707 810</b>	<b>(93 271 539)</b>	<b>2 557 436 271</b>	-	<b>2 557 436 271</b>	<b>2 343 372 079</b>	<b>(214 064 192)</b>	<b>92 %</b>	<b>88 %</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	2 917 572 021	176 819 691	3 094 391 712	-		3 094 391 712	3 534 219 359		439 827 647	114 %	121 %
Net cash from (used) investing	(2 874 564 496)	(92 969 107)	(2 967 533 603)	-		(2 967 533 603)	(2 703 818 966)		263 714 637	91 %	94 %
Net cash from (used) financing	653 330 793	-	653 330 793	-		653 330 793	705 552 541		52 221 748	108 %	108 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>696 338 318</b>	<b>83 850 584</b>	<b>780 188 902</b>	-		<b>780 188 902</b>	<b>1 535 952 934</b>		<b>755 764 032</b>	<b>197 %</b>	<b>221 %</b>
Cash and cash equivalents at the beginning of the year	2 193 076 022	645 348 067	2 838 424 089	-		2 838 424 089	2 838 424 089		-	100 %	129 %
<b>Cash and cash equivalents at year end</b>	<b>2 889 414 340</b>	<b>729 198 651</b>	<b>3 618 612 991</b>	-		<b>3 618 612 991</b>	<b>4 374 377 023</b>		<b>(755 764 032)</b>	<b>121 %</b>	<b>151 %</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1. Presentation of Group Annual Financial Statements

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

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

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group 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 group 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 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.

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

At initial recognition, the economic entity measures investment property at cost including transaction costs once it meets the definition of investment property. 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 installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 - 60 years

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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

#### 1.3 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.

The cost of an item of property, plant and equipment (ppe) is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity and
- the cost of the item can be measured reliably.

Property, plant and equipment (PPE) is initially measured at cost.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

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

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 through a non-exchange transaction, 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.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment. Land is not depreciated as it is deemed to have an infinite life.

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	Indefinite
<b>Infrastructure</b>	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	10 - 60 years
• Electricity	5 – 80 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	80 years
• Solid Waste	5 – 100 years
• Servitudes	Indefinite
• Rail assets	20 - 80 years
• ICT	1 - 120 years
<b>Community</b>	
• Buildings	20 - 80 years
• Recreational facilities	10 – 80 years
• Security	5 – 15 years
• Landfill sites	10 - 80 years
<b>Other property, plant and equipment</b>	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 - 35 years (Changed: 3 – 33 years in 2012)
• Specialised plant and equipment	10 – 26 years
• Other items of plant and equipment	2 – 29 years (Changed: 2 - 26 years in 2012)
• Buildings	20 – 80 years
• Specialised vehicles	3 - 20 years
• Other vehicles	3 - 28 years (Changed: 4 - 25 years in 2012)

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 economic entity 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.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the group annual financial statements.

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a economic entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

### Impairment

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

### Transfers

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

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



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Heritage assets (continued)

#### Derecognition

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

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

#### Transitional provision

The economic entity changed its accounting policy for heritage assets in Controlling entity - 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

According to the transitional provision, the economic entity is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 7. The transitional provision expires on 2015/06/30.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the economic entity need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

### 1.5 Investments in controlled entities

#### Economic entity group annual financial statements

The group annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

#### Controlling entity group annual financial statements

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

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.

### 1.6 Financial instruments

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

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

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

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

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Financial Instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Financial Instruments (continued)

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

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

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
Other Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions (taxes and transfers)	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Other Investments (unlisted shares)	Financial asset measured at cost
Other Investments (listed shares)	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Financial Instruments (continued)

#### Initial measurement of financial assets and financial liabilities

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

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

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Financial Instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Financial Instruments (continued)

#### Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

### 1.7 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.8 Leases (continued)

#### Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.9 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 economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of 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 first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity 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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The municipality considers the weighted average cost of capital as their discount rate (time value of money).

#### Recognition and measurement (individual asset)

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.

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic 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.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

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

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

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

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

#### Reversal of impairment loss

The economic entity 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, the entity estimates the recoverable amount of that asset.

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

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

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

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

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

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

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Redesignation

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

### 1.11 Impairment of non-cash-generating assets

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

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

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

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 service amount is the higher of a non-cash-generating asset's 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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.11 Impairment of non-cash-generating assets (continued)

#### Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.11 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The economic entity 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, the economic entity estimates the recoverable service amount of that asset.

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

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

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

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

#### Redesignation

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

### 1.12 Share premium

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

### 1.13 Employee benefits

#### Benefits

##### Retirement Funds

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

##### 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 entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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

The economic entity 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.

##### 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 entity is demonstrably committed to curtailment or settlement.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.13 Employee benefits (continued)

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.

The economic entity 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.

To the extent that a surplus or deficit in the plan, 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 economic entity 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 economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (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 economic entity for the remaining portion.

### 1.14 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.14 Provisions and contingencies (continued)

A provision is recognised when the economic entity 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 economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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 7.0% (2012 - 6.5%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.75% (2012 - 11.00%).

#### 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 (time value of money), which is currently 10.75% (2012 - 11.00%).

The economic entity 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 economic entity incurs as a consequence of having used the property during a particular period for landfill purposes. The economic entity 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 economic entity 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) Workmen's compensation provision

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

#### e) Long service awards provision

The economic entity 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 economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

#### g) Bonus provision

The provision is to provide for performance bonuses of the economic entity's section 57 employees and, where applicable, independent contractors.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity 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 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.

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 economic entity has transferred to the buyer the significant risks and rewards of ownership.
- The economic entity 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 economic entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.16 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.16 Revenue from non-exchange transactions (continued)

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

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

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.16 Revenue from non-exchange transactions (continued)

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

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

#### Fines

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

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

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

#### Bequests

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

Services in-kind are not recognised.

### 1.17 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. 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, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure 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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.21 Use of estimates

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

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

### 1.23 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

### 1.24 Budget information

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

General purpose financial reporting by economic entity provides information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

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

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts (Appropriation Statement).

### 1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that person in their dealings with the economic entity.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.26 Events after reporting date

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

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

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

### 1.27 Commitments

The entity discloses each class of capital assets ( PPE, Investment properties, Intangible assets and Heritage assets) recognized in the financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

### 1.28 Going concern

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 2. Changes in accounting policy

The group annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following newly effective standards.

- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

#### Changes due to the newly effective GRAP standards' implementation

##### **GRAP 21 - Impairment of Non-cash-generating Assets**

The Accounting Policy has changed (see accounting policy note 1.11). No substantial application changes were experienced with the implementation of the standard.

##### **GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)**

The Accounting Policy has changed (see accounting policy note 1.16). No substantial changes were experienced with the implementation of the standard.

##### **GRAP 24 - Presentation of Budget Information in Financial Statements**

The Accounting Policy has changed (see accounting policy note 1.24). Budget versus Actual information was previously disclosed as a note the annual financial statements, but has now been presented as an additional Statement in the Annual Financial Statements and an additional note has been introduced where Budget differences are disclosed (see note 59).

##### **GRAP 26 - Impairment of Cash-generating Assets**

The Accounting Policy has changed (see accounting policy note 1.10). No substantial changes were experienced with the implementation of the standard.

##### **GRAP 103 - Heritage Assets**

During the year, the economic entity changed its accounting policy with respect to the treatment of Heritage Assets, in order to conform with the requirements of GRAP 103 – Heritage Assets. The economic entity now present Heritage Assets as a separate line item in the Statement of Financial Position and not as part of Property, plant and equipment. There is also now a separate Accounting Policy (see accounting policy note 1.4), as well as separate note for Heritage assets (see note 7). The change in accounting policy is made in accordance with the transitional provision in Directive 3, where the municipality is granted a 3 year period to comply with the measurement requirements of the standard. See accounting policy note 1.4 and note 7 for additional details.

##### **GRAP 104 - Financial Instruments**

During the year, the economic entity changed its accounting policy with respect to the treatment of Financial Instruments. In order to conform with the requirements of GRAP 104 – Financial Instruments. The economic entity changed its classification of Financial Instruments from the following categories:

*Held-to-maturity investments*

*Loans and receivables*

*Available-for-sale financial assets*

*Financial liabilities measured at amortised cost*

To the following categories:

*Financial instruments at fair value*

*Financial instruments at amorised cost*

*Financial instruments at cost (Unlisted shares)*

The Accounting Policy has changed substantially (see accounting policy note 1.6), and various changes to other disclosures have been made within the annual financial statements.

The fair value adjustment assets-available-for-sale reserve is not allowed in terms of GRAP 104 and has been retrospectively adjusted. GRAP 104 requires that fair value adjustments are accounted for immediately in the statement of financial performance.

The fair value adjustments on receivables payables in ERWAT have been reversed due to the it being inappropriate in ERWAT's instance according to GRAP 104.

The aggregate effect of the changes in accounting policy on the group annual financial statements for the year ended 30 June 2013 is as follows:

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 2. Changes in accounting policy (continued)

#### Statement of financial position

Property, plant and equipment	(78 395 185)	-	(78 395 185)	-
Heritage assets	78 395 185	-	78 395 185	-
Fair value adjustment assets-available-for-sale reserve	3 138 212	-	-	-
Minority interest	(79 823)	-	-	-
Opening accumulated surplus	(2 580 970)	-	-	-

#### Statement of Financial Performance

Other income	(976 706)	-	-	-
Service charges	(3 377 491)	-	-	-
Bulk purchases	779 620	-	-	-
Repairs and maintenance	694 483	-	-	-
Interest revenue	3 876 776	-	-	-
Finance costs	(1 474 101)	-	-	-

### 3. New standards and interpretations

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

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2014	Expected to be not material
• GRAP 25: Employee benefits	01 April 2013	Expected to be not material
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Expected to be not material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Expected to be not material
• GRAP 107: Mergers	01 April 2014	Expected to be not material
• GRAP 20: Related parties	01 April 2014	Expected to be not material
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Expected to be not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Expected to be not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Expected to be not material
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Expected to be not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Expected to be not material
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Expected to be not material
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Expected to be not material
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Expected to be not material
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Expected to be not material
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Expected to be not material
• GRAP 13 (as revised 2012): Leases	01 April 2013	Expected to be not material
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Expected to be not material
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Expected to be not material
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Expected to be not material
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Expected to be not material
• IGRAP16: Intangible assets website costs	01 April 2013	Expected to be not material
• IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013	Expected to be not material

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 4. Investment property

Economic entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	183 333 575	(14 906 141)	168 427 434	163 869 232	(13 340 024)	150 529 208

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	130 700 899	(1 781 195)	128 919 704	111 434 056	(1 187 464)	110 246 592

#### Reconciliation of investment property - Economic entity - 2013

	Opening balance	Additions	Depreciation	Total
Investment property	150 529 208	19 464 343	(1 566 117)	168 427 434

#### Reconciliation of investment property - Economic entity - 2012

	Opening balance	Additions resulting from capitalised subsequent expenditure	Disposals	Transfers	Depreciation	Total
Investment property	167 399 371	134 833	(834 200)	(14 604 679)	(1 566 117)	150 529 208

#### Reconciliation of investment property - 2013

	Opening balance	Additions/Work in progress	Depreciation	Total
Investment property	110 246 592	19 266 843	(593 731)	128 919 704

#### Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	126 279 203	(834 200)	(14 604 679)	(593 732)	110 246 592

#### Pledged as security

Carrying value of assets pledged as security:

Property in West Germiston Terms and conditions	16 274 892	16 077 392	-	-
Airport Park and Delville Flats Terms and conditions	24 205 224	24 205 224	-	-

The loans from NHFC was repaid in full in the month of December 2012 and the securities are in the process of being cancelled.

#### Other disclosure

Total rental income received on investment property	32 507 315	23 809 252	9 517 055	2 548 804
---	------------	------------	-----------	-----------

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

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand

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

Economic entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	1 132 807 541	(19 623 155)	1 113 184 386	1 291 491 056	(40 737 808)	1 250 753 248
Infrastructure	42 291 508 268	(8 171 193 774)	34 120 314 494	41 559 062 130	(6 587 419 454)	34 971 642 676
Community	4 150 453 049	(934 038 238)	3 216 414 811	4 078 177 474	(736 798 411)	3 341 379 063
Other property, plant and equipment	3 891 759 031	(1 452 306 841)	2 439 452 190	3 566 942 155	(1 202 922 920)	2 364 019 235
Work-in-Progress	3 084 676 309	-	3 084 676 309	1 574 462 666	-	1 574 462 666
<b>Total</b>	<b>54 551 204 198</b>	<b>(10 577 162 008)</b>	<b>43 974 042 190</b>	<b>52 070 135 481</b>	<b>(8 567 878 593)</b>	<b>43 502 256 888</b>

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	989 619 076	-	989 619 076	980 133 725	-	980 133 725
Infrastructure	41 552 456 156	(7 977 266 389)	33 575 189 767	41 010 435 052	(6 428 392 680)	34 582 042 372
Community	4 150 453 049	(934 038 238)	3 216 414 811	4 078 177 474	(736 798 411)	3 341 379 063
Other property, plant and equipment	3 775 638 907	(1 411 067 893)	2 364 571 014	3 476 509 057	(1 163 472 799)	2 313 036 258
Work-in-Progress	2 819 261 262	-	2 819 261 262	1 461 832 128	-	1 461 832 128
<b>Total</b>	<b>53 287 428 450</b>	<b>(10 322 372 520)</b>	<b>42 965 055 930</b>	<b>51 007 087 436</b>	<b>(8 328 663 890)</b>	<b>42 678 423 546</b>

### Reconciliation of property, plant and equipment (ppe) - Economic entity - 2013



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand

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

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	1 250 753 248	109 600	(7 648 396)	16 954 677	(143 855 783)	(3 128 960)	-	1 113 184 386
Infrastructure	34 971 642 676	178 554 064	(2 234 443)	440 466 227	143 772 649	(1 572 507 812)	(39 378 867)	34 120 314 494
Community	3 341 379 063	9 264 447	-	63 011 127	-	(197 239 826)	-	3 216 414 811
Other property, plant and equipment	2 364 019 235	331 461 834	(673 733)	2 720 288	77 862	(255 886 417)	(2 266 879)	2 439 452 190
Work-in-progress	1 574 462 666	2 003 232 031	-	(493 018 388)	-	-	-	3 084 676 309
	<b>43 502 256 888</b>	<b>2 522 621 976</b>	<b>(10 556 572)</b>	<b>30 133 931</b>	<b>(5 272)</b>	<b>(2 028 763 015)</b>	<b>(41 645 746)</b>	<b>43 974 042 190</b>

### Reconciliation of property, plant and equipment (ppe) - Economic entity - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land & buildings	1 253 357 696	1 032 047	(15 213 300)	15 959 405	-	(4 382 600)	1 250 753 248
Infrastructure	35 153 843 895	290 257 347	(7 349)	1 099 411 308	-	(1 571 862 525)	34 971 642 676
Community	2 756 481 035	79 026 649	-	673 993 159	30 010 287	(198 132 067)	3 341 379 063
Other property, plant and equipment	2 274 636 690	297 436 358	(6 441 887)	32 754 112	-	(234 366 038)	2 364 019 235
Work-in-Progress	2 040 210 504	1 352 089 912	-	(1 817 837 750)	-	-	1 574 462 666
	<b>43 478 529 820</b>	<b>2 019 842 313</b>	<b>(21 662 536)</b>	<b>4 280 234</b>	<b>30 010 287</b>	<b>(2 008 743 230)</b>	<b>43 502 256 888</b>

### Reconciliation of property, plant and equipment (ppe) - Controlling entity - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	980 133 725	109 600	(7 578 926)	16 954 677	-	-	989 619 076
Infrastructure	34 582 042 372	150 539 503	(1 364 045)	440 466 227	(1 557 115 423)	(39 378 867)	33 575 189 767
Community	3 341 379 063	9 264 447	-	63 011 127	(197 239 826)	-	3 216 414 811
Other property, plant and equipment	2 313 036 258	300 452 231	(123 303)	2 720 288	(249 250 492)	(2 263 968)	2 364 571 014
Work-in-Progress	1 461 832 128	1 850 447 522	-	(493 018 388)	-	-	2 819 261 262
	<b>42 678 423 546</b>	<b>2 310 813 303</b>	<b>(9 066 274)</b>	<b>30 133 931</b>	<b>(2 003 605 741)</b>	<b>(41 642 835)</b>	<b>42 965 055 930</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment (ppe) - Controlling entity - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	979 387 621	-	(15 213 300)	15 959 404	-	-	980 133 725
Infrastructure	34 748 048 230	290 257 347	-	1 099 411 308	-	(1 555 674 513)	34 582 042 372
Community	2 756 481 035	79 026 648	-	673 993 160	30 010 287	(198 132 067)	3 341 379 063
Other property, plant and equipment	2 235 279 893	276 473 500	(5 861 814)	32 754 112	-	(225 609 433)	2 313 036 258
Work-in-Progress	1 964 263 039	1 315 406 839	-	(1 817 837 750)	-	-	1 461 832 128
	<b>42 683 459 818</b>	<b>1 961 164 334</b>	<b>(21 075 114)</b>	<b>4 280 234</b>	<b>30 010 287</b>	<b>(1 979 416 013)</b>	<b>42 678 423 546</b>

#### Borrowing costs capitalised

Intangible Assets	613 984	-	613 984	-
Infrastructure	21 487 968	18 217 967	21 487 968	18 217 967
Community	8 138 261	9 799 326	8 138 261	9 799 326
Other property, plant and equipment	5 323 448	2 107 883	5 323 448	2 107 883
Investment property	679 409	-	679 409	-
	<b>36 243 070</b>	<b>30 125 176</b>	<b>36 243 070</b>	<b>30 125 176</b>

Capitalisation rates used during the year were 9.155%, 10.68%, 10.56%, 10.72% respectively (2012 - 10.05%, 10.68%, 10.56% 10.72%), depending on the finance source or external loan facility.

#### Compensation received for losses on property, plant and equipment – included in operating profit.

Office equipment	529 517	6 819	529 517	6 819
Infrastructure	3 614 843	4 871 321	3 614 843	4 871 321
	<b>4 144 360</b>	<b>4 878 140</b>	<b>4 144 360</b>	<b>4 878 140</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

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

ERWAT's Grootvlei Biosure plant (Carrying value 2013: R0; 2012 R 0) is not currently operational as the Grootvlei mine was liquidated. The contract between ERWAT and the new owners of the Aurora mine could not be renewed due to the financial difficulties the new owners are experiencing. The probability is that the plant can be used in the near future as there will be development in the area were the plant is situated.

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.

#### Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R31,890,703 (2012 - R13,450,224).

Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

### 6. Intangible assets

Economic entity	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	109 524 701	(16 517 390)	93 007 311	83 545 370	(15 353 295)	68 192 075

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	104 972 756	(14 361 580)	90 611 176	80 083 819	(13 577 211)	66 506 608

#### Reconciliation of intangible assets - Economic entity - 2013

	Opening balance	Additions	Disposals	Other changes, movements	Amortisation	Total
Computer software	68 192 075	41 428 305	(6 189 988)	5 276	(10 428 357)	93 007 311

#### Reconciliation of intangible assets - Economic entity - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	33 090 737	40 088 041	(4 986 703)	68 192 075

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software (other)	66 506 608	40 356 849	(6 189 988)	(10 062 293)	90 611 176

#### Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Amortisation	Total
Computer software (other)	31 396 293	39 850 108	(4 739 793)	66 506 608

#### Work-in-progress

#### Reconciliation of work-in-progress

Included in additions is the following amounts relating to software still in development:

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>6. Intangible assets (continued)</b>				
<b>Work-in-progress</b>				
Opening balance	49 699 286	10 898 875	49 699 286	10 898 875
Software development incurred during the year	38 060 799	38 800 411	38 060 799	38 800 411
Work in progress transferred to completed assets	(16 449 833)	-	(16 449 833)	-
	<b>71 310 252</b>	<b>49 699 286</b>	<b>71 310 252</b>	<b>49 699 286</b>

### 7. Heritage assets

Economic entity	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16 078 825	-	16 078 825	16 078 825	-	16 078 825
Historical buildings	10 201 178	-	10 201 178	10 201 178	-	10 201 178
Other heritage assets	52 115 182	-	52 115 182	52 115 182	-	52 115 182
<b>Total</b>	<b>78 395 185</b>	<b>-</b>	<b>78 395 185</b>	<b>78 395 185</b>	<b>-</b>	<b>78 395 185</b>

Controlling entity	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16 078 825	-	16 078 825	16 078 825	-	16 078 825
Historical buildings	10 201 178	-	10 201 178	10 201 178	-	10 201 178
Other heritage assets	52 115 182	-	52 115 182	52 115 182	-	52 115 182
<b>Total</b>	<b>78 395 185</b>	<b>-</b>	<b>78 395 185</b>	<b>78 395 185</b>	<b>-</b>	<b>78 395 185</b>

#### Reconciliation of heritage assets Economic entity - 2013

	Opening balance	Total
Conservation areas	16 078 825	16 078 825
Historical buildings	10 201 178	10 201 178
Other heritage assets	52 115 182	52 115 182
	<b>78 395 185</b>	<b>78 395 185</b>

#### Reconciliation of heritage assets Economic entity - 2012

	Opening balance	Total
Conservation areas	16 078 825	16 078 825
Historical buildings	10 201 178	10 201 178
Other heritage assets	52 115 182	52 115 182
	<b>78 395 185</b>	<b>78 395 185</b>

#### Reconciliation of heritage assets Controlling entity - 2013

	Opening balance	Total
Conservation areas	16 078 825	16 078 825
Historical buildings	10 201 178	10 201 178
Other heritage assets	52 115 182	52 115 182
	<b>78 395 185</b>	<b>78 395 185</b>

#### Reconciliation of heritage assets Controlling entity - 2012

	Opening balance	Total
Conservation areas	16 078 825	16 078 825

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>7. Heritage assets (continued)</b>				
Historical buildings			10 201 178	10 201 178
Other heritage assets			52 115 182	52 115 182
			<b>78 395 185</b>	<b>78 395 185</b>

### Transitional provisions

#### Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, as disclosed in note 2, certain heritage asset with a carrying value of R0.00 - (2012:R0.00 -) were recognised at provisional amounts. Quantity of heritage asset carried at provisional amounts are :

- 38 Heritage sites
- 852 Visual art works
- 140 Mayoral chain items
- 1548 other heritage assets

#### Due to initial adoption of GRAP 103

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

Heritage experts will be appointed in future to value heritage recognised at provisional amounts

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

#### Deemed costs

No Heritage assets have been carried at deemed cost.

### 8. Investments in controlled entities

Name of company	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Brakpan Bus Company SOC Ltd	100.00 %	100.00 %	6	6
Ekurhuleni Development Company SOC Ltd	100.00 %	100.00 %	100	100
East Rand Water Care Company, NPC	97.00 %	97.00 %	-	-
Pharoe Park Housing Company SOC Ltd	93.46 %	93.46 %	100	100
Germiston Phase II Housing Company SOC Ltd	92.59 %	92.59 %	100	100
Lethabong Housing Institute, NPC	100.00 %	100.00 %	-	-
			<b>306</b>	<b>306</b>

### 9. Other Investments

#### At cost

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

#### At fair value

Old Mutual and Sanlam	5 766 549	4 642 064	-	-
-----------------------	-----------	-----------	---	---

#### At amortised cost

Investments	822 985 643	489 470 461	822 985 643	489 470 461
-------------	-------------	-------------	-------------	-------------

These investments have varying interest rates as well as varying maturity dates

<b>Total other financial assets</b>	<b>832 752 192</b>	<b>498 112 525</b>	<b>826 985 643</b>	<b>493 470 461</b>
-------------------------------------	--------------------	--------------------	--------------------	--------------------

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>9. Other Investments (continued)</b>				
<b>Non-current assets</b>				
At cost	4 000 000	4 000 000	4 000 000	4 000 000
At amortised cost	800 214 431	468 185 461	800 214 431	468 185 461
	<b>804 214 431</b>	<b>472 185 461</b>	<b>804 214 431</b>	<b>472 185 461</b>
<b>Current assets</b>				
Available-for-sale	5 766 549	4 642 064	-	-
At amortised cost	22 771 212	21 285 000	22 771 212	21 285 000
	<b>28 537 761</b>	<b>25 927 064</b>	<b>22 771 212</b>	<b>21 285 000</b>
	<b>832 752 192</b>	<b>498 112 525</b>	<b>826 985 643</b>	<b>493 470 461</b>

### Residual interest at cost

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:

Rand Airport (Awaiting information) 20% interest in ordinary shares	4 000 000	4 000 000	4 000 000	4 000 000
--	-----------	-----------	-----------	-----------

The company's statements for 2013 is unaudited (2012: Audited).

The Company's Equity amounted to R 622,854,485 (2012: R536,018,180) represented by Share Capital of R5,201,000 (2012: R5,201,000), reserves of R165,755,503 (2012: R165,755,503) as well as Retained Income of R299,397,521 (2012: R365,061,677) as at 28 February 2013.

The economic entity 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 2013 and 2012, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R819,319,820 (2012: R464,610,451) are encumbered in respect of long term liabilities with a carrying value of R2,847,620,000 (2012: R2,847,620,000) as disclosed in the Long-term liabilities note (note 20).

### 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.

### 10. Deferred tax

#### Deferred tax asset and liability

Other	3 573 716	1 885 958	-	-
Temporary differences on property, plant and equipment	(1 428 470)	(952 314)	-	-
	<b>2 145 246</b>	<b>933 644</b>	-	-

#### Reconciliation of net deferred tax asset (liability)

At beginning of the year	933 644	85 722	-	-
Movement in provisions	1 211 602	847 922	-	-
	<b>2 145 246</b>	<b>933 644</b>	-	-

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 11. Employee benefit obligations

#### 1. 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 economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

The council took a resolution in terms of an agreement with SALGA that the contribution rate to pension funds will be capped at 18% of salaries for new members joining pension funds after 1 July 2012 and also that the deducted contribution will only be transferred to Defined Contribution pension funds.

#### Defined Contribution Funds

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to the 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. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, IAS 19 is applied and such funds are accounted for as defined contribution funds. The following funds have been treated as defined contribution plans although they are defined benefit funds:

1. Joint Municipal Pension Fund
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsources the full administration of the pensioners component which relates to old rules of a defined benefit fund.

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 economic entity 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.

#### 2. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 21) for leave pay provision.

#### Retirement benefit obligation (medical aid plan)

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (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 economic entity for the remaining portion.

An actuarial valuations for 2012 and 2013 was performed by IAC Actuarial Consulting.

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

Present value of the defined benefit obligation-wholly unfunded	(1 765 075 000)	(1 605 262 580)	(1 765 075 000)	(1 605 262 580)
Net actuarial gains or losses not recognised	124 135 123	102 991 703	124 135 123	102 991 703
	<b>(1 640 939 877)</b>	<b>(1 502 270 877)</b>	<b>(1 640 939 877)</b>	<b>(1 502 270 877)</b>

#### Movements for the year

Opening balance	(1 502 270 877)	(1 378 112 990)	(1 502 270 877)	(1 378 112 990)
Benefits paid	62 792 000	57 376 230	62 792 000	57 376 230
Net expense recognised in the statement of financial performance	(201 461 000)	(181 534 117)	(201 461 000)	(181 534 117)
	<b>(1 640 939 877)</b>	<b>(1 502 270 877)</b>	<b>(1 640 939 877)</b>	<b>(1 502 270 877)</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>11. Employee benefit obligations (continued)</b>				
<b>Net expense recognised in the statement of financial performance</b>				
Current service cost	(71 067 000)	(56 815 006)	(71 067 000)	(56 815 006)
Interest cost	(130 394 000)	(124 719 111)	(130 394 000)	(124 719 111)
	<b>(201 461 000)</b>	<b>(181 534 117)</b>	<b>(201 461 000)</b>	<b>(181 534 117)</b>

### Key assumptions used

Assumptions used on last valuation on 30 June 2013.

Discount rates used	9.20 %	8.10 %	9.20 %	8.10 %
Health care cost inflation rate	7.30 %	6.90 %	7.30 %	6.90 %

### Other assumptions:

#### Key Demographic Assumptions

Assumption	Value		
Average retirement age	63		
Continuation of membership at retirement	90%		
Proportion assumed married at retirement	80%		
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>	<b>Males</b>
	20	16%	16%
	30	10%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Medical inflation (Service cost and Interest cost)	237 440 000	226 075 000	237 440 000	226 075 000
Medical inflation (Liability)	1 833 736 000	1 713 182 000	1 833 736 000	1 713 182 000
Valuation Interest rate (Service cost and Interest cost)	228 242 000	232 784 000	228 242 000	232 784 000
Valuation Interest rate (Liability)	1 617 338 000	1 938 229 000	1 617 338 000	1 938 229 000

### 12. Long-term receivables

#### Non current receivables

Long Term Receivables	14 366 017	14 499 228	14 366 017	14 499 228
Bad debt provision - LT receivables	(11 979 393)	(11 979 393)	(11 979 393)	(11 979 393)
	<b>2 386 624</b>	<b>2 519 835</b>	<b>2 386 624</b>	<b>2 519 835</b>



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>13. Inventories</b>				
Inventories Bedfordview Stanford Gardens	4 856 400	4 856 400	-	-
Inventories Bedfordview Tennis Court	5 790 280	5 790 280	-	-
Other inventories	254 029	254 029	-	-
Electrical	86 415 786	105 657 621	86 415 786	105 657 621
Sewerage	-	44 191	-	44 191
Cleansing	473 240	26 272	473 240	26 272
Consumable stores	3 055 992	3 841 774	3 055 992	3 841 774
Maintenance materials	7 027 575	4 255 188	7 027 575	4 255 188
Water	9 583 293	10 043 115	9 583 293	10 043 115
Unsold Properties Held for Resale	12 128 900	12 128 900	12 128 900	12 128 900
Food and Beverage	8 607	15 048	8 607	15 048
Fleet and Transport	3 841 714	1 926 940	3 841 714	1 926 940
Fuel (Diesel, Petrol)	7 373 076	7 338 705	7 373 076	7 338 705
	140 808 892	156 178 463	129 908 183	145 277 754
Provision for obsolete Inventories	(1 106 836)	(231 806)	(1 106 836)	(231 806)
	<b>139 702 056</b>	<b>155 946 657</b>	<b>128 801 347</b>	<b>145 045 948</b>

Land inventory sold during the year and recognised as an expense R0 (2012: R249 400)

Inventory written down due to redundancy / obsolescence values to R1 106 836 (2012: R231 806) by way of a provision for obsolete inventories..

### 14. Other receivables from exchange transactions

Trade debtors	14 814 466	8 164 621	-	-
Other deposits	2 550 240	700 026	-	-
Other receivables	175 537 076	163 803 248	181 687 360	163 747 648
VAT balance on outstanding Creditors	276 240 645	162 694 969	276 240 645	162 694 969
VAT debtor	76 271 226	31 375 379	65 844 724	24 708 001
Lease rental receipts asset	560 026	16 790 042	560 026	16 790 042
Provision for debt impairment	(46 409 111)	(71 061 875)	(38 335 899)	(65 604 655)
	<b>499 564 568</b>	<b>312 466 410</b>	<b>485 996 856</b>	<b>302 336 005</b>

### Credit quality of trade and other receivables

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

### 15. Receivables from non-exchange transactions (taxes and transfers)

Traffic fine debtors	17 345 426	6 753 349	17 345 426	6 753 349
Grant debtors	320 709	22 787 101	320 709	22 787 101
	<b>17 666 135</b>	<b>29 540 450</b>	<b>17 666 135</b>	<b>29 540 450</b>

### 16. Consumer debtors

#### Gross balances

Rates	1 897 604 365	1 852 303 261	1 897 604 365	1 852 303 261
Electricity	2 319 089 489	2 155 250 950	2 319 089 489	2 155 250 950
Water	2 380 582 230	1 901 206 531	2 380 582 230	1 901 206 531
Waste water	731 095 579	593 428 316	731 095 579	593 428 316
Refuse	756 949 872	554 780 534	756 949 872	554 780 534
Interest Billing Debtors	1 064 785 095	884 215 722	1 064 785 095	884 215 722
Housing rental	52 656 234	44 336 268	52 656 234	44 336 268
Other	489 503 579	399 178 440	489 503 579	399 178 440
VAT	902 330 872	764 677 003	902 330 872	764 677 003
	<b>10 594 597 315</b>	<b>9 149 377 025</b>	<b>10 594 597 315</b>	<b>9 149 377 025</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>16. Consumer debtors (continued)</b>				
<b>Less: Allowance for impairment</b>				
Rates	(1 472 128 461)	(1 433 917 999)	(1 472 128 461)	(1 433 917 999)
Electricity	(562 598 428)	(575 508 410)	(562 598 428)	(575 508 410)
Water	(1 868 748 190)	(1 467 973 622)	(1 868 748 190)	(1 467 973 622)
Waste water	(556 627 379)	(443 877 705)	(556 627 379)	(443 877 705)
Refuse	(622 477 348)	(459 299 898)	(622 477 348)	(459 299 898)
Interest Billing Debtors	(1 056 639 435)	(876 825 303)	(1 056 639 435)	(876 825 303)
Housing rental	(50 646 006)	(44 335 736)	(50 646 006)	(44 335 736)
Other	(307 661 548)	(398 995 266)	(307 661 548)	(398 995 266)
VAT	(544 587 080)	(440 509 445)	(544 587 080)	(440 509 445)
	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>
<b>Net balance</b>				
Rates	425 475 904	418 385 262	425 475 904	418 385 262
Electricity	1 756 491 061	1 579 742 540	1 756 491 061	1 579 742 540
Water	511 834 040	433 232 909	511 834 040	433 232 909
Waste water	174 468 200	149 550 611	174 468 200	149 550 611
Refuse	134 472 524	95 480 636	134 472 524	95 480 636
Interest Billing Debtors	8 145 660	7 390 419	8 145 660	7 390 419
Housing rental	2 010 228	532	2 010 228	532
Other	181 842 031	183 174	181 842 031	183 174
VAT	357 743 792	324 167 558	357 743 792	324 167 558
	<b>3 552 483 440</b>	<b>3 008 133 641</b>	<b>3 552 483 440</b>	<b>3 008 133 641</b>
<b>Included in above is receivables from exchange transactions</b>				
Electricity	1 756 491 061	1 579 742 540	1 756 491 061	1 579 742 540
Water	511 834 040	433 232 909	511 834 040	433 232 909
Waste water	174 468 200	149 550 611	174 468 200	149 550 611
Refuse	134 472 524	95 480 636	134 472 524	95 480 636
Housing rental	2 010 228	532	2 010 228	532
Other	189 987 692	7 573 593	189 987 692	7 573 593
	<b>2 769 263 745</b>	<b>2 265 580 821</b>	<b>2 769 263 745</b>	<b>2 265 580 821</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	425 475 904	418 385 262	425 475 904	418 385 262
	<b>3 194 739 649</b>	<b>2 683 966 083</b>	<b>3 194 739 649</b>	<b>2 683 966 083</b>
<b>Rates</b>				
Current (0 -30 days)	201 589 037	241 246 949	201 589 037	241 246 949
31 - 60 days	65 564 583	67 071 047	65 564 583	67 071 047
61 - 90 days	50 293 623	48 139 977	50 293 623	48 139 977
91 - 120+ days	1 580 157 112	1 495 845 288	1 580 157 112	1 495 845 288
	<b>1 897 604 355</b>	<b>1 852 303 261</b>	<b>1 897 604 355</b>	<b>1 852 303 261</b>
<b>Electricity</b>				
Current (0 -30 days)	1 314 852 820	1 308 435 984	1 314 852 820	1 308 435 984
31 - 60 days	108 522 951	100 823 100	108 522 951	100 823 100
61 - 90 days	65 103 855	56 185 570	65 103 855	56 185 570
91 - 120+ days	830 609 864	689 806 296	830 609 864	689 806 296
	<b>2 319 089 490</b>	<b>2 155 250 950</b>	<b>2 319 089 490</b>	<b>2 155 250 950</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>16. Consumer debtors (continued)</b>				
<b>Water</b>				
Current (0 -30 days)	287 338 710	287 384 874	287 338 710	287 384 874
31 - 60 days	99 013 360	88 195 390	99 013 360	88 195 390
61 - 90 days	100 547 775	74 894 107	100 547 775	74 894 107
91 - 120+ days	1 893 682 384	1 450 732 160	1 893 682 384	1 450 732 160
	<b>2 380 582 229</b>	<b>1 901 206 531</b>	<b>2 380 582 229</b>	<b>1 901 206 531</b>
<b>Waste water</b>				
Current (0 -30 days)	89 590 940	90 115 549	89 590 940	90 115 549
31 - 60 days	32 151 715	30 558 072	32 151 715	30 558 072
61 - 90 days	55 983 790	22 825 717	55 983 790	22 825 717
91 - 120+ days	553 369 134	449 928 978	553 369 134	449 928 978
	<b>731 095 579</b>	<b>593 428 316</b>	<b>731 095 579</b>	<b>593 428 316</b>
<b>Refuse</b>				
Current (0 -30 days)	54 594 521	45 421 492	54 594 521	45 421 492
31 - 60 days	30 439 703	25 777 279	30 439 703	25 777 279
61 - 90 days	27 103 429	22 895 891	27 103 429	22 895 891
91 - 120+ days	644 812 219	460 685 872	644 812 219	460 685 872
	<b>756 949 872</b>	<b>554 780 534</b>	<b>756 949 872</b>	<b>554 780 534</b>
<b>VAT</b>				
Current (0 -30 days)	301 247 588	249 239 410	301 247 588	249 239 410
31 - 60 days	32 483 427	35 539 498	32 483 427	35 539 498
61 - 90 days	31 538 762	26 030 402	31 538 762	26 030 402
91 - 120+ days	537 061 095	453 867 692	537 061 095	453 867 692
	<b>902 330 872</b>	<b>764 677 002</b>	<b>902 330 872</b>	<b>764 677 002</b>
<b>Housing rental</b>				
Current (0 -30 days)	836 029	699 732	836 029	699 732
31 - 60 days	1 144 998	1 244 476	1 144 998	1 244 476
61 - 90 days	1 105 945	1 095 406	1 105 945	1 095 406
91 - 120+ days	49 569 262	41 296 654	49 569 262	41 296 654
	<b>52 656 234</b>	<b>44 336 268</b>	<b>52 656 234</b>	<b>44 336 268</b>
<b>Other</b>				
Current (0 -30 days)	63 205 735	61 040 127	63 205 735	61 040 127
31 - 60 days	41 570 559	37 967 958	41 570 559	37 967 958
61 - 90 days	43 019 079	35 848 133	43 019 079	35 848 133
91 - 120+ days	1 406 493 302	1 148 537 944	1 406 493 302	1 148 537 944
	<b>1 554 288 675</b>	<b>1 283 394 162</b>	<b>1 554 288 675</b>	<b>1 283 394 162</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>16. Consumer debtors (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 -30 days)	690 439 314	707 318 269	690 439 314	707 318 269
31 - 60 days	240 986 497	226 536 414	240 986 497	226 536 414
61 - 90 days	247 914 310	188 510 561	247 914 310	188 510 561
91 - 120+ days	5 383 246 674	4 614 660 603	5 383 246 674	4 614 660 603
	6 562 586 795	5 737 025 847	6 562 586 795	5 737 025 847
Less: Allowance for impairment	(5 179 762 458)	(4 835 994 760)	(5 179 762 458)	(4 835 994 760)
	<b>1 382 824 337</b>	<b>901 031 087</b>	<b>1 382 824 337</b>	<b>901 031 087</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	1 223 123 991	1 298 980 443	1 223 123 991	1 298 980 443
31 - 60 days	120 190 390	110 828 429	120 190 390	110 828 429
61 - 90 days	81 031 548	64 628 972	81 031 548	64 628 972
91 - 120+ days	1 166 786 730	966 857 097	1 166 786 730	966 857 097
	2 591 132 659	2 441 294 941	2 591 132 659	2 441 294 941
Less: Allowance for impairment	(921 537 864)	(746 493 763)	(921 537 864)	(746 493 763)
	<b>1 669 594 795</b>	<b>1 694 801 178</b>	<b>1 669 594 795</b>	<b>1 694 801 178</b>
<b>National and provincial government</b>				
Current (0 -30 days)	43 626 737	28 045 299	43 626 737	28 045 299
31 - 60 days	12 200 205	14 272 480	12 200 205	14 272 480
61 - 90 days	10 135 649	8 745 268	10 135 649	8 745 268
91 - 120+ days	119 575 875	115 576 237	119 575 875	115 576 237
	185 538 466	166 639 284	185 538 466	166 639 284
Less: Allowance for impairment	(132 143 298)	(118 245 409)	(132 143 298)	(118 245 409)
	<b>53 395 168</b>	<b>48 393 875</b>	<b>53 395 168</b>	<b>48 393 875</b>
<b>Total</b>				
Current (0 -30 days)	2 012 007 792	2 034 344 707	2 012 007 792	2 034 344 707
31 - 60 days	378 407 870	351 637 322	378 407 870	351 637 322
61 - 90 days	343 157 496	261 884 801	343 157 496	261 884 801
91 - 120+ days	6 931 424 530	5 736 833 185	6 931 424 530	5 736 833 185
VAT	902 330 872	764 677 003	902 330 872	764 677 003
	10 567 328 560	9 149 377 018	10 567 328 560	9 149 377 018
Less: Allowance for impairment	(6 470 258 040)	(5 700 733 932)	(6 470 258 040)	(5 700 733 932)
Less: Allowance for impairment VAT	(544 587 080)	(440 509 445)	(544 587 080)	(440 509 445)
	<b>3 552 483 440</b>	<b>3 008 133 641</b>	<b>3 552 483 440</b>	<b>3 008 133 641</b>
<b>Allowance for impairment</b>				
Current (0 -30 days)	(195 401 211)	(172 320 908)	(195 401 211)	(172 320 908)
31 - 60 days	(181 495 327)	(161 919 277)	(181 495 327)	(161 919 277)
61 - 90 days	(193 857 995)	(159 607 681)	(193 857 995)	(159 607 681)
91 - 120+ days	(5 926 772 262)	(5 206 886 073)	(5 926 772 262)	(5 206 886 073)
VAT	(544 587 080)	(440 509 445)	(544 587 080)	(440 509 445)
	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(6 141 243 384)	(7 756 988 959)	(6 141 243 384)	(7 756 988 959)
Contributions to allowance	(887 674 953)	(1 442 007 752)	(887 674 953)	(1 442 007 752)
Debt impairment written off against allowance	14 073 218	3 005 983 353	14 073 218	3 005 983 353
Provision transfers to/(from) receivables from exchange transactions	(27 268 756)	51 769 974	(27 268 756)	51 769 974
	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>	<b>(7 042 113 875)</b>	<b>(6 141 243 384)</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 16. Consumer debtors (continued)

#### Credit quality of consumer debtors

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

#### Consumer debtors past due but not impaired

At 30 June 2013, consumer debtors of R3 157 359 365 (2012:R2 678 564 327) were past due but not impaired (exclusive of VAT).

30 Days	1 816 606 581	1 862 023 799	1 816 606 581	1 862 023 799
60 Days	196 912 543	189 718 045	196 912 543	189 718 045
90 Days	149 299 501	102 275 121	149 299 501	102 275 121
90+ Days	994 540 740	524 547 362	994 540 740	524 547 362

#### Consumer debtors impaired

As at 30 June 2013, consumer debtors of R6 534 907 079 (2012:R5 666 395 731) were impaired and provided for (exclusive of VAT).

The ageing of these consumer debtors is as follows:

30 Days	195 401 211	172 320 908	195 401 211	172 320 908
60 Days	181 495 327	161 919 277	181 495 327	161 919 277
90 Days	193 857 995	159 607 681	193 857 995	159 607 681
90+ Days	5 964 152 546	5 172 547 865	5 964 152 546	5 172 547 865

### 17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	560 437	550 533	535 066	523 881
Bank balances	4 533 325 782	3 020 903 285	4 373 841 957	2 837 900 208
Short-term deposits	35 484 765	29 000 713	-	-
Bank overdraft	-	(365)	-	-
	<b>4 569 370 984</b>	<b>3 050 454 166</b>	<b>4 374 377 023</b>	<b>2 838 424 089</b>

The controlling entity has provided bank guarantees to the amount of R 22,946,396 (2012: R23,166,798) with regard to special clauses in contracts concluded with various third parties.

Current assets	4 569 370 984	3 050 454 531	4 374 377 023	2 838 424 089
Current liabilities	-	(365)	-	-
	<b>4 569 370 984</b>	<b>3 050 454 166</b>	<b>4 374 377 023</b>	<b>2 838 424 089</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.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>17. Cash and cash equivalents (continued)</b>				
<b>ABSA</b>				
ABSA - Income Alberton	1 668 891	1 705 381	1 668 891	1 705 381
ABSA - Income Benoni	668 992	3 084 767	668 992	3 084 767
ABSA - Direct banking Benoni	2 312 925	1 046 811	2 312 925	1 046 811
MASK Account Benoni	17 729	2 195	17 729	2 195
ABSA - Income Boksburg	3 364 561	7 523 013	3 364 561	7 523 013
ABSA - Direct banking KL Boksburg	800	3 288	800	3 288
ABSA - Income Brakpan	543 001	673 890	543 001	673 890
Pre paid sales account Brakpan	929 770	293 200	929 770	293 200
ABSA - Direct banking BT Boksburg	-	-	-	-
ABSA - Income Germiston	2 980 713	6 628 801	2 980 713	6 628 801
ABSA - Income account Kempton Park	798 181	1 703 571	798 181	1 703 571
ABSA - Direct banking Kempton Park	2 918 199	1 328 462	2 918 199	1 328 462
ABSA - Direct banking Lethabong	495 846	326 287	495 846	326 287
ABSA - Income Lethabong	704 890	1 344 359	704 890	1 344 359
ABSA - Income Nigel	695 924	302 251	695 924	302 251
ABSA - Income Springs	245 105	-	245 105	-
ABSA - Direct banking Springs	1 024 765	688 700	1 024 765	688 700
ABSA - Market account	1 134 982	1 134 982	1 134 982	1 134 982
EGSC - RSC Levies	802 650	802 650	802 650	802 650
ABSA - EFF Account (ex CLF)	803 185 841	564 798 036	803 185 841	564 798 036
ABSA - C R R Account (ex CDF)	830 329 453	677 269 690	830 329 453	677 269 690
ABSA - Primary bank account (ex from revenue)	157 647 653	241 236 344	157 647 653	241 236 344
ABSA - Salary account	84 071 608	53 002 667	84 071 608	53 002 667
ABSA - Treasury account	1 754 725 642	537 422 215	1 754 725 642	537 422 215
ABSA - Expenditure imprest account	135 582 603	229 617 416	135 582 603	229 617 416
ABSA - CMIP Account	453 046 463	360 357 905	453 046 463	360 357 905
ABSA - Housing account	139 565 120	144 175 508	139 565 120	144 175 508
Short Term Deposits at various institutions with dates within 3 months	127 669	122 518	127 669	122 518
ABSA - Guarantee account	(7 846 867)	1 305 300	(7 846 867)	1 305 300
Petty Cash and Floats	535 066	523 882	535 066	523 882
STANDARD BANK- Mask account	2 098 848	-	2 098 848	-
Cash on hand - entities	25 371	26 652	-	-
Ekurhuleni Development Company (EDC)	17 043	169 329	-	-
Lethabong Housing Institute (LHI)	-	(365)	-	-
Call deposits - entities	34 084 470	29 000 713	-	-
Germiston Phase II Housing Company (Phase II)	1 664 660	584 948	-	-
East Rand Water Care Company (ERWAT)	155 847 016	177 758 792	-	-
Pharoe Park Housing Company (PP)	1 880 958	599 028	-	-
Brakpan Bus Company (BBC)	1 474 443	3 890 980	-	-
	<b>4 569 370 984</b>	<b>3 050 454 166</b>	<b>4 374 377 023</b>	<b>2 838 424 089</b>

The economic entity had the following bank accounts

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2013	2012	2013	2013	2012	2012
<b>17. Cash and cash equivalents (continued)</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA BANK - Income Alberton-111-841-0641	-	-	-	1 668 891	1 705 381	2 517 470
ABSA BANK - Income Benoni -4055327394	-	-	-	668 992	3 084 767	5 067 159
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	2 312 925	1 046 811	1 106 234
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	17 729	2 195	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	3 364 561	7 523 013	3 164 906
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	800	3 288	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	543 001	673 890	3 695 677
ABSA BANK - Prepaid sales account Brakpan-240159392	-	-	-	929 770	293 200	-
ABSA BANK - Income Germiston - 2500002277	(10 326)	-	-	2 980 713	6 628 801	7 380 967
ABSA BANK - Direct banking Germiston - 250000804	-	-	-	-	-	-
ABSA BANK - Direct banking Kempton Park - 260181599	-	-	-	2 918 199	1 328 463	769 521
ABSA BANK - Income Kempton Park - 260000004	-	-	-	798 181	1 703 571	3 437 801
ABSA BANK - Income Lethabong - 4055442546	(13 337)	-	-	704 890	1 344 359	2 670 918
ABSA BANK - Direct banking Lethabong - 4055442596	-	-	-	495 846	326 287	259 570
ABSA BANK - Income Nigel - 270000010	-	-	-	695 924	302 251	3 206 833
ABSA BANK - Income Springs - 280000051	-	-	-	1 024 765	688 700	102 736
ABSA BANK - Direct Springs - 280000094	-	-	-	245 105	-	714 667
ABSA BANK - Fresh Produce Market - 1135470160	(415 285)	1 700 216	191 534	1 134 982	1 134 982	(629 801)
ABSA BANK - RSC Levies - 1018470132	-	-	-	802 650	802 650	802 650
ABSA BANK - EFF account (ex CLF) - 4053834321	803 185 841	564 798 036	542 045 629	803 185 841	564 798 036	542 045 629
ABSA BANK - C R R account (ex CDF) - 4053834779	830 329 453	677 269 628	769	830 329 453	677 269 690	769
ABSA BANK - Primary bank Acc - 4053835084	157 647 653	241 236 282	142 303 806	157 647 653	241 236 344	142 303 806
ABSA BANK - Salary account - 4055571973	85 503 283	54 515 276	34 087 292	84 071 608	53 002 667	32 393 374
ABSA BANK - Treasury account - 4055571931	1 754 725 642	537 422 215	389 622 245	1 754 725 642	537 422 215	389 622 245
ABSA BANK - Expenditure imprest acc - 4055571915	171 699 575	261 765 414	15 051 689	135 582 603	229 617 416	(8 365 408)
ABSA BANK - MIG account - 4055571884	453 046 463	360 357 843	84 806 962	453 046 463	360 357 905	84 806 962
ABSA BANK - Housing account - 4055571842	139 565 120	144 175 446	99 377 265	139 565 120	144 175 508	99 377 265
EMM Traffic fines 407277706	(5 228)	-	-	-	-	-
ABSA BANK - Lease Income - 4075756252	-	-	20 551 720	-	-	20 505 576
ABSA BANK - Guarantee account - FNB Mask account 62379403745	81 817	-	-	(7 846 867)	1 305 300	1 305 300
Petty Cash and Floats	-	-	-	535 066	523 881	483 610
Short Term Deposits at various institutions with dates within 3 months	-	-	122 518	127 669	122 518	117 006

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2013	2012	2013	2012		
<b>17. Cash and cash equivalents (continued)</b>						
STANDARD Bank mask account	2 098 212	-	-	2 098 848	-	-
(BBC) ABSA Current account - 4052643454	703 751	2 613 776	512 892	589 594	1 100 661	512 894
(BBC) ABSA Current account - 9193942873	884 850	2 790 319	6 824 788	884 850	2 790 319	6 824 786
(EDC) ABSA Current account - 4055919492	17 043	169 328	129 873	17 043	169 328	129 873
(ERWAT) ABSA Current account - 260170120	155 230 946	175 645 965	51 849 070	155 230 946	175 645 965	51 832 594
(ERWAT) ABSA Current account - 260170139	616 070	2 112 827	2 110 471	616 070	2 112 827	2 110 471
(ERWAT) INCA Bank - 50610027704	15 618 141	15 902 908	16 600 000	15 618 141	15 902 908	16 600 000
(Phase II) ABSA Current account - 4052348660	1 664 660	584 948	1 225 074	1 664 660	584 948	1 225 074
(Phase II) ABSA Call account - 2065919012	18 190 851	11 467 618	1 013 205	18 190 851	11 467 618	1 013 205
(LHI) FNB Current account - 62019238428	-	(365)	22 920	-	(365)	22 920
(LHI) Investec Call account - 1100182677580	275 478	264 626	252 972	275 478	264 626	252 972
(PP) ABSA Current account - 4050383636	480 663	599 028	148 341	480 663	599 028	148 341
(PP) ABSA Call account - 2070991540	-	-	11 069 539	-	-	11 069 539
(PP) ABSA Call account - 2070991574	-	-	306 229	-	-	306 229
(PP) ABSA Cheque account - 4078340151	1 400 295	1 365 562	-	1 400 295	1 365 562	-
(PP) ABSA Call account - 2065919054	-	-	1 013 205	-	-	1 013 205
Cash on hand	-	-	-	25 370	26 651	25 700
<b>Total</b>	<b>4 592 521 631</b>	<b>3 056 756 896</b>	<b>1 421 240 008</b>	<b>4 569 370 984</b>	<b>3 050 454 165</b>	<b>1 431 951 245</b>

### 18. Share premium

#### Issued

Share premium	7 442 007	7 442 007	-	-
---------------	-----------	-----------	---	---

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Operating Grants-Buntle Ke Botle	53 299	-	53 299	-
Operating Grants-HIV/AIDS	628 216	-	628 216	-
Accreditation Capacity Enhancement	1 803 963	2 459 687	1 803 963	2 459 687
Operating Grants-Township Initiatives	911 139	7 207 447	911 139	7 207 447
HAD Urban Renewal	-	268 029	-	268 029
HSDG Accreditation Grant Opex	121 518 855	41 562 118	121 518 855	41 562 118
Capital Grants-MIG-Water	69 508 680	25 681	69 508 680	25 681
Capital Grants-PHB	3 503 210	5 253 535	3 503 210	5 253 535
Capital Grants-DWAF	582 545	582 545	582 545	582 545
Capital Grants-PTIS	14 761 136	5 953 627	14 761 136	5 592 350
Public Contribution Roodekop Capex	1 844 676	1 844 676	1 844 676	1 844 676
EPWP (Public Works)	748 969	-	748 969	-
Capital Grant-LED	1 826 754	8 815 614	1 826 754	8 815 614
O R Tambo Narrative Centre	2 350 376	20 000 000	2 350 376	20 000 000
Interest PHB Grants	12 365 140	6 035 353	12 365 141	6 035 353
Public Contribution Rondebult Capex	-	(332 732)	-	28 546
National Housing Fund	10 793 534	10 793 534	-	-
	<b>243 200 492</b>	<b>110 469 114</b>	<b>232 406 959</b>	<b>99 675 581</b>



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>19. Unspent conditional grants and receipts (continued)</b>				
<b>Movement during the year</b>				
Balance at the beginning of the year	110 469 114	144 674 428	99 675 581	133 880 895
Additions during the year	4 878 997 700	4 549 671 426	4 879 318 409	4 538 677 795
Income recognition during the year	(4 746 237 776)	(4 568 533 803)	(4 746 558 485)	(4 557 540 172)
Refunded to National Treasury	-	(14 617 756)	-	(14 617 756)
Appropriations	(28 546)	(725 181)	(28 546)	(725 181)
	<b>243 200 492</b>	<b>110 469 114</b>	<b>232 406 959</b>	<b>99 675 581</b>

See note 28 for reconciliation of all grants.

### 20. Long-term liabilities

#### At amortised cost

Bank loans	1 979 194 063	2 130 761 652	1 873 066 526	1 990 237 754
Interest rates as well as redemption periods are varying Development Bank of South Africa	68 265 775	136 751 477	45 131 251	110 273 790
Interest rates as well as redemption periods are varying Municipal bonds	3 215 000 000	2 415 000 000	3 215 000 000	2 415 000 000
Interest rates on the JSE EMM bonds vary between 9.155% and 10.72 % per annum. Final redemption dates on these bonds vary between July 2020 and May 2028.				
	<b>5 262 459 838</b>	<b>4 682 513 129</b>	<b>5 133 197 777</b>	<b>4 515 511 544</b>

#### At amortised cost

Bank loans	(598 733 881)	(133 673 041)	(584 289 481)	(117 171 228)
DBSA	(48 382 157)	(68 344 069)	(45 131 250)	(65 133 877)
	<b>(647 116 038)</b>	<b>(202 017 110)</b>	<b>(629 420 731)</b>	<b>(182 305 105)</b>

#### Total long-term liabilities

**4 615 343 800    4 480 496 019    4 503 777 046    4 333 206 439**

#### Non-current liabilities

At amortised cost    4 615 343 800    4 480 496 019    4 503 777 045    4 333 206 439

#### Current liabilities

At amortised cost    647 116 038    202 017 110    629 420 732    182 305 105

Investments with a carrying value of R819 319 820 (2012: R464,610,451) are encumbered in respect of long term liabilities above with a carrying value of R2 847 620 000 (2012: R2,847,620,000) as disclosed in the Other Investments note (note 9).

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 21. Provisions

#### Reconciliation of provisions - Economic entity - 2013

	Opening Balance	Additions/Unwinding/Interest	Utilised during the year	Under / (over) provision prior year	Pre payment	Total
COID provision	18 466 824	4 358 584	(1 438 070)	-	-	21 387 338
Post retirement medical provision	4 453 244	1 261 204	(368 749)	-	-	5 345 699
Other provisions	1 310 477	919 151	(2 169 572)	-	-	60 056
Leave and bonus provision	246 621 218	44 356 915	(28 146 320)	(5 240 968)	-	257 590 845
Landfill rehabilitation provision	150 015 030	22 813 224	-	-	-	172 828 254
WCA provision	33 247 516	34 995 935	(75 442 862)	-	7 199 411	-
Long service awards	377 228 262	73 975 127	(12 425 049)	-	-	438 778 340
GMRF	103 489 129	18 638 072	-	-	-	122 127 201
	<b>934 831 700</b>	<b>201 318 212</b>	<b>(119 990 622)</b>	<b>(5 240 968)</b>	<b>7 199 411</b>	<b>1 018 117 733</b>

#### Reconciliation of provisions - Economic entity - 2012

	Opening Balance	Additions/Unwinding/Interest	Utilised during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19 771 271	2 174 840	(1 255 921)	(397 955)	(1 825 411)	18 466 824
Post retirement medical provision	3 638 719	1 139 106	(324 581)	-	-	4 453 244
Other provisions	10 378 967	894 828	(1 823 221)	-	(8 140 097)	1 310 477
Leave and bonus provision	222 809 894	115 177 286	(95 056 612)	3 710 887	(20 237)	246 621 218
Landfill rehabilitation provision	101 125 811	48 889 219	-	-	-	150 015 030
WCA provision	9 058 988	24 188 874	(346)	-	-	33 247 516
Long service awards	304 117 199	73 111 063	-	-	-	377 228 262
GMRF	94 090 202	27 517 691	-	(18 118 764)	-	103 489 129
	<b>764 991 051</b>	<b>293 092 907</b>	<b>(98 460 681)</b>	<b>(14 805 832)</b>	<b>(9 985 745)</b>	<b>934 831 700</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand

### 21. Provisions (continued)

#### Reconciliation of provisions - Controlling entity - 2013

	Opening Balance	Additions/Unwinding/Interest	Utilised during the year	Under / (over) provision prior year	Pre payment	Total
COID provision	18 466 824	4 358 584	(1 438 070)	-	-	21 387 338
Leave and bonus provision	226 178 954	28 048 176	(12 777 108)	(5 240 967)	-	236 209 055
Landfill rehabilitation provision	150 015 030	22 813 224	-	-	-	172 828 254
WCA provision	33 247 516	34 995 935	(75 442 862)	-	7 199 411	-
Long service awards	377 228 262	73 975 127	(12 425 049)	-	-	438 778 340
GMRF	103 489 129	18 638 072	-	-	-	122 127 201
	<b>908 625 715</b>	<b>182 829 118</b>	<b>(102 083 089)</b>	<b>(5 240 967)</b>	<b>7 199 411</b>	<b>991 330 188</b>

#### Reconciliation of provisions - Controlling entity - 2012

	Opening Balance	Additions/Unwinding/Interest	Utilised during the year	Reversed during the year	Under / (over) provision prior year	Total
COID provision	19 771 271	2 174 840	(1 255 921)	(1 825 411)	(397 955)	18 466 824
Leave and bonus provision	207 601 200	100 454 345	(85 587 478)	-	3 710 887	226 178 954
Landfill rehabilitation provision	101 125 811	48 889 219	-	-	-	150 015 030
WCA provision	9 058 988	24 188 874	(346)	-	-	33 247 516
Long service awards	304 117 199	73 111 063	-	-	-	377 228 262
GMRF	94 090 202	27 517 691	-	-	(18 118 764)	103 489 129
	<b>735 764 671</b>	<b>276 336 032</b>	<b>(86 843 745)</b>	<b>(1 825 411)</b>	<b>(14 805 832)</b>	<b>908 625 715</b>

Non-current liabilities	760 466 832	653 652 489	755 121 133	649 199 245
Current liabilities	257 650 901	281 179 211	236 209 055	259 426 470
	<b>1 018 117 733</b>	<b>934 831 700</b>	<b>991 330 188</b>	<b>908 625 715</b>

#### COID provision

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 21. Provisions (continued)

This provision is made for future expected outflows as a result of the economic entity'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 10.75% (2012 - 11.00%) and the inflation assumption used for the increase in expenses/contributions is 7.00% (2012 - 6.50%).

#### 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 the decrease from 5.90% to 5.50% of the CPIX there was an decrease in the provision (2012 - due to the increase of the CPIX from 3.90% to 5.90%, there was a increase in the provision). The discounting rate for 2013 is 10.78% (2012 - 11%). The net result of the re-estimation had the following effect on the current year amounts:

Increase in the provision for Landfill site rehabilitation R6,311,571 (2012 - Reduction of R 30,010,287)

Increase in the cost of property, plant and equipment R6,311,571 (2012 - reduction of R30,010,287)

Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset R0 (2012 - R0)

#### Post retirement medical provision

ERWAT provides post retirement medical benefits to some of its already retired employees.

#### Workman's compensation provision

The prior year provision is for the period 2012 (March 2012 to June 2012) which has been estimated in the latest return submitted to the compensation commissioner. In the current year the municipality paid in advance.

#### Long service awards provision

An actuarial valuation for 2013 has not been obtained yet, 2012 was performed by IAC Actuarial Consulting.

#### GMRF Provision

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

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

Accrual for interest on external loans	108 982 737	101 337 474	108 982 732	101 337 467
Civil Contracts	148 861 344	-	148 861 344	-
Lease rental payments liability	937 757	947 756	937 757	937 757
Licence fees	8 599 405	5 461 973	8 599 405	5 461 973
Maintenance guarantees	2 714 495	2 918 837	2 714 495	2 918 837
VAT balance on outstanding debtors	919 935 438	764 677 003	919 935 438	764 677 003
Other payables	71 544 312	36 603 319	64 486 071	34 036 343
Receipts in advance	450 230 270	424 571 613	450 230 270	424 571 613
Retentions	214 500 946	192 163 155	214 500 946	192 163 155
Stated benefits and group accident	20 992 676	17 782 614	20 992 676	17 782 614
Trade payables	2 477 415 038	2 055 891 869	2 432 549 826	2 046 821 689
Unclaimed salaries	3 505 787	22 494 669	3 505 787	22 494 669
	<b>4 428 220 205</b>	<b>3 624 850 282</b>	<b>4 376 296 747</b>	<b>3 613 203 120</b>

A new module was implemented in 2013 to split civil contracts from trade payables and is now presented separately.

### 23. Deposits

Consumer deposits - Electricity and water	620 477 496	532 611 189	620 477 496	532 611 189
Rental deposits held	3 583 717	3 863 487	-	-
	<b>624 061 213</b>	<b>536 474 676</b>	<b>620 477 496</b>	<b>532 611 189</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 23. Deposits (continued)

Guarantees in lieu of electricity and water deposits is R 73 654 622 (2012 - R71,676,517)

### 24. Financial instruments disclosure

#### Categories of financial instruments

#### Economic entity - 2013

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables	-	164 718 831	-	164 718 831
Consumer debtors	-	3 552 483 440	-	3 552 483 440
Cash and cash equivalents	-	4 569 370 984	-	4 569 370 984
Other investments (listed and unlisted shares)	5 766 549	-	4 000 000	9 766 549
Other investments	-	822 985 643	-	822 985 643
Long term receivables	-	2 386 621	-	2 386 621
	<b>5 766 549</b>	<b>9 111 945 519</b>	<b>4 000 000</b>	<b>9 121 712 068</b>

##### Financial liabilities

	At amortised cost	Total
Long term liabilities	5 262 459 838	5 262 459 838
Trade and other payables from exchange transactions	3 058 054 497	3 058 054 497
Unspent conditional grants	243 200 492	243 200 492
Consumer deposits	624 061 213	624 061 213
	<b>9 187 776 040</b>	<b>9 187 776 040</b>

#### Economic entity - 2012

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	147 936 512	-	147 936 512
Consumer debtors	-	3 008 133 641	-	3 008 133 641
Cash and cash equivalents	-	3 050 454 531	-	3 050 454 531
Other investments (listed and unlisted shares)	4 642 064	-	4 000 000	8 642 064
Other investments	-	489 470 441	-	489 470 441
Long term receivables	-	2 519 835	-	2 519 835
	<b>4 642 064</b>	<b>6 698 514 960</b>	<b>4 000 000</b>	<b>6 707 157 024</b>

##### Financial liabilities

	At amortised cost	Total
Long term liabilities	4 686 713 129	4 686 713 129
Trade and other payables from exchange transactions	2 435 601 666	2 435 601 666
Unspent conditional grant and receipts	110 469 114	110 469 114
Bank overdraft	365	365
Consumer deposits	536 474 676	536 474 676
	<b>7 769 258 950</b>	<b>7 769 258 950</b>

#### Controlling entity - 2013

##### Financial assets

	At amortised cost	At cost	Total
Other receivables	161 577 622	-	161 577 622
Consumer debtors	3 552 483 440	-	3 552 483 440
Cash and cash equivalents	4 374 377 023	-	4 374 377 023

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
Other investments (Unlisted shares)		-	4 000 000	4 000 000
Other investments		822 985 643	-	822 985 643
Long term receivables		2 386 621	-	2 386 621
		<b>8 913 810 349</b>	<b>4 000 000</b>	<b>8 917 810 349</b>

### Financial liabilities

	At amortised cost	Total
Trade and other payables	3 005 193 286	3 005 193 286
Unspent conditional grants and receipts	232 406 959	232 406 959
Long term liabilities	5 133 197 777	5 133 197 777
Deposits	620 477 496	620 477 496
	<b>8 991 275 518</b>	<b>8 991 275 518</b>

### Controlling entity - 2012

#### Financial assets

	At amortised cost	At cost	Total
Other receivables	144 473 485	-	144 473 485
Consumer debtors	3 008 133 641	-	3 008 133 641
Cash and cash equivalents	2 838 424 089	-	2 838 424 089
Other investments (Unlisted shares)	-	4 000 000	4 000 000
Other Investments	489 470 461	-	489 470 461
Long Term Receivables	2 519 835	-	2 519 835
	<b>6 483 021 511</b>	<b>4 000 000</b>	<b>6 487 021 511</b>

### Financial liabilities

	At amortised cost	Total
Trade and other payables	2 423 016 746	2 423 016 746
Unspent conditional grants and receipts	99 675 581	99 675 581
Long term liabilities	4 515 511 544	4 515 511 544
Deposits	532 611 189	532 611 189
	<b>7 570 815 060</b>	<b>7 570 815 060</b>

### Financial instruments in Statement of financial performance

#### Economic entity - 2013

	At fair value	At amortised cost	Total
Net gains on financial instruments	1 031 541	-	1 031 541
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	506 757 160	506 757 160
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(534 557 410)	(534 557 410)
Dividends received	98 945	-	98 945
Impairment loss	-	(891 343 772)	(891 343 772)
	<b>1 130 486</b>	<b>(919 144 022)</b>	<b>(918 013 536)</b>

#### Economic entity - 2012

	At fair value	At amortised cost	Total
Net gains on financial instruments	477 420	-	477 420
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	360 725 624	360 725 624
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(468 195 783)	(468 195 783)
Dividends received	178 572	-	178 572
Impairment loss	-	(1 444 896 254)	(1 444 896 254)
	<b>655 992</b>	<b>(1 552 366 413)</b>	<b>(1 551 710 421)</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### Controlling entity - 2013

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	497 248 048	497 248 048
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(522 865 539)	(522 865 539)
Impairment loss	(887 674 954)	(887 674 954)
	<b>(913 292 445)</b>	<b>(913 292 445)</b>

### Controlling entity - 2012

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	353 622 718	353 622 718
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(453 417 828)	(453 417 828)
Impairment loss	(1 442 007 752)	(1 442 007 752)
	<b>(1 541 802 862)</b>	<b>(1 541 802 862)</b>

### 25. Revenue

Rendering of services	8 933 008	8 307 720	-	-
Service charges	13 458 747 714	12 601 620 871	13 500 276 496	12 640 496 148
Rental of facilities and equipment	72 589 775	70 487 525	49 599 515	49 227 077
Interest earned - outstanding debtors	257 704 798	199 886 549	257 704 798	199 886 549
Income from agency services	228 211 226	208 920 868	228 211 226	208 920 868
Licences and permits	35 331 580	33 960 666	35 331 580	33 960 666
Interest revenue	249 052 362	160 839 075	239 543 250	153 736 169
Dividends received	98 945	178 572	-	-
Other income	155 429 099	137 511 778	106 834 963	92 216 304
Dividends received	98 945	178 572	-	-
Property rates	2 801 448 643	2 589 321 741	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges	72 091 881	53 770 449	72 091 881	53 770 449
Government grants & subsidies	4 756 418 414	4 568 533 803	4 746 558 483	4 557 540 172
Public contributions and donations	31 354 044	13 450 224	31 354 044	13 450 224
Fines	173 028 668	210 363 750	173 028 668	210 363 750
	<b>22 300 539 102</b>	<b>20 857 332 163</b>	<b>22 243 406 190</b>	<b>20 803 967 656</b>

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

Service charges	13 458 747 714	12 601 620 871	13 500 276 496	12 640 496 148
Rendering of services	8 933 008	8 307 720	-	-
Rental of facilities and equipment	72 589 775	70 487 525	49 599 515	49 227 077
Interest earned - outstanding debtors	257 704 798	199 886 549	257 704 798	199 886 549
Income from agency services	228 211 226	208 920 868	228 211 226	208 920 868
Licences and permits	35 331 580	33 960 666	35 331 580	33 960 666
Interest revenue	249 052 362	160 839 075	239 543 250	153 736 169
Dividends received	98 945	178 572	-	-
Other income	155 429 099	137 511 778	106 834 963	92 216 304
Dividends received	98 945	178 572	-	-
	<b>14 466 197 452</b>	<b>13 421 892 196</b>	<b>14 417 501 828</b>	<b>13 378 443 781</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>25. Revenue (continued)</b>				
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>				
<b>Taxation revenue</b>				
Property rates	2 801 448 643	2 589 321 741	2 802 871 286	2 590 399 280
Property rates - penalties and collection charges	72 091 881	53 770 449	72 091 881	53 770 449
<b>Transfer revenue</b>				
Government grants & subsidies	4 756 418 414	4 568 533 803	4 746 558 483	4 557 540 172
Public contributions and donations	31 354 044	13 450 224	31 354 044	13 450 224
Fines	173 028 668	210 363 750	173 028 668	210 363 750
	<b>7 834 341 650</b>	<b>7 435 439 967</b>	<b>7 825 904 362</b>	<b>7 425 523 875</b>

### 26. Property rates

#### Rates received

Residential	1 918 134 214	1 735 737 690	1 918 134 214	1 735 737 690
Commercial	1 368 239 186	1 242 701 255	1 368 239 186	1 242 701 255
State	16 448 894	15 181 617	16 448 894	15 181 617
Municipal	71 144 171	68 779 017	71 144 171	68 779 017
Small holdings and farms	7 074 853	8 329 971	7 074 853	8 329 971
Vacant land	177 344 509	193 841 291	177 344 509	193 841 291
Other properties	13 188 464	15 431 544	13 188 464	15 431 544
Related entity elimination	(1 422 643)	(1 077 539)	-	-
Less: Income forgone	(601 393 844)	(547 777 914)	(601 393 844)	(547 777 914)
Less: Departmental rates	(167 309 161)	(141 825 191)	(167 309 161)	(141 825 191)
	<b>2 801 448 643</b>	<b>2 589 321 741</b>	<b>2 802 871 286</b>	<b>2 590 399 280</b>

#### Valuations (R'000)

Residential	222 750 768	221 839 455	222 750 768	221 839 455
Commercial	81 468 150	81 442 105	81 468 150	81 442 105
Provincial and National Government	1 099 428	1 103 078	1 099 428	1 103 078
Municipal	5 309 049	5 292 740	5 309 049	5 292 740
Small holdings and farms	4 263 453	4 341 982	4 263 453	4 341 982
Sectional title	38 292 791	38 217 954	38 292 791	38 217 954
Vacant land	7 218 385	7 375 573	7 218 385	7 375 573
Other	11 227 411	11 302 240	11 227 411	11 302 240
	<b>371 629 435</b>	<b>370 915 127</b>	<b>371 629 435</b>	<b>370 915 127</b>

Valuations on land and buildings are performed every 3-5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis, interest is levied on rates after due date.

### 27. Service charges

Sale of electricity	9 644 563 139	9 041 645 460	9 692 978 223	9 086 645 817
Sale of water	2 153 523 339	2 057 846 485	2 158 532 779	2 061 805 493
Solid waste	844 740 820	724 149 077	846 321 359	726 039 265
Sewerage and sanitation charges	750 032 919	719 747 947	736 556 638	707 773 671
Fresh produce market	16 840 493	13 361 285	16 840 493	13 361 285
Other service charges	49 047 004	44 870 617	49 047 004	44 870 617
	<b>13 458 747 714</b>	<b>12 601 620 871</b>	<b>13 500 276 496</b>	<b>12 640 496 148</b>



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>28. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	1 825 341 000	1 644 128 000	1 825 341 000	1 644 128 000
Fuel levy	1 363 911 000	1 261 972 000	1 363 911 000	1 261 972 000
Ambulance subsidies	119 220 000	163 184 000	119 220 000	163 184 000
FMG	1 250 000	1 250 000	1 250 000	1 250 000
Accreditation Capacity Enhancement	655 724	703 362	655 724	703 362
HIV/AIDS	9 644 215	10 752 366	9 644 215	10 752 366
Township Initiatives	9 071 308	7 403 827	9 071 308	7 403 827
Seta	18 680 283	23 538 688	18 680 283	23 538 688
Public Contributions	268 029	2 831 971	268 029	2 831 971
BKB	171 701	500 000	171 701	500 000
EPWP	7 065 018	-	7 065 018	-
Health Subsidy	85 881 919	105 194 925	85 881 919	105 194 925
Department of Transport (Provincial)	9 859 931	10 993 631	-	-
	<b>3 451 020 128</b>	<b>3 232 452 770</b>	<b>3 441 160 197</b>	<b>3 221 459 139</b>
<b>Capital grants</b>				
INEP	72 807 861	99 082 885	72 807 861	99 082 885
USDG (Capital and operational)	1 143 054 000	1 053 904 317	1 143 054 000	1 053 904 317
PTIS	40 831 213	34 407 768	40 831 213	34 407 768
Electricity Demand Site Management	11 841 777	47 114 228	11 841 777	47 114 228
HSDG	1 750 324	60 436 367	1 750 324	60 436 367
Community care centres	3 906 613	25 618 363	3 906 613	25 618 363
LED	6 988 861	1 134 385	6 988 861	1 134 385
OR TAMBO Narrative centre	17 649 624	-	17 649 624	-
EPWP	6 568 013	-	6 568 013	-
Public Contributions	-	14 382 720	-	14 382 720
	<b>1 305 398 286</b>	<b>1 336 081 033</b>	<b>1 305 398 286</b>	<b>1 336 081 033</b>
	<b>4 756 418 414</b>	<b>4 568 533 803</b>	<b>4 746 558 483</b>	<b>4 557 540 172</b>
<b>Equitable share</b>				
Current-year receipts	1 825 341 000	1 644 128 000	1 825 341 000	1 644 128 000
Conditions met - transferred to revenue	(1 825 341 000)	(1 644 128 000)	(1 825 341 000)	(1 644 128 000)
	-	-	-	-
<b>Fuel levy</b>				
Current-year receipts	1 363 911 000	1 261 972 000	1 363 911 000	1 261 972 000
Conditions met - transferred to revenue	(1 363 911 000)	(1 261 972 000)	(1 363 911 000)	(1 261 972 000)
	-	-	-	-
<b>Ambulance Subsidy</b>				
Current-year receipts	119 220 000	163 184 000	119 220 000	163 184 000
Conditions met - transferred to revenue	(119 220 000)	(163 184 000)	(119 220 000)	(163 184 000)
	-	-	-	-
<b>Finance Management Grant</b>				
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	-	-	-	-
	-	-	-	-
<b>Accreditation Capacity Enhancement</b>				

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>28. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	2 459 687	3 163 049	2 459 687	3 163 049
Conditions met - transferred to revenue	(655 724)	(703 362)	(655 724)	(703 362)
	<b>1 803 963</b>	<b>2 459 687</b>	<b>1 803 963</b>	<b>2 459 687</b>

Conditions still to be met - remain liabilities (see note 19).

### Hiv/Aids

Balance unspent at beginning of year	-	(451 218)	-	(451 218)
Current-year receipts	10 272 431	7 136 015	10 272 431	7 136 015
Conditions met - transferred to revenue	(9 644 215)	(10 752 366)	(9 644 215)	(10 752 366)
Debtor	-	4 067 569	-	4 067 569
	<b>628 216</b>	<b>-</b>	<b>628 216</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

### Township Initiatives

Balance unspent at beginning of year	7 207 447	7 211 274	7 207 447	7 211 274
Current-year receipts	2 775 000	7 400 000	2 775 000	7 400 000
Conditions met - transferred to revenue	(9 071 307)	(7 403 827)	(9 071 307)	(7 403 827)
	<b>911 140</b>	<b>7 207 447</b>	<b>911 140</b>	<b>7 207 447</b>

Conditions still to be met - remain liabilities (see note 19).

### Seta

Current-year receipts	18 680 283	23 538 688	18 680 283	23 538 688
Conditions met - transferred to revenue	(18 680 283)	(23 538 688)	(18 680 283)	(23 538 688)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Public Contributions

Balance unspent at beginning of year	2 141 251	5 905 717	2 141 251	5 905 717
Current-year receipts	-	13 450 224	-	13 450 224
Conditions met - transferred to revenue	(268 029)	(17 214 690)	(268 029)	(17 214 690)
Other	(28 546)	-	(28 546)	-
	<b>1 844 676</b>	<b>2 141 251</b>	<b>1 844 676</b>	<b>2 141 251</b>

Conditions still to be met - remain liabilities (see note 19).

### BKB

Current-year receipts	225 000	500 000	225 000	500 000
Conditions met - transferred to revenue	(171 701)	(500 000)	(171 701)	(500 000)
	<b>53 299</b>	<b>-</b>	<b>53 299</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

### Health Subsidy

Current-year receipts	85 881 919	79 896 425	85 881 919	79 896 425
Conditions met - transferred to revenue	(85 881 919)	(95 769 925)	(85 881 919)	(95 769 925)
Other	-	15 873 500	-	15 873 500
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>28. Government grants and subsidies (continued)</b>				
<b>INEP</b>				
Current-year receipts	72 487 152	98 570 038	72 487 152	98 570 038
Conditions met - transferred to revenue	(72 807 861)	(99 082 885)	(72 807 861)	(99 082 885)
Other	320 709	512 847	320 709	512 847
	-	-	-	-
<b>USDG-OPEX</b>				
Balance unspent at beginning of year	25 681	-	25 681	-
Current-year receipts	222 704 995	50 000 000	222 704 995	50 000 000
Conditions met - transferred to revenue	(202 480 987)	(49 974 319)	(202 480 987)	(49 974 319)
	<b>20 249 689</b>	<b>25 681</b>	<b>20 249 689</b>	<b>25 681</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>PTIS</b>				
Balance unspent at beginning of year	5 592 350	33 978 118	5 592 350	33 978 118
Current-year receipts	50 000 000	20 000 000	50 000 000	20 000 000
Conditions met - transferred to revenue	(40 831 213)	(34 407 768)	(40 831 213)	(34 407 768)
Surrender to National Treasury	-	(13 978 000)	-	(13 978 000)
	<b>14 761 137</b>	<b>5 592 350</b>	<b>14 761 137</b>	<b>5 592 350</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>Electricity Demand Site Management</b>				
Balance unspent at beginning of year	-	(43 995)	-	(43 995)
Current-year receipts	11 841 777	47 000 000	11 841 777	47 000 000
Conditions met - transferred to revenue	(11 841 777)	(47 114 228)	(11 841 777)	(47 114 228)
Debtors	-	158 223	-	158 223
	-	-	-	-
<b>HSDG</b>				
Balance unspent at beginning of year	5 253 535	-	5 253 535	-
Current-year receipts	-	65 689 902	-	65 689 902
Conditions met - transferred to revenue	(1 750 324)	(60 436 367)	(1 750 324)	(60 436 367)
	<b>3 503 211</b>	<b>5 253 535</b>	<b>3 503 211</b>	<b>5 253 535</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>Community Care Centres</b>				
Balance unspent at beginning of year	-	(5 575 024)	-	(5 575 024)
Current-year receipts	3 906 613	29 200 000	3 906 613	29 200 000
Conditions met - transferred to revenue	(3 906 613)	(25 618 363)	(3 906 613)	(25 618 363)
Debtors	-	1 993 387	-	1 993 387
	-	-	-	-
<b>LED</b>				
Balance unspent at beginning of year	8 815 615	9 950 000	8 815 615	9 950 000
Conditions met - transferred to revenue	(6 988 861)	(1 134 385)	(6 988 861)	(1 134 385)
	<b>1 826 754</b>	<b>8 815 615</b>	<b>1 826 754</b>	<b>8 815 615</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

#### O R Tambo Narrative Centre

Balance unspent at beginning of year	20 000 000	-	20 000 000	-
Current-year receipts	-	20 000 000	-	20 000 000
Conditions met - transferred to revenue	(17 649 624)	-	(17 649 624)	-
	<b>2 350 376</b>	<b>20 000 000</b>	<b>2 350 376</b>	<b>20 000 000</b>

Conditions still to be met - remain liabilities (see note 19).

#### USDG Capital

Current-year receipts	989 832 005	1 044 276 000	989 832 005	1 044 276 000
Conditions met - transferred to revenue	(940 573 014)	(1 044 276 000)	(940 573 014)	(1 044 276 000)
	<b>49 258 991</b>	<b>-</b>	<b>49 258 991</b>	<b>-</b>

#### EPWP Operating

Current-year receipts	7 800 000	-	7 800 000	-
Conditions met - transferred to revenue	(7 065 018)	-	(7 065 018)	-
	<b>734 982</b>	<b>-</b>	<b>734 982</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

#### EPWP Capital

Current-year receipts	6 582 000	-	6 582 000	-
Conditions met - transferred to revenue	(6 568 013)	-	(6 568 013)	-
	<b>13 987</b>	<b>-</b>	<b>13 987</b>	<b>-</b>

#### Department of Transport (Provincial)

Current-year receipts	9 859 931	10 993 631	-	-
Conditions met - transferred to revenue	(9 859 931)	(10 993 631)	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 29. Other income

Accident reports	693 167	450 584	693 167	450 584
Administration fees	359 276	349 224	359 276	349 224
Cleaning of stands	643 149	305 530	643 149	305 530
Entry fees	322 928	422 485	322 928	422 485
Essential services contributions	44 066 767	29 177 539	43 012 450	29 177 539
Gain on fair value adjustment	1 031 541	477 420	-	-
Insurance claims	5 525 672	6 697 802	5 198 120	6 515 982
Printing and copying of documents	340 259	461 568	340 259	461 568
Productions	174 257	84 009	174 257	84 009
Recoveries	246 999	1 242 261	246 999	1 242 261
Sundry income	98 752 580	94 644 702	52 654 248	50 094 468
Supply of information	172 089	422 885	172 089	422 885
Tender documents	1 877 158	2 478 438	1 794 764	2 392 438
Training	1 223 257	297 331	1 223 257	297 331
	<b>155 429 099</b>	<b>137 511 778</b>	<b>106 834 963</b>	<b>92 216 304</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>30. General expenses</b>				
Advertising	9 625 932	7 462 618	8 445 168	6 786 929
Assessment rates & municipal charges	43 441	30 486	-	-
Auditors remuneration	21 627 275	17 988 812	19 784 055	14 880 101
Awareness campaigns	5 566 778	5 505 221	5 521 799	5 498 765
Bank charges	5 743 830	14 381 651	5 008 340	13 684 708
Community development and wellbeing	38 007 078	51 223 544	38 007 078	51 223 544
Conferences and seminars	102 488	-	-	-
Consulting and professional fees	92 600 482	116 992 134	80 287 123	112 056 350
Consumables (including materials)	45 328 948	44 493 815	43 978 331	42 965 760
Corporate Gifts	258 748	285 275	258 748	285 275
Animal care	2 089 196	1 887 345	2 089 196	1 887 345
Disaster management	6 227 831	10 614 659	6 227 831	10 614 659
Electricity	87 674	74 945	-	-
Entertainment	2 931 159	2 165 215	1 715 560	1 612 486
Finance Interns	1 905 724	1 953 362	1 905 724	1 953 362
Fleet	147 411 652	130 175 922	138 123 472	122 081 249
Fuel and oil	4 579 627	4 014 849	4 525 806	4 014 849
Hire of busses	82 452	-	-	-
Human resource management	28 990 731	11 669 100	28 964 867	11 669 100
IT expenses	40 835 233	39 265 272	39 762 983	38 250 094
Insurance	63 124 238	62 257 580	59 533 732	59 147 247
Postage	19 313 207	18 731 381	19 306 149	18 726 309
Land management	22 347 572	13 119 906	22 347 572	13 119 906
Magazines, books and periodicals	599 862	478 945	505 487	478 945
Marketing	71 875 858	71 945 663	70 644 237	70 242 870
Motor vehicle expenses - busses	7 589 886	7 477 336	-	-
Other expenses	25 598 139	47 087 528	14 188 323	39 484 207
Printing and stationery	36 563 868	31 408 594	35 684 583	30 788 967
Productions	253 068	284 314	253 068	284 314
Refreshments	5 828 347	4 839 147	5 649 759	4 749 996
Refuse	9 384 842	17 007 709	9 384 842	17 748 041
Rentals	21 882 326	141 246 947	20 021 914	139 179 637
Utilities	8 115	6 582	-	-
Rodent control	8 773 093	3 799 876	8 773 093	3 799 876
Security (Guarding of municipal property)	7 684 469	6 355 307	-	-
Service connections	47 202 794	84 072 581	44 162 881	81 832 858
Sewerage and waste disposal	3 794	5 653	-	-
Software expenses	2 272 266	6 312 935	2 241 256	6 235 620
Stock adjustments and write-offs	920 666	2 751 137	920 666	2 740 019
Subscriptions and membership fees	11 286 708	9 916 679	11 105 387	9 703 909
Telephone and fax	37 084 784	56 919 479	34 652 681	54 781 585
Title deed search fees	916 385	1 023 669	916 385	1 023 669
Training	24 474 156	28 158 272	21 959 496	26 569 170
Transport and freight	-	52 715	-	-
Travel - local	7 311 882	9 545 300	5 757 278	7 402 263
Travel - overseas	16 348 323	4 895 482	16 018 486	4 895 482
Uniforms	26 534 390	20 767 544	26 516 348	20 636 119
Venue expenses	12 449 686	12 407 173	12 449 686	12 407 173
	<b>941 679 003</b>	<b>1 123 059 659</b>	<b>867 599 390</b>	<b>1 065 442 758</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>31. Employee related costs</b>				
Basic	3 357 385 596	3 200 304 658	3 249 344 964	3 104 497 856
Medical aid - company contributions	440 084 791	394 600 511	439 674 817	394 345 753
UIF	24 041 109	21 706 256	24 007 646	21 673 513
WCA	43 011 211	24 263 897	42 195 346	24 188 874
SDL	37 814 077	34 570 096	37 760 529	34 511 460
Other payroll levies	1 133 939	792 928	1 133 939	792 928
Leave pay provision charge	93 541 441	93 115 707	89 397 888	87 983 482
Standby Allowances	22 050 084	19 962 160	22 050 084	19 962 160
Post-employment benefits - Pension - Defined contribution plan	598 037 494	587 202 981	596 875 736	586 159 792
Overtime payments	402 110 406	373 971 944	393 763 727	366 825 685
Long-service awards	61 660 277	73 261 783	61 568 850	73 118 342
Ad Hoc Travelling Allowances	900 697	1 012 007	900 697	1 012 007
Other contributions	21 666 602	16 632 233	10 954 944	8 613 956
Other related costs	33 405 766	29 248 064	-	-
	1 010 367	602 877	-	-
Less: Employee costs included in other expenses	(667 909 632)	(584 322 965)	(667 909 632)	(584 322 965)
Less: Employee costs capitalised to PPE	(25 148 837)	(29 830 944)	(25 148 837)	(29 830 944)
	<b>4 444 795 388</b>	<b>4 257 094 193</b>	<b>4 276 570 698</b>	<b>4 109 531 899</b>

<b>Senior Management Remuneration (Key Management) for the year as at 30 June 2013</b>	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 050 704	94 185	156 000	156 167	48 000	2 505 056
Chief Operating Officer	1 165 364	34 310	107 264	-	23 318	1 330 256
Chief Financial Officer	848 357	1 338	141 300	138 436	259 050	1 388 481
Head of Department: Internal Audit	824 087	15 590	95 000	63 566	15 600	1 013 843
General Manager :Electricity & Energy	1 146 644	120 585	276 340	180 046	170 220	1 893 835
General Manager: Organisational Performance	1 220 166	30 183	-	104 552	36 000	1 390 901
Head of Department: Health	665 368	34 012	77 264	152 878	18 000	947 522
Head of Department: Corporate & Legal	1 301 904	131 385	120 000	-	36 000	1 589 289
Head of Department: Communication	324 500	446	25 500	-	9 000	359 446
Head of Department: Human Resources	1 488 252	1 785	90 000	-	36 000	1 616 037
Head of Department: SRAC	1 181 220	1 785	108 000	-	36 000	1 327 005
Head of Department : City Development	1 291 080	75 705	240 000	-	36 000	1 642 785
Head of Department : Community Safety	1 295 552	106 873	120 000	173 554	36 000	1 731 979
Head of Department : Housing	710 537	1 487	160 000	83 102	24 000	979 126
Head of Department : Economic Development	1 340 472	1 785	180 000	-	36 000	1 558 257
Head of Department : ICT	853 688	1 338	-	68 454	-	923 480
Head of Department : Transport	1 414 008	1 785	84 000	-	36 000	1 535 793
Head of Department : Environment	1 391 004	1 785	-	-	36 000	1 428 789
Head of Department : Solid Waste	1 152 205	54 799	84 000	-	36 000	1 327 004
Head of Department : Enterprise Project Management	565 000	744	60 000	-	15 000	640 744
Chief Director : RTCW	996 537	181 596	104 184	65 955	19 200	1 367 472
Chief Director : Water Services	1 008 135	166 181	108 000	59 838	19 200	1 361 354
Chief Risk Officer	1 186 140	1 785	-	119 278	8 400	1 315 603
Chief of Police	1 373 424	1 785	-	119 629	19 200	1 514 038
Secretary of Council	938 004	1 785	132 000	29 166	36 000	1 136 955
Subtotal	27 732 352	1 065 037	2 468 852	1 514 621	1 044 188	33 825 050
	<b>27 732 352</b>	<b>1 065 037</b>	<b>2 468 852</b>	<b>1 514 621</b>	<b>1 044 188</b>	<b>33 825 050</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2013	2012	2013	2012		
<b>31. Employee related costs (continued)</b>						
<b>Senior Management Remuneration (Key Management) for the year as at 30 June 2012</b>	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	1 900 293	93 897	156 000	227 583	48 000	2 425 773
Chief Operating Officer	1 003 333	873	105 000	-	21 000	1 130 206
Chief Financial Officer	1 174 320	1 497	216 000	249 356	396 000	2 037 173
Chief Audit Executive	1 121 313	1 497	150 000	155 029	19 200	1 447 039
Head of Department : Energy	1 002 989	120 297	276 340	192 744	170 220	1 762 590
Head of Department : Institutional Strategy, M&E, Research and IDP	1 141 043	27 334	-	117 900	36 000	1 322 277
Head of Department : Health and Social Development	1 146 597	79 353	154 528	164 055	36 000	1 580 533
Head of Department : Corporate Legal	994 578	250	165 000	-	1 400	1 161 228
Head of Department : Human Resource	970 816	89 434	120 000	111 745	34 800	1 326 795
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	466 031	624	36 000	-	15 000	517 655
Head of Department : City Planning	473 840	6 659	20 000	-	12 000	512 499
Head of Department : Community Safety	1 051 757	98 196	120 000	210 594	36 000	1 516 547
Head of Department : Housing	956 752	1 497	240 000	108 410	36 000	1 342 659
Head of Department: Economic Development	319 566	374	30 000	-	6 000	355 940
Head of Department : ICT	1 196 752	1 497	-	110 912	-	1 309 161
Head of Department : Transport	583 333	499	-	-	-	583 832
Head of Department : Solid Waste	444 942	22 713	35 000	-	18 000	520 655
Chief Director : RTCW	910 362	183 703	104 184	104 240	19 200	1 321 689
Head of Department : Water Services	926 294	163 955	108 000	-	19 200	1 217 449
Chief Risk Officer	1 108 536	1 497	-	139 041	8 400	1 257 474
Chief of Police	1 283 568	1 497	-	143 554	19 200	1 447 819
Secretary of council	578 667	998	88 000	-	24 000	691 665
Subtotal	20 755 682	898 141	2 124 052	2 035 163	975 620	26 788 658
	<b>20 755 682</b>	<b>898 141</b>	<b>2 124 052</b>	<b>2 035 163</b>	<b>975 620</b>	<b>26 788 658</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 32. Remuneration of councillors

June 2013	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	530 802	-	440 450	96 901	39 838	1 107 991
Speaker	451 691	148 605	169 482	84 745	19 874	874 397
Chief Whip	587 746	86 691	21 352	105 427	19 874	821 090
Members of the Mayoral Committee	3 618 384	711 667	1 647 295	660 047	178 866	6 816 259
Other councillors	44 751 540	8 858 313	13 884 831	8 663 364	2 176 783	78 334 831
	<b>49 940 163</b>	<b>9 805 276</b>	<b>16 163 410</b>	<b>9 610 484</b>	<b>2 435 235</b>	<b>87 954 568</b>

June 2012	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	516 600	-	401 106	94 770	37 750	1 050 226
Speaker	439 602	173 739	113 511	83 124	18 840	828 816
Chief Whip	571 541	84 371	7 632	95 811	18 840	778 195
Members of the Mayoral Committee	3 607 317	796 503	1 768 325	660 617	169 560	7 002 322
Other councillors	42 264 996	6 645 388	10 386 131	8 264 818	2 185 347	69 746 680
<b>Total</b>	<b>47 400 056</b>	<b>7 700 001</b>	<b>12 676 705</b>	<b>9 199 140</b>	<b>2 430 337</b>	<b>79 406 239</b>

#### In-kind benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has full-time bodyguards.

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

At ERWAT the directors have use of company owned laptops and 3G cards. Two directors, Mr Mochatsi and Mr Phasha, have the use of company owned cell phones. These salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

#### Related parties

Refer to note 47 for related party relationships.

### 33. Debt impairment

Changes in debt impairment provision	891 343 772	1 444 896 254	887 674 954	1 442 007 752
--------------------------------------	-------------	---------------	-------------	---------------

### 34. Interest revenue

Dividend revenue				
Unit trusts - Local	98 945	178 572	-	-
<b>Interest revenue</b>				
Bank	199 541 827	122 211 194	191 308 384	116 710 827
External investments	49 510 535	32 673 692	48 234 866	31 071 153
Interest received - other	-	5 954 189	-	5 954 189
	<b>249 052 362</b>	<b>160 839 075</b>	<b>239 543 250</b>	<b>153 736 169</b>
	<b>249 151 307</b>	<b>161 017 647</b>	<b>239 543 250</b>	<b>153 736 169</b>



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>35. Depreciation and amortisation</b>				
Property, plant and equipment	2 028 763 023	2 008 743 223	2 003 605 742	1 979 416 015
Investment property	1 566 117	1 566 117	593 731	593 731
Intangible assets	10 428 357	4 986 703	10 062 293	4 739 793
	<b>2 040 757 497</b>	<b>2 015 296 043</b>	<b>2 014 261 766</b>	<b>1 984 749 539</b>

### 36. Impairments of assets

#### Impairments

Property, plant and equipment (PPE)	41 645 746	-	41 642 835	-
Inventories	-	1 973 600	-	-
	<b>41 645 746</b>	<b>1 973 600</b>	<b>41 642 835</b>	<b>-</b>

#### 2012

LHI - Inventories to the value of R6 830 000 were written down to net realisable value of R4 856 400.

### 37. Finance costs

External borrowings	485 877 799	439 225 882	475 669 432	425 877 513
Trade and other payables	2 339 473	294 216	2 339 473	294 216
Other interest paid	46 340 138	28 675 685	44 856 634	27 246 099
	<b>534 557 410</b>	<b>468 195 783</b>	<b>522 865 539</b>	<b>453 417 828</b>

### 38. Taxation

#### Major components of the tax income

#### Current

Local income tax	76 958	26 770	-	-
------------------	--------	--------	---	---

#### Deferred

Originating and reversing temporary differences	(1 214 073)	(830 435)	-	-
	<b>(1 137 115)</b>	<b>(803 665)</b>	<b>-</b>	<b>-</b>

### 39. Auditors' remuneration

Fees	21 627 275	17 988 812	19 784 055	14 880 101
------	------------	------------	------------	------------

### 40. Rental of facilities and equipment

#### Facilities and equipment

Rental of facilities	72 564 082	70 457 341	49 573 822	49 196 893
Rental of equipment	25 693	30 184	25 693	30 184
	<b>72 589 775</b>	<b>70 487 525</b>	<b>49 599 515</b>	<b>49 227 077</b>
	<b>72 589 775</b>	<b>70 487 525</b>	<b>49 599 515</b>	<b>49 227 077</b>

Included in the above rentals are operating lease rentals at straight-lined amounts of R3,320,748 (2012:R3,106,920)

### 41. Contracted services

Information Technology Services	13 785 184	8 124 493	13 785 184	8 124 493
Security contracts	136 720 506	135 704 565	136 720 506	135 704 565
Meter management contracts	147 728 344	134 324 181	147 728 344	134 324 181
Environment contracts	235 292 040	263 667 938	235 292 040	263 667 938
Asset management	143 395 427	135 360 138	152 429 088	142 841 546
	<b>676 921 501</b>	<b>677 181 315</b>	<b>685 955 162</b>	<b>684 662 723</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>42. Grants and subsidies paid</b>				
<b>Grants and subsidies paid</b>				
Discretionary grant: Sport and Social support	9 013 903	3 704 884	9 013 903	3 704 884
Subsidy: SPCA	2 552 288	2 430 750	2 552 288	2 430 750
Discretionary grant: General	172 772 529	9 028 520	257 772 529	73 308 936
Free basic services	677 721 491	337 884 048	677 721 491	337 884 048
Discretionary grant: Educational	6 532 909	5 518 574	6 532 909	5 518 574
Grants: Education (External)	7 052 298	3 437 614	7 052 298	3 437 614
	<b>875 645 418</b>	<b>362 004 390</b>	<b>960 645 418</b>	<b>426 284 806</b>
	<b>875 645 418</b>	<b>362 004 390</b>	<b>960 645 418</b>	<b>426 284 806</b>
<b>43. Bulk purchases</b>				
Electricity	6 696 066 194	6 010 033 282	6 659 751 936	5 991 227 461
Water	1 754 737 076	1 543 679 901	1 755 307 842	1 543 704 239
Sewer purification	44 539 304	41 712 340	437 804 158	395 584 753
	<b>8 495 342 574</b>	<b>7 595 425 523</b>	<b>8 852 863 936</b>	<b>7 930 516 453</b>
<b>44. Cash generated from operations</b>				
Surplus	1 251 344 983	903 866 556	1 075 885 682	738 562 598
<b>Adjustments for:</b>				
Depreciation and amortisation	2 040 757 497	2 015 296 043	2 014 261 766	1 984 749 539
Gain on sale of fixed assets	-	(801 307)	-	(776 424)
Loss on sale of fixed assets	16 742 861	21 474 902	15 256 261	21 039 546
Impairment deficit	41 645 746	1 973 600	41 642 835	-
Debt impairment	891 343 772	1 444 896 254	887 674 954	1 442 007 752
Movements in retirement benefit assets and liabilities	138 669 000	124 157 887	138 669 000	124 157 887
Movements in provisions	82 916 844	139 830 360	82 704 473	142 850 758
Movement in tax receivable and payable	(256 451)	(832 136)	-	-
Other non-cash items	(7 168 462)	(4 016 828)	(6 311 574)	(1 484 543)
<b>Changes in working capital:</b>				
Inventories	(7 186 003)	(945 193)	(7 577 761)	(764 438)
Other receivables from exchange transactions	1 255 591	7 100 651	-	-
Consumer debtors	(1 432 024 752)	(1 725 172 595)	(1 432 024 752)	(1 725 172 595)
Trade and other payables from exchange transactions	771 850 631	284 174 350	763 093 632	302 426 797
Other receivables	(149 021 676)	92 799 942	(171 786 535)	78 283 204
Unspent conditional grants and receipts	132 731 378	(34 205 314)	132 731 378	(34 205 314)
	<b>3 773 600 959</b>	<b>3 269 597 172</b>	<b>3 534 219 359</b>	<b>3 071 674 767</b>

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>45. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Committed for as well as authorised</b>				
• Community	243 038 000	74 910 000	243 038 000	74 910 000
• Infrastructure	1 617 578 355	655 969 273	1 617 578 355	610 235 200
• Other assets	282 477 839	300 445 000	282 477 839	300 445 000
• Specialised vehicles	-	71 800 000	-	71 800 000
	<b>2 143 094 194</b>	<b>1 103 124 273</b>	<b>2 143 094 194</b>	<b>1 057 390 200</b>
<b>Not committed for, but authorised</b>				
• All classes	1 473 754 083	1 593 317 610	837 838 516	1 593 317 610

For the controlling entity, this committed expenditure relates to the property, plant and equipment for the 2013/2014 financial year (Budget) as approved/authorised. These commitments will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc..

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>				
- within one year	10 488 303	9 362 494	5 321 266	9 126 548
- in second to fifth year inclusive	9 993 395	5 386 282	2 417 625	5 321 266
- later than five years	-	2 204 501	-	2 204 501
	<b>20 481 698</b>	<b>16 953 277</b>	<b>7 738 891</b>	<b>16 652 315</b>

Operating lease payments represent rentals payable by the economic entity 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.

The actual lease contract amounts range between R12,950 and R361,260 (2012 - R11,880 and R361,259) per month on the office buildings.

### Operating leases - as lessor (income)

<b>Minimum lease payments due</b>				
- within one year	3 089 425	3 389 153	3 089 425	3 389 153
- in second to fifth year inclusive	5 505 319	7 963 158	5 505 319	7 963 158
- later than five years	1 290 525	2 314 727	1 290 525	2 314 727
	<b>9 885 269</b>	<b>13 667 038</b>	<b>9 885 269</b>	<b>13 667 038</b>

Certain of the economic entity'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 R 0 (social benefit) up to R143,453 (2012 - R 156,937).

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>46. Contingencies</b>				
<b>Controlling entity</b>				
Category A: Claims exceeding R 500 000.				
Category B: Claims less than R 500 000.				
Category C: Other legal matters.				
<b>CONTINGENT LIABILITIES</b>				
<b>Category A Claims:</b>				
Engen Petroleum Ltd/Atlas road Claim as a result of rerouting of a provincial road	14 061 088	14 061 088	14 061 088	14 061 088
WLT Advertising CC - Claim for damages as a result of conduct	31 706 247	31 706 247	31 706 247	31 706 247
Strata International Pty Ltd and The Garden estate (a)	150 000 000	150 000 000	150 000 000	150 000 000
Bondev Midrand: Claim for failure to issue section 82 certificate i.r.o. various townships	2 676 187	2 676 187	2 676 187	2 676 187
Technology Corporate Management (b)	-	5 279 949	-	5 279 949
Grade15 - Possible claim submitted by employees of EMM (c)	-	1 211 646 629	-	1 211 646 629
Hometalk- Possible claim for losses in respect of developments	60 000 000	60 000 000	60 000 000	60 000 000
Siyavuka projects: Claim for alleged unlawful termination of contract A/ED (MP) 20/2008	5 401 380	5 401 380	5 401 380	5 401 380
Rose Acres Development Pty Ltd (d)	17 825 000	-	17 825 000	-
Scarlet IBIS 115 9 Pty Ltd: Claim for alleged wrongfully use of plaintiff's property	5 250 000	5 250 000	5 250 000	5 250 000
Wage Curve Agreement (e)	-	-	-	-
Other	3 014 679	11 172 022	3 014 679	11 172 022
EDC - SA 1 consulting	857 280	857 280	-	-
M Ramanna & Associates	2 334 520	-	-	-
ERWAT-Guarantees	2 955 100	2 955 100	-	-
	<b>296 081 481</b>	<b>1 501 005 882</b>	<b>289 934 581</b>	<b>1 497 193 502</b>
Category B Claims: Other Claims	1 394 998	2 627 767	1 394 998	2 527 767
Category C Claims: Other Matters	188 874	266 660	188 874	266 660
	<b>1 583 872</b>	<b>2 894 427</b>	<b>1 583 872</b>	<b>2 794 427</b>
<b>CONTINGENT ASSETS</b>				
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	4 000 000	4 000 000	4 000 000	4 000 000
Other contingent Assets	879 013	-	879 013	-
Lesira-Teq - claim for supply of faulty water meters	8 224 063	-	8 224 063	-
GCI Logistics	-	12 000 000	-	12 000 000
	<b>13 103 076</b>	<b>16 000 000</b>	<b>13 103 076</b>	<b>16 000 000</b>

### NOTES

(a) The first claim is an application by Strata International and Garden Estate for small and medium Enterprises (PTY) Ltd for the transfer of property in Selcourt ext 4. EMM is opposing the application. The second claim is a damages claim for Hundred and fifty million Rand where EMM is joined as a defendant. The claim arises out of EMM's refusal to transfer the property. This claim is also opposed.

(b) 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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 46. Contingencies (continued)

#### (c) Grade 15

The grading dispute in the EMM stemmed from employees who were of the opinion that the EMM should be graded at higher grade upon amalgamation. They opined that the remuneration structure should be linked to the determination of the Minister on the upper limits regarding remuneration of public office bearers. This resulted in a dispute being declared by the employees. The dispute was arbitrated & the employees were awarded a back pay implementation of a higher grade retrospective to 1 July 2003. The award was still subjected to a Labour Court review as at 30 June 2011, but subsequent to the reporting date the labour court ruled in favour of the municipality and the award was set aside. The employees indicated that they apply for leave to appeal against the labour court ruling. The amount disclosed is a management estimate and the calculation, as well as factor's are subject to estimation uncertainty. The nature of the contingent liability as well as amount disclosed could thus differ substantially from the actual outcome. A salary related increase was applied to the amount and this is the change in values disclosed.

In 2013 this Contingency has been removed, seeing that the Labour Appeal Court gave judgement on 4 October 2013 in this matter. The effect of the judgement is that an initial arbitration award in favour of the employees is set aside and the employees have failed with there dispute.

(d) Plaintiff issued summons against EMM for the purchase of the remainder of ptn 9 of farm Driefontein no. 87 in the amount of R63,000,000 which is illegally occupied and seeks to force the EMM to pay the purchase price. Plaintiff has further instituted a claim for occupational rent in the amount of R775,000 per month and damages over a period of 23 months in the amount of R17,825,000. The matter is being defended.

e) Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

### Controlled entities

#### BBC

There is an agreement between the company and SAMWU ( Representing BBC employees)The parties agree to institute an urgent investigation on the implementation of salary increments during the period of calender years 2000 to 2005 i.e the period before the of the SARPBAC collective agreements. The investigation is due for completion by October 2013.

#### EDC

SA 1 Consulting disputed the cancellation of its contract and indicated its intent on taking legal action for the amount of R 857 280 being the amount that would have been payable for the remainder of the cancelled contract. The matter was dismissed by the magistrate court and now the service provider has appealed to the high court.

M Ramanna and Associates CC instituted legal action in respect of a claim for compensation for work done as part of the SHRA regularisation plan for the amount of R2 334 520.

Performance bonuses of senior management payable on approval in January 2014 estimated to be R104 426.

#### ERWAT

At 30 June 2013 the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantees amounting to R 2,955,100 (2012: R 2,955,100) to third parties.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 47. Related parties

#### Relationships

Accounting Officer

Controlling entity

Controlled entities

K Ngema refer to accounting officer's report

Ekurhuleni Meropolitan Municipality

Brakpan Bus Company SOC Ltd

Ekurhuleni Development Company SOC Ltd

East Rand Water Care Company NPC

Pharoe Park Housing Company SOC Ltd

Germiston Phase II Housing Company SOC Ltd

Lethabong Housing Institue NPC

Close family member of key management

Members of key management

Declarations are retained in a register at tender office.

For details of Members of key management see note below,for remuneration refer to note 31

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 47. Related parties (continued)

Key Management

City Manager  
 Chief Operating Officer  
 Chief Financial Officer  
 Head of Department: Internal Audit  
 General Manager :Electricity & Energy  
 General Manager: Organisational Performance  
 Head of Department: Health  
 Head of Department: Corporate & Legal  
 Head of Department: Communication  
 Head of Department:Human Resources  
 Head of Department: SRAC  
 Head of Department : City Development  
 Head of Department : Community Safety  
 Head of Department : Housing  
 Head of Department : Economic Development  
 Head of Department : ICT  
 Head of Department : Transport  
 Head of Department : Environment  
 Head of Department : Solid Waste  
 Head of Department : Enterprise Project Management  
 Chief Director : RTCW  
 Chief Director : Water Services  
 Chief Risk Officer  
 Chief of Police  
 Secretary of Council

### 2013

Tenders awarded to family members

No	Contract Number	Supplier Name	Relation	Employee Name	Amount
1	C-TPP 02-2013(T)	Dalindyebo & Sons Trading CC Cleaning of 45 formal taxi rank facilities until 30 June 2015	Husband	T Dalindyebo	261,458
2	C-RE 17-2013	Seletje Construction&management CC Supply,delivery and erectionof new palisade and clearview steel fencing as and when until 30 June 2015. Awarded for 1 year only North and Southern Region	Husband	P.M. Lekgwathi	8,425,476
3	C-WS 01-2013(T)	Seletje Construction&management CC Construction of a bulk water pipeline from Rand Water connection to Palm Ridge Reservoir,Katlehong 2	Husband	P.M. Lekgwathi	29,231,561

Deviations on tenders awarded to family members of staff

1	C-WMS 21-2012(T)	Rezoning of two add farm portions as part of Weltevreden Landfill site	Son	P.K. Viljoen	50,128
2	C-E31-2013(T)	Professional services for the electrification of Palm Ridge	Daughter	D.A. Motsoane	0
3	C-E 32-2013(T)	Public Lighting from 1 July 2013 for a six month period for Benoni and surrounding areas	Daughter	D.A. Motsoane	3,270,654
4	C-F 04-2013(T)	Payment for WEMMCs for credit control services	Daughter	D.A. Motsoane	1,052,038

Quotations awarded to famly members of staff

No	Supplier Name	Relation	Employee Name	Amount
----	---------------	----------	---------------	--------

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>47. Related parties (continued)</b>				
1 Clutch and Brake services CC-Springs	R. Beukes	G.R. Beukes	65,236.50	
2 Iponeng African Language Services	D.J.Mokoa	P Ndhlovu	103,220.50	
3 Vision Cleaning Services	K.J. Tshabalala	M.B.Tshabalala	29,070.00	
4 Sebatatso Caterers	E.S.Dhlahla	M.M.Dhlahla	899,455.00	
5 Mankena Maselaelo Bus. Ent.(Pty)(Ltd)	A.M Sibisi	S.P.Sibisi	29,000.00	
6 Empower Electrical CC	T.Sikhitha	H.E.Sikhitha	905,342;.00	
7 Mokgari Trading CC	M.T.Mokgari	N.M.Mokgari	50,416.50	
8 Mzozu Electrical Enterprise CC	V.J. Zungu	Z.C.Zungu	60,019.86	
9 Mjikijela Trading Enterprise CC	M.M.Mthimkulu	S.R.Mthimkulu	149,325.80	
10 NBR Training & Dev. Solutions CC	M.Smith	E.J.J.Smith	41,175.00	
11 Bamphile Trading & Projects Co-Opt Ltd	J.P. Makeleni	L.Makeleni	90,170.00	
12 Dalindyebo Sons Trading CC (EPWP)	P.B.J.Dalindyebo	M.T.Dalindyebo	1,106,009.24	
13 Aveng	J.J.A.Mashaba	J.F.Mashaba	3,196.00	
14 Enyati Projects	K.R.Smith	M.D.Smith	45,037.00	
15 Octavo Electrical	T.L.Boonzaaier	J.A.Boonzaaier	41,770.00	
16 Mangoze Projects & consulting	J.N.Makola	D. Ngozo	57,750.00	
17 Batebiye Business Enterprise	S.Mufamadi	N.E. Mufamadi	21,950.00	
18 Amazima Trading	N.I. Mzima	S.M.Mzima	10,800.00	
19 Manyoni Towing	G.Khoza	J.Mosikidi	14,615.00	
20 Triple P Trading	M.P.Phiri	L.E.Phiri	26,251.00	
21 Muthunzi Trading Enterprise	S.J.Moleshiwa	P.Moleshiwa	105,564.00	
22 Mjikijela Trading Enterprise	M.M.Mthimkulu	S.R.Mthimkulu	91,480.00	
23 Massel Property Services	B.R.Mashazi	M.I.Mashazi	6,270.00	
24 Soul Rehab Event Man. and Projects	E.Vilakazi	T.G.Vilakazi	11,700.00	
25 Jan and Poppy Catering	M.J.Mpamonyane	P.L.Vilakazi	78,685.00	
26 Zumeka Trading	V.Gumbi	B.N.Yende	17,674.00	
27 Kaofela Maintenance Service	B.Steyn	R.P.G.Steyn	4,104.00	
28 CR Safety Solutions	C. Rajoo	S.Rajoo	15,320.00	
29 Zimemo Trading & Projects	V.Z.Nkoe	N.Masondo	61,150.00	
30 Rocstar Trading & Projects	J.R.Nkuna	R.L Nkuna	265,435.00	
31 Imbalenhle Catering & Projects	S.I.Dlamini	L.I.Dlamini	781,960.00	
32 Semaka Fix& Fix Projects	S.M.Makgoba	M.J.Makoba	20,268.00	
33 Nkunyatha General Trading	J.R.Nkuna	R.L Nkuna	198,741.00	
34 TTA Logistics&Consultants	C.S.Dlamini	M.S.Nirgin	151,200.00	
35 Sinisible Trading Enterprise	M.A.J.Hlope	L. Hlope	204,840.00	
36 Zaubu Trading	Z.V.Setlhoho	P.Setlhoho	236,200.00	
37 NMVL Trading & projects	V.L. Mashele	N.M.Mashele	29,789.00	
38 Sesike Electrical	J.V. Botha	M.P. Botha	129,716.00	
39 Menyaka Events	E.Maema	T.J.Maema	129,250.00	
40 Zamokuhle Funeral Directors	J.J.Mokgotla	S.M.Dladla	19,300.00	
41 Monique Plumbing Unit	H.M.Mokoka	S.C. Mokoka	29,869.00	
42 Selhlo Construction & Projects	H.M.Mokoka	S.C. Mokoka	41,880.00	
43 Nasisipho Trading & Projects	F.W.Mogabale	M.N.Mogabale	41,145.00	
44 Tragma Trading & Projects	D.G.Malatji	A.N. Mathe	27,831.00	
45 Red Step Investments 34 CC	M.Magoba	M.J.Makgoba	27,080.30	
46 TPromo Marketing (pty)Ltd	M.Mackson	S.R.Mthimkulu	72,965.00	
47 Zilwa DG	D.G.Zilwa	H.T.Mthembu	119,063.00	
48 Green Today Projects (Pty)Ltd	K. Nqubezelo	G.L.N. Nqubezelo	189,550.00	
49 Nnuku Building Construction CC	Sister	D.P.Mhlahlo	53,390.00	

### Controlled Entities

1. Pharo Park: Nombusi Waste recycling: R 1 940.00
2. Germiston Phase II Housing Company: Nombusi Waste recycling: R 12 000.00

### 2012

Tenders awarded to family members of staff.

1.PMO (ED) SWL 49:Appointment of a registered civil engineering consultant for the rendering of a technical advisory servie at the rietfontein Landfill site 1 July 12- 30 June 15 for the amount of R 632 260.00

2.PS-ED (SWL) 21/2011: Appointment of a consultant for the re-zoning of portions of the property on which the Weltevreden waste disposal site is situated for the amount of R 318 000.00



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 47. Related parties (continued)

3.A-ED (SWL) 01/2011: Appointment of a financial administration consultant (FAC) experienced in the field of solid waste landfill sites for the administration of five landfill sites and one privately owned site from date of award until 30 June 2012 for the amount of R 3,132,973.00.

4. A-IS (RW) 03/2012: Upgrade and construction of roads and stormwater infrastructure -as and when- until 31 December 2012 for the amount of R 67,985,731.04

Quotations awarded to family members of staff.

- 1.FWMN Mogabale Construction cc : R 275,149.14
- 2.Ipopeng African Language Services :R 355,453.82
- 3.Isolomzi Bed and Breakfast Place cc: R 98,810.00
4. Madi Business Enterprise cc :R 31,464.00
- 5.Reshoketswe Distribution cc: R 123,829.24
- 6.Supreme Range General Supplier cc: R 579,203.09
- 7.Takalani Development Corporation cc:29,810.00
8. Vukani General Contractors and Maintenance cc: R208,215.61
9. Zimemo Trading and Projects cc: R115,689.00

### Related party balances

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

East Rand Water Care Company, NPC	8 760 689	3 757 993
Pharoe Park Housing Company SOC Ltd	1 558 583	1 466 737
Brakpan Bus Company SOC Ltd	1 823 307	693 843
Lethabong Housing Institute, NPC	41 348	63 795
Germiston Phase II Housing Company SOC Ltd	2 485 974	2 218 353
Ekurhuleni Development Company SOC Ltd	-	636

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

East Rand Water Care Company, NPC	8 482 689	18 891 652
Pharoe Park Housing Company SOC Ltd	124 539	-
Germiston Phase II Housing Company SOC Ltd	221 902	-
Lethabong Housing Institute, NPC	34 393	51 382
Ekurhuleni Development Company SOC Ltd	5 776	-

### Related party transactions

#### Sales to related parties - municipal entities

East Rand Water Care Company, NPC	50 412 765	46 898 655
Pharoe Park Housing Company SOC Ltd	2 558 105	2 379 646
Germiston Phase II Housing Company SOC Ltd	4 279 269	3 622 371
Ekurhuleni Development Company SOC Ltd	42 127	38 811
Brakpan Bus Company SOC Ltd	110 000	110 000
Lethabong Housing Institute, NPC	108 463	104 944

#### Purchases from related parties - municipal entities

East Rand Water Care Company, NPC	480 565 990	423 595 568
-----------------------------------	-------------	-------------

#### Grants to related parties - municipal entities

Pharoe Park Housing Company SOC Ltd	12 252 839	2 567 500
Germiston Phase II Housing Company SOC Ltd	21 247 161	3 932 500
East Rand Water Care Company, NPC	69 846 238	57 780 417
Brakpan Bus Company SOC Ltd	1 500 000	-

Refer to Employee related costs note (note 31) for remuneration paid to key management.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 48. Change in estimate

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

##### Controlling entity

Useful lives review had the following impact:

Depreciation expense before remaining useful lives review	R 56 496 918
Depreciation expense after remaining useful lives review	R 25 988 255
Future reduction in depreciation due to review	R 30 508 663

##### Controlled entities

Useful lives review had the following impact:

Future reduction in depreciation due to review	R 3 324 547
--	-------------

#### Discount rate

The discount rate has changed from 11% to 10.75%.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 49. Prior period errors

#### 2013

##### Controlling entity

Assets which were fully depreciated but still in use were retrospectively corrected in the current year.

VAT on outstanding consumer debtors and trade creditors were netted-off in the past against the relating balances, but were changed in the current year by showing them separately.

##### Controlled entities

##### EDC

The entity provided for Workmen's Compensation for the periods 2007 to 2012.

The entity provided for penalties and interest on PAYE as well as made various adjustments to the tax provision.

An adjustment was made for an over accrual on Temp salaries.

A VAT debtor, that is considered to be not recoverable, was written off.

A correction was made for management fees incorrectly undercharged in the prior year.

Taxation was adjusted due to change in taxable income.

##### PPark

Incorrect bank charges were recovered relating to prior years.

Incorrect utility accounts, as well as interest relating thereto, were corrected.

##### Phase II

Incorrect bank charges recovered relating to prior years.

Incorrect utility bills corrected in current year.

Management fees were adjusted due to an error in amounts to be paid in the prior year.

##### LHI

Income Tax credit adjustments.

Incorrect utility accounts corrected.

##### ERWAT

PPE - The useful life review was not done sufficiently in prior years for specific assets. ERWAT has corrected the useful lives for all R0 assets and assets that had no useful life allocated to it. This adjustment resulted in the depreciation decreasing in the 2012 financial year with (R 2 373 900), property plant and equipment increased with R50 353 031 and intangible assets decreased with R 44 464.

#### 2012

##### Property, plant and equipment

Correction of assets recognised as PPE which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

Assets previously capitalised as work-in-progress which does not meet the definition of an asset and has subsequently been expensed

Correction of accumulated depreciation that should have been raised due to work-in-progress projects not being capitalised on completion dates.

Work-in-progress adjustment due to water metres incorrectly included in property, plant and equipment, now transferred to other receivables from exchange transactions

##### Inventory

Correction of assets recognised as inventory which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

##### Service charges

Recalculation of billed services consumption after year-end in respect of reading period prior year (cut-off).

Consumption adjustment journals processed in current financial year which relates to adjustment period in previous financial year.

##### Pre-paid electricity

Calculated pre-paid electricity purchased in advance, not provided for in previous financial year.

##### Departmental charges

The entity changed the way it reports departmental charges and re-allocated some items within surplus and deficit for the prior year.

##### Current tax payable

Changes were made to tax payable after assessments have been received.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 49. Prior period errors (continued)

#### Other changes

Other minor changes were made by the controlled entities.

The correction of the errors results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment (PPE)	231 254 649	(3 614 394 689)	180 901 618	(3 614 394 689)
Consumer Debtors	324 167 558	666 836 722	324 167 558	666 836 722
Intangible assets	(44 464)	-	-	-
Other receivables from exchange transactions	162 813 491	35 372 770	162 694 969	35 328 905
Inventories	-	(12 341 400)	-	(12 341 400)
Current tax payable	(31 656)	(145 367)	-	-
Minority interest	(1 465 060)	871	-	-
Trade and other payables	(926 563 388)	-	(927 371 972)	-
Opening accumulated surplus	386 192 655	2 487 823 733	432 898 805	2 487 656 473

#### Statement of Financial Performance

Service charges	-	378 067 581	-	378 067 581
Service charges - departmental	-	56 621 310	-	56 621 310
Property rates	-	(14 715 257)	-	14 715 257
Rendering of services	(232 483)	-	-	-
Repairs and maintenance	-	104 520 629	-	104 520 629
Repairs and maintenance - departmental	-	521 931 489	-	521 931 489
Depreciation and amortisation	(46 767 925)	(45 674 221)	(44 394 026)	(45 674 221)
Taxation	11 216	-	-	-
Debt impairment	(128 896 952)	-	(128 896 952)	-
Finance cost	(25 125)	-	-	-
Employee related costs	20 262	-	-	-
Employee related costs - departmental	-	(563 834 932)	-	(563 834 932)
General expenses - departmental	-	(2 610)	-	(2 610)
Other expenses	(432 778)	(66 629)	-	-

### 50. Comparative figures

**Certain comparative figures have been reclassified to enhance presentation and/or where consequential amendments, due to other standards becoming effective, was required**

#### Statement of Financial Position

- The description "Other receivables from non-exchange transactions" have been changed to "Receivables from non-exchange transactions (taxes and transfers)" due to it being a consequential amendment with the implementation of GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers).
- The PPE notes and recons have been reclassified into categories according to fixed assets register, in order to add an additional class for work in progress.

#### Notes to the annual financial statements

- Employee related cost disclosure has been enhanced to reflect more details pertaining to allowances.
- The format of the Additional disclosure in terms of the MFMA note, relating to councillors arrear consumer accounts, has changed and aging in days was added.
- The Government grants and subsidies note has been enhanced to distinguish between operating and capital grants.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 51. Risk management

#### Capital Risk Management

The economic entity's objectives, when managing capital, are to safeguard the economic entity'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 economic entity consist of debt, which includes the borrowings disclosed in note 18 and cash and cash equivalent disclosed in note 16.

Consistent with others in the industry, the economic entity monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

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

The gearing ratio 2013 and 2012 respectively are as follow:

<b>Total borrowings</b>				
Other financial liabilities	(647 116 038)	(202 017 110)	(629 420 732)	(182 305 105)
Less: Cash and cash equivalent	(4 569 370 984)	(3 050 454 166)	(4 374 377 023)	(2 838 424 089)
Net debt	(5 216 487 022)	(3 252 471 276)	(5 003 797 755)	(3 020 729 194)
Total equity	40 712 898 532	39 461 553 549	39 657 030 322	38 581 144 640
<b>Total capital</b>	<b>35 496 411 510</b>	<b>36 209 082 273</b>	<b>34 653 232 567</b>	<b>35 560 415 446</b>

#### Financial risk management

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

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

Risk management is carried out by the risk management department under policies approved by the accounting officer. Economic Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the economic entity'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.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 51. Risk management (continued)

#### Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity 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 economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Economic entity

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	629 420 732	340 513 474	2 258 697 948	1 904 565 623
Trade and other payables	4 428 220 205	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	182 305 105	576 086 716	520 209 927	3 236 192 418
Trade and other payables	3 624 850 282	-	-	-

#### Interest rate risk

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

The economic entity 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 economic entity 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
Consumer debtors	9,00 %	3 552 483 440		
Long term receivables	9,00 %	795 540	795 540	795 540

#### Fair value 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 after five year
Long term and other liabilities	11,00 %	629 420 732	340 513 474	2 258 697 948	1 904 565 623

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 51. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash & cash equivalents, derivative financial instruments and trade debtors. The economic entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

The economic entity is exposed to a guarantee for the loan of Brakpan Bus Company (BBC) (municipal entity). In terms of the agreement the beneficiary (Nedbank) requires that BBC finish them a guarantee from the economic entity in respect of BBC's obligations towards the beneficiary. The original capital obligation amounted to R15 000 000.

Financial instrument	Economic entity		Controlling entity	
	2013	2012	- 2013	- 2012
Other Investments	822 985 643	489 470 441	822 985 644	489 470 461
Long-term receivables	2 386 621	2 519 835	2 386 621	2 519 835
Consumer debtors	3 552 483 440	3 008 133 641	3 552 483 440	3 008 133 641
Other receivables	164 718 831	147 936 512	161 577 622	144 473 485
Cash and cash equivalents	4 569 370 984	3 050 454 531	4 374 377 023	2 838 424 089
Listed and Unlisted shares	9 766 549	8 642 064	4 000 000	4 000 000
	9 121 712 068	6 707 157 024	8 917 810 350	6 487 021 511

#### Price risk

The economic entity is exposed to equity price risk because of investments held by the economic entity classified on the Statement of Financial Position as available -for- sale. The economic entity is not exposed to commodity price risk.

The economic entity 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.

### 52. Going concern

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

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 52. Going concern (continued)

#### Controlling entity

Cash and Cash Equivalents, Investments and Liquidity Ratio's

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

Table 31: Cash and cash equivalents as at 30 June 2013

	<b>30 June 2013</b>	<b>30 June 2012</b>
Cash and Cash Equivalents	4 374 377 023	2,838,424,089
Current Ratio/Solvency Ratio	1.62	1.56
Acid Test Ratio	1.59	1.52
Number of days total cash held (total cash and investments)	97.42	61.00
Number of days total cash held (operating cash)	91.05	79.20
Number of days total cash held (Un-encumbered cash)	91.05	79.20
Interest cover	8.37	6.15

Cash and cash equivalents have increased significantly as a result of the following:

- Increased borrowings to fund long term infrastructure
- Increased collections
- On-going cost reduction strategies – all heads of departments have cost savings targets included in the performance agreements

**Current Ratio/Solvency Ratio** = Current assets:Current liabilities

**Acid Test Ratio** = Current assets less Inventory:Current liabilities

**Number of days total cash held (total cash and investments)** = Total bank and investments / Budgeted cash operating expenditure based on 365 days per year.

**Number of days total cash held (operating cash)** = Total bank and investments less encumbered investments, unspent loans and grants / Budgeted cash operating expenditure based on 365 days per year.

**Number of days total cash held (Un-encumbered cash)** = Total bank and investments less encumbered investments, unspent loans and grants as well as Statement of Financial Position provisions and reserves to be cash-backed as per EMM cash management policy / Budgeted cash operating expenditure based on 365 days per year.

**Interest cover** = Bank balance / Budgeted interest liability for the year.



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 52. Going concern (continued)

#### Controlled entities

##### **EDC**

The entity's revenue is based on its management services provided to the housing companies. The ability of the company to continue as a going concern is dependent on the viability of Pharo Park Housing Company SOC (Pty) Ltd and Phase II Housing SOC Company (Pty) Ltd. As the collection of rental income of the companies are improving, the transfer of rental stock from EMM and the turnaround strategy for the companies should be able to continue as a going concern. In addition the controlling entity committed to assist with a grant of R3.5 Million, over 3 years respectively to Pharo Park and Phase II. Further an amount of R30 million have been approved for further assistance in 2012/2013. This will ensure that the associated entities remain going concerns and will result in EDC also remaining a going concern as result of the management fees' recoverability.

##### **PPark**

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

##### **Phase II**

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

##### **LHI**

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

##### **BBC**

The entity has an interim contract with the Department of Transport (DOT) for the provision of transport services for which it receives a subsidy on a monthly basis. The current contract ends 31 March 2014. According to the company it will receive less than it is entitled to in the new financial year. This matter is currently been discussed at the highest level in the DOT and the Ekurhuleni Metropolitan Municipality.

##### **ERWAT**

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

The ability of the entity to continue as a going concern is dependent on the continued support of Ekurhuleni Metropolitan Municipality (parent municipality) by way of service charges for treatment of waste water and the provision of related engineering services paid each year in terms of the service delivery agreement entered into between ERWAT and Ekurhuleni Metropolitan Municipality.

### 53. Events after the reporting date

1. Grade 15 - The Labour Appeal Court gave judgement on 4 October 2013 in this matter. The effect of the judgement is that an initial arbitration award in favour of the employees is set aside and the employees have failed with their dispute. The matter has been removed as a contingent liability.

2. Actuarial valuations in respect of employee benefits were received from the actuaries in November 2013 and amounts were adjusted accordingly.

#### Controlled entities

##### **BBC**

The company has continued its negotiations with the Department of Transport for the continuation of the subsidy previously received. These negotiations were incomplete at the date of the signing of these financial statements. The Managing Director resigned on 22 July 2013.

##### **ERWAT**

The increases in directors' remuneration for the financial year 30 June 2012 and 30 June 2013 were approved on the 19 August 2013 to the value of R 370,682 for the financial year 2012 and R 370,682 for the financial year 2013.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>54. Unauthorised, Fruitless, Wasteful and Irregular expenditure</b>				
<b>Irregular expenditure</b>				
Opening balance	358 713 190	399 401 355	288 307 701	397 081 560
Add: Expenditure identified for the year	123 154 293	299 685 744	105 824 706	229 280 255
Less: Amounts ratified/approved by council/board	(828 300)	(340 373 909)	-	(338 054 114)
	<b>481 039 183</b>	<b>358 713 190</b>	<b>394 132 407</b>	<b>288 307 701</b>
<b>Fruitless and Wasteful expenditure</b>				
Opening balance	110 089 325	38 275 611	109 967 023	37 872 937
Add: Expenditure identified for the year	39 713 898	74 760 420	39 113 512	74 638 118
Less: Amounts ratified/approved by council/board	(62 197)	(2 946 706)	-	(2 544 032)
	<b>149 741 026</b>	<b>110 089 325</b>	<b>149 080 535</b>	<b>109 967 023</b>

### Controlling entity

#### 2013

Department	Description	Amount	Classification
SCM	Allegations of procurement irregularities at marketing Department	R 250,139.00	Irregular
SCM	Allegations of possible fraud against employee	R 123,532.00	Fruitless & Wasteful
SCM	Alleged misconduct perpetration at Brakpan Stores	R 239,525.00	Irregular
SCM	Procurement irregularities at Community Safety	R 283,012.00	Irregular
SCM	Procurement irregularities at Community Safety	R 59,394.00	Irregular
SCM	Kagotso Iaka Academy	R 20,000.00	Irregular
SCM	Review of suppliers	R 55,169.00	Irregular
SCM	Electrification of Winnie Mandela-standing time claim	R 959,991.00	Fruitless & Wasteful
SCM	Penalty interest payments - various	R 2,339,469.59	Fruitless & Wasteful
SCM	Cancellation of contracts	R1,449,231.69	Fruitless & Wasteful
SCM	Funeral claims duplicated	R 157,550.00	Irregular
SCM	Software never used	R 158,674.00	Fruitless & Wasteful
SCM	Inventory software not in use	R 1,110,766.00	Fruitless & Wasteful
SCM	Greening - 7860 fruit trees not found	R 1,239,515.00	Fruitless & Wasteful
SCM	Air Conditioners Edenvale CCC	R 429,020.00	Fruitless & Wasteful
SCM	Valuations of properties duplicated	R31,303,312.87	Fruitless & Wasteful
SCM	Improper application of paragraph 36 of the supply chain management policy	R29,787,990.00	Irregular
SCM	Awards to employees	R63,753,643.00	Irregular
SCM	Reinstatement of contract not approved but payment was made	R11,218,284.00	Irregular

Refer to Appropriation Statement for any unauthorised expenditure

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 54. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

#### 2012

Department	Description	Amount	Classification
SCM	Section 33 application to appoint a service provider for a period exceeding 3 years were not concluded	R 17,312,799.00	Irregular
SCM	Claim against EMM for damages due to an advertising board falling on and injuring a bystander	R 2,309,230.00	Fruitless & wasteful
SCM	Interest on late payment to SALA Pension fund	R 212,473.00	Fruitless & wasteful
SCM	Appointment of supplier exceeding the 3 year period	R 2,219,719.00	Irregular
SCM	Irregularities pertaining to the installation and electrical reticulation of Winnie Mandela Park	R 2,684,511.67	Fruitless & wasteful
SCM	Quotations limited to R20,000 to circumvent the tender process	R 1,650,000.00	Irregular
SCM	Business Linkage centres were not implemented/contracted through the tender system/process	R 1,800,000.00	Irregular
SCM	Procurement processes were not adhered to - procured with incorrect order numbers	R 291,042.76	Irregular
SCM	Conflict of interests in the Outdoor Advertising	R 142,842.00	Irregular
SCM	Irregularities i.r.o. transactions in building maintenance section	R 123,532.40	Irregular
SCM	Awards to employees	R 4,002,145.00	Irregular
SCM	Duplicating of litter picking and street cleaning services	R 28,925,257.63	Fruitless & wasteful
SCM	Irregularities around the storing of paving	R 992,290.20	Irregular
SCM	Review of procurement of the water awareness programme	R 2,414,262.31	Fruitless & wasteful
SCM	Allegations on group One electrical cc SAMWU	R 6,626,799.50	Fruitless & wasteful
SCM	Awards above R10m not approved by the accounting officer in terms of section 5(2)(a) of the supply chain management policy	R 119,250,753.00	Irregular
SCM	Appointment of Lesira-tec under paragraph 32 of the supply chain policy	R 45,545,872.00 R 31,465,584.00	Irregular Fruitless & wasteful
SCM	Awards to family members of employees where no declaration of interest was received	R 784,022.00	Irregular
SCM	Awards made to persons in the service of other organs of state where no declaration of interest was received	R 6,381,168.00	Irregular
SCM	Improper application of paragraph 36 of the supply chain management policy	R 28,784,070.00	Irregular

#### Controlled Entities

Fruitless expenditure of the controlled entities amounted to R 600 386 (2012 R 122 302)

Irregular expenditure of the controlled entities amounted to R 98 125 061 (2012 R 70 405 489)

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012
<b>55. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	7 350 000	9 575 000	7 350 000	9 575 000
Amount paid - current year	(7 350 000)	(9 575 000)	(7 350 000)	(9 575 000)
	-	-	-	-
<b>Material losses through criminal conduct and fraudulent activities</b>				
No material losses through criminal conduct and fraudulent activities (2012: None)				
<b>Audit fees</b>				
Opening balance	229 719	-	-	-
Current year fees	21 627 275	18 006 245	19 784 055	14 880 101
Amount paid - current year	(20 148 649)	(17 776 526)	(18 220 797)	(14 880 101)
	<b>1 708 345</b>	<b>229 719</b>	<b>1 563 258</b>	-
<b>PAYE and UIF</b>				
Opening balance	175 139	281 856	-	-
Current year payroll deductions	665 714 859	628 387 929	643 171 078	609 462 329
Amount paid - current year	(662 059 105)	(628 494 646)	(643 171 078)	(609 462 329)
	<b>3 830 893</b>	<b>175 139</b>	-	-
<b>Pension and Medical Aid Deductions</b>				
Opening balance	49 028	14 195	-	-
Current year payroll deductions	1 316 917 409	889 215 282	1 279 457 054	856 465 974
Amount paid - current year	(1 316 920 271)	(889 180 449)	(1 279 457 054)	(856 465 974)
	<b>46 166</b>	<b>49 028</b>	-	-
<b>VAT</b>				
VAT receivable	76 271 226	29 540 450	65 844 724	29 540 450

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
MABUZA	-	299	299
SHONGWE NG	1 463	1 831	3 294
LETSIMO ST	583	3 438	4 021
NTOMBELA SI	261	9 535	9 796
LESHABANE SM	-	30 407	30 407
	<b>2 307</b>	<b>45 510</b>	<b>47 817</b>

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
BALE NE	202	78	280
BODIBE S	-	21 804	21 804
DHLADHLA MG	-	4 131	4 131
KHUMALO TL	134	6 690	6 824
LESHABANE SM	-	67 679	67 679
LETSIMO ST	1 355	71 770	73 125
MABASO CN	162	12 592	12 754
MABOTE MI	-	12 428	12 428
MABUZA TH	1 459	23 214	24 673
MAHLOMA KF	395	1 892	2 287
MAKALENG PJ	156	719	875
MAKGOBOLA TU	1 182	7 752	8 934
MARAQANA SR	811	30 542	31 353
MDLULI NB	737	23 701	24 438
MOHOALADI MS	380	14 353	14 733
MWELASE SP	431	1 545	1 976
MXABANGELI VS	-	17 093	17 093
NGOBESE SS	437	6 705	7 142
NGOBESE A K	2 352	27 194	29 546
NKOSI MI	-	26 127	26 127
NOMVETE JP	933	62 958	63 891
NTOMBELA SI	493	14 644	15 137
PAPU ME	1 788	24 631	26 419
PIENAAR R	818	1 590	2 408
RADEBE TG	164	7 245	7 409
SHABALALA R R	-	6 932	6 932
SHONGWE NG	2 684	13 339	16 023
TSHONGWENI ZK	1 430	7 646	9 076
VILAKAZI G	996	420	1 416
ZIDE V G	-	21 471	21 471
ZUMA LZ	-	4 563	4 563
	<b>19 499</b>	<b>543 448</b>	<b>562 947</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2013		Highest outstanding amount	Aging (in days)
LESHABANE SM	-	30 407	1 410
NTOMBELA SI	-	9 535	780
LETSIMO ST	-	3 438	300
SHONGWE NG	-	1 831	120
MABUZA	-	299	450

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

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

	-	-	45 510	3 060
--	---	---	--------	-------

30 June 2012

			Highest outstanding amount	Aging (in days)
LETSIMO ST	-	-	71 770	-
RADEBE TG	-	-	67 679	-
MABUZA TH	-	-	62 958	-
MAKALENG PJ	-	-	30 542	-
BODIBE S	-	-	27 194	-
TSHONGWENI ZK	-	-	26 127	-
DHLADHLA MG	-	-	24 631	-
MAKGOBOLA TU	-	-	23 701	-
KHUMALO TL	-	-	23 214	-
PAPU ME	-	-	21 804	-
ZIDE V G	-	-	21 471	-
SHONGWE NG	-	-	17 093	-
MARAQANA SR	-	-	14 644	-
MXABANGELI VS	-	-	14 353	-
BALE NE	-	-	13 339	-
NKOSI MI	-	-	12 592	-
SHABALALA R R	-	-	12 428	-
MABASO CN	-	-	7 752	-
LESHABANE SM	-	-	7 646	-
NGOBESE A K	-	-	7 245	-
VILAKAZI G	-	-	6 932	-
MDLULI NB	-	-	6 705	-
NTOMBELA SI	-	-	6 690	-
ZUMA LZ	-	-	4 563	-
PIENAAR R	-	-	4 131	-
MWELASE SP	-	-	1 892	-
MAHLOMA KF	-	-	1 590	-
MOHOALADI MS	-	-	1 545	-
NOMVETE JP	-	-	719	-
MABOTE MI	-	-	420	-
NGOBESE SS	-	-	78	-
	-	-	<b>543 448</b>	-

Due to the complexity of the billing system, it is impracticable to reflect comparative days for the 2012 year.

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

Outstanding long-term liabilities	4 682 513 309	4 070 190 973	4 515 511 723	3 891 068 355
Redemption of loans	(219 907 558)	(187 677 664)	(182 313 946)	(175 556 632)
New loans	800 000 000	800 000 000	800 000 000	800 000 000
	5 262 605 751	4 682 513 309	5 133 197 777	4 515 511 723
Used to finance PPE: Opening balance	(4 270 352 794)	(4 058 069 941)	(4 103 351 208)	(3 891 068 355)
Redemption of loans	219 907 558	175 556 632	182 313 946	175 556 632
Capital financed from external loans for the year	(965 257 954)	(475 499 863)	(965 257 954)	(475 499 863)
Opening balance of unspent long term liabilities brought forward	-	87 660 378	-	87 660 378
<b>Unspend long term liabilities</b>	<b>246 902 561</b>	<b>412 160 515</b>	<b>246 902 561</b>	<b>412 160 515</b>
Cash set aside for the repayment of long-term liabilities for the year	819 319 820	428 095 850	819 319 820	428 095 850

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.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

### 57. 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 group annual financial statements.

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

Emergencies	17 104 905	19 703 742	15 757 212	3 961 430
Sole supplier	31 790 455	19 163 200	31 258 890	18 450 456
Appointment of consultant	20 857 088	51 087 435	20 857 088	50 856 587
Upgrade electricity infrastructure	1 550 000	14 267 141	1 550 000	14 267 141
Upgrade of roads infrastructure	-	68 100 000	-	68 100 000
Upgrade water infrastructure	-	30 000 000	-	30 000 000
Events	502 635	420 772	502 635	420 772
Operational services	81 331 975	22 914 259	53 926 224	22 914 259
Other	1 111 580	1 597 717	-	1 597 717
Training	788 800	2 187 935	788 800	2 187 935
Extension of contracts	28 676 578	113 732 735	26 294 339	113 732 735
Deviations less than R200 000	7 162	1 234 434	-	1 234 434
	<b>183 721 178</b>	<b>344 409 370</b>	<b>150 935 188</b>	<b>327 723 466</b>

Operational services of R53,926,224 include inter alia the following salient amounts:

- R10,000,000 for fuel for a period of 4 months
- R20,583,333 for cut-off functions for 5 months
- R12,000,000 for vehicle tracking system for 12 months
- R10,772,835 is the balance of various other minor services

### 58. Unaccounted Electricity And Water

Electricity	2012/2013	2012/2013	2011/2012	2011/2012
	Units	Value	Units	Value
Units purchased	10 754 556 104	6 596 765 317	10 874 885 184	5 934 915 571
Units sold	(9 615 241 272)	(5 900 324 098)	(9 665 581 695)	(5 274 944 088)
	<b>1 139 314 832</b>	<b>696 441 219</b>	<b>1 209 303 489</b>	<b>659 971 483</b>

Technical loss %	5.90 %	5.90 %	5.90 %	5.90 %
Non-technical loss %	4.69 %	4.69 %	5.22 %	5.22 %
<b>Total loss %</b>	<b>10.59 %</b>	<b>10.59 %</b>	<b>11.12 %</b>	<b>11.12 %</b>

Water	2012/2013	2012/2013	2011/2012	2011/2012
	Units	Value	Units	Value
Opening balance	1 203 000	5 478 787	1 246 000	5 069 381
Units purchased	346 582 721	1 755 307 842	339 056 381	1 544 154 231
Less: closing balance	(1 205 000)	(6 102 860)	(1 203 000)	(5 478 786)
Units sold	(236 470 429)	(1 197 631 541)	(236 225 854)	(1 075 416 134)
	<b>110 110 292</b>	<b>557 052 228</b>	<b>102 873 527</b>	<b>468 328 692</b>

Technical loss %	16.30 %	16.30 %	16.20 %	16.20 %
Non-technical loss %	15.50 %	15.50 %	14.14 %	14.14 %
	<b>31.80 %</b>	<b>31.80 %</b>	<b>30.34 %</b>	<b>30.34 %</b>

### 59. Budget differences

#### Material differences between budget and actual amounts

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

Material differences in expenditure, relating to those where actual amounts are less than budget, mainly relates to savings on the budget. Council took an IDP decision that savings of 6% must be achieved on expenditure. These savings are within various categories which indirectly influence service delivery.

For additional details on material differences, please refer to the Appropriation Statement included in the Annual Financial Statements above, as well as the Annual report.

### Controlled Entities

#### ERWAT

The under expenditure of the operating budget was mainly due to the under expenditure of depreciation and finance charges. The approved budget for capital expenditure was R 341,317,763, however an adjustment budget of R186,208,896 was approved in January 2013 due to delay in capital projects. The R550 million loan was not taken up yet as the cash flow was sufficient to cover the capital expenditure. The loan will be taken up early in the next financial year. Therefore the depreciation and finance charges are much less, as the budget for these two accounts were based on the higher capital budget. The repairs and maintenance budget was overspend and this was funded out of the savings in depreciation and finance charges.

The capital expenditure are 115% of the adjustment budget and 65% of the original budget. The cash flow balances are also higher than the budget, due to the adjustment of the capital budget. This higher cash balance also resulted in the higher investment revenue than budgeted.

### Changes from the approved budget to the final budget



# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2013	2012	2013	2012

The following are motivations for the budget adjustments:

### INCOME BUDGET

#### Government Grants and Subsidies

A specific reduction in the income from government of R12million was the reduction of health subsidy by Gauteng Province. The functions rendered at the Philip Moyo clinic was taken over by Council. However, council continued with the clinic services from own funding.

Though only a net amount of adjust is R7 035 503 is reflected cognizance must be taken of the fact that the various transfers took place between the income received for capital and operational grants, which were as follows:

Increase in Operational Grants Income	R218 945 526
Decrease in Capital Grant Income	R211 910 023

One of the main reasons for the transfer relates to projects not regarded as capital expenditure and therefore reduced and transferred from operating budget. The biggest project was the refinancing of the chemical toilets amounting to R169m. The effect of the refinancing of the chemical toilets is also affecting the transfers on the expenditure budget (Grants and Subsidies Paid).

The effect of the movement of Grants and Subsidies effected the for the Grants and Subsidies Paid in the Operating Expenses as well.

#### Property Rates and Service Charges

The Property Rates income reflected a reduction of income of R40.5m whilst the income from Service Charges is reflecting additional income of R46.5m. Both movements are merely a transfer of budgets between departmental services charges. No additional external income was budgeted.

### EXPENDITURE BUDGET

#### Bulk Purchases

The Bulk Purchases budget was increased mainly to accommodate the additional electricity costs of R2m for the sewer pump stations.

#### Contracted Services

The Contractor Services Budget was increased with R45.7m and the main projects were as follows:

- Contracts Legal Services:	R26 052 000
- Contracts Meter Management:	R23 562 203
- Contracts External Security:	R 7 645 050 (net increase)

Some of the line items with large saving were:

- Contracts Valuation Roll:	R 8 227 994
- Environmental Contracts Refuse Removal and Solid Waste:	R18 293 102

#### Employee Related Costs

Employee Related Costs were reduced with R94.6m during the Adjustment Budget in January 2012 to accommodate additional budget requests by department on other expenditure categories. In addition various transfers were approved during the year for funding of other expenditure. These transfers were largely based on the criteria that sufficient savings were available on the salary budget of departments to accommodate their requests.

The total reduction of employee related costs was R129 973 331.

#### General Expenses

General Expenses were increased with R90 323 212. The main line items affected were as follows:

- Consultant Fees (Project Budgets of flagship projects)	R26 439 184
- Land Invasion Management	R 5 494 058
- Uniforms and Protective Clothing	R 8 275 442
- Special Events	R 5 993 466
- Travelling cost	R11 332 584
- Vehicle Costs: Fuel and Lubricants	R11 025 027

In addition to the transfers as approved in the Adjustment Budget various virements (transfers within a department) were approved during the year, bringing the total transfer for general expenditure to R90 323 212.

#### Grants and subsidies Paid

The increases were mainly as a result of transfers of projects from capital to operating budget. The biggest transfer being the chemical toilets funded by the USDG grant. See also explanation of Government Grants and Subsidies on the Income Budget.

#### Repair and Maintenance

Various transfers between the different expenditure line items were approved during the Adjustment Budget.

For additional details, please refer to the Appropriation Statement included in the Annual Financial Statements above, as well as the Annual report.

# Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2013

## Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2013	2012	2013	2012

### Controlled Entities

#### ERWAT

A capital expenditure adjustment budget of R186,208,896 was approved during January 2013. There was a reduction of R155,108,867 due to delay in the capital programmes.

For the changes between the approved and final budget of the other Entities please refer to their respective annual reports.